KUWAIT NATIONAL AIRWAYS COMPANY K.S.C.P.

FINANCIAL STATEMENTS

31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT NATIONAL AIRWAYS COMPANY K.S.C.P.

Report on the Audit of Financial Statements

Disclaimer of Opinion
We were engaged to audit the financial statements of Kuwait National Airways Company K.S.C.P. (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Disclaimer of Opinion

i. As disclosed in Note 2 to the financial statements, the Company incurred loss of KD 134,567 for the year ended 31 December 2021 (2020 loss of: KD 2,452,842) and accumulated losses exceeded its share capital. Further. On 16 March 2011, the Company's Board of Directors (the "Board") resolved to cease the airline operations and called for an extraordinary general meeting ("EGM") of the Company's shareholders to decide on the future of the Company. During July 2017, the Company had recommenced its operations after reviving its Air Operator Certificate ("AOC") with the Directorate General of Civil Aviation ("DGCA"). During the prior year, the DGCA has revoked the Company's AOC on 6 December 2018 due to frequent flight delays and cancellations by the Company. The ability of the Company to continue as a going concern is contingent on raising additional funds through increasing the share capital from either the Company's existing shareholders or from new strategic shareholders and securing additional loans. We were unable to obtain sufficient appropriate evidence to determine whether the Company will be able to increase the share capital or obtain additional loans. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the amounts recorded in the financial statements as at 31 December 2021 if the Company is unable to continue in operational existence for the foreseeable future.

ii. As disclosed in Note 13 to the financial statements, one of the aircraft lessors has filed legal claims aggregating to KD 3,424,913 against the Company for the recovery of its dues. During the prior year, on 21 November 2018 the appeal court has issued its verdict that the Company is only liable to the aircraft lessor for an amount of United States Dollar ("USD") 3,018,693, amounting to approximately KD 931,762, in addition the aircraft lessor won another legal case amounting to KD 401,425. Further, during the year ended 31 December 2012, the Company has filed a separate legal claim against the aircraft lessor for an amount of USD 12,560,000. During the year ended 31 December 2015, the experts committee had issued its report for an amount of USD 3,285,000 in favour of the Company for which both parties had appealed to it During the year ended 31 December 2019, the Court of Cassation has issued its verdict requiring both parties to settle the legal claims against one another. As a result, the Company is liable to pay the aircraft lessor KD 335,533 in which the Company recorded the amount in the financial statements as of 31 December 2020 instead of the year ended 31 December 2019. Management has not restated the financial statements in accordance with IAS 8. As such, loss for the year ended 31 December 2020 is overstated by KD 335,533; and loss for the year ended 31 December 2019 is understated by KD 335,533.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT NATIONAL AIRWAYS COMPANY K.S.C.P. (continued)

Report on the Audit of Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

iii. As disclosed in Note 13, claimants have also filed claims against the Company and the ultimate outcome of these claims is still uncertain. The management of the Company has quantified the potential impact of such legal claims to be KD 1,350,000 and recorded the same in the statement of income for the year ended 31 December 2020. However, we were unable to determine whether this provision is adequate. Consequently, we were unable to determine whether any other adjustments are necessary as at 31 December 2021.

iv. As disclosed in Note 7 to the financial statements, the Company's equity investment classified as financial asset at fair value through other comprehensive income amounting to KD 376,678 as at 31 December 2021 (2020: KD 406,717) was not properly measured at fair value. It was not possible for us to carry out any alternative audit procedures to satisfy ourselves as to the carrying value of such investment and the consequential effect on the statement of financial position and statement of comprehensive income as at and for the year then ended.

We have been issuing a disclaimer of opinion on the financial statements of the Company in respect of the abovementioned matters since the year ended 31 December 2010.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our responsibility is to conduct an audit of the Company's 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 not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT NATIONAL AIRWAYS COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our audit, due to 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 Company and the financial statements are in accordance therewith. 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 financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Company's Memorandum of Incorporation and Articles of Association, and whether any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Company or on its financial position. In addition to the above, no appropriate measures have been taken to address the deficit pursuant to the extra-ordinary general assembly held on 30 June 2013.

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

2 October 2024
Kuwait

STATEMENT OF INCOME
For the year ended 31 December 2021

	Notes	***2021 KD***	*2020 KD*
Depreciation	4	**(31,591)**	(50,992)
Administrative expenses	5	**(100,298)**	(1,862,285)
Depreciation of right-of-use assets	7	**(2,598)**	(4,006)
Interest on lease liabilities	7	**(80)**	(196)
Loss from disposal of property and equipment		**-**	(719,142)
Other income	9	**-**	183,779
LOSS FOR THE YEAR		**(134,567)**	(2,452,842)

The attached notes 1 to 15 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021	*2020*
	KD	*KD*
LOSS FOR THE YEAR	**(134,567)**	(2,452,842)
Other comprehensive loss		
Items that will not be reclassified subsequently to the statement of income:		
Change in fair value of financial assets at fair value through other comprehensive income	**(30,039)**	(38,758)
Other comprehensive loss for the year	**(30,039)**	(38,758)
Total comprehensive loss for the year	**(164,606)**	(2,491,600)

The attached notes 1 to 15 form part of these financial statements.

Kuwait National Airways Company K.S.C.P.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
ASSETS			
Non-current assets			
Property and equipment	4	**8**	31,599
Financial asset at fair value through other comprehensive income	6	**376,678**	406,717
		376,686	438,316
Current assets			
Right-of-use assets	7	**6,509**	1,668
Other receivables	8	**898,232**	3,546,677
Amounts due from related party	12	**2,013,419**	-
Bank balances and cash		**5,369**	5,390
		2,923,529	3,553,735
TOTAL ASSETS		**3,300,215**	3,992,051
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**10,000,000**	10,000,000
Cumulative changes in fair value		**(510,572)**	(480,533)
Accumulated losses		**(12,704,254)**	(12,569,687)
		(3,214,826)	(3,050,220)
Amount due to a shareholder	12	**1,967,067**	2,016,970
Total deficit		**(1,247,759)**	(1,033,250)
Non-current liability			
Employees' end of service benefits		**27,203**	21,434
Lease liabilities	7	**2,866**	-
		30,069	21,434
Current liabilities			
Accounts payable and accruals	11	**4,508,298**	4,997,938
Lease liabilities	7	**9,607**	5,929
		4,517,905	5,003,867
Total liabilities		**4,547,974**	5,025,301
TOTAL EQUITY AND LIABILITIES		**3,300,215**	3,992,051

Ali Abdulkarim Abdullah Al-Fouzan
Chairman

Waleed Ahmed Bo Qambar
Vice Chairman

The attached notes 1 to 15 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital KD	*Assets revaluation surplus KD*	*Cumulative Changes in Fair Value KD*	*Accumulated losses KD*	*Sub total KD*	*Amount due to a shareholder KD*	*Total KD*
Balance as at 1 January 2021	10,000,000	-	(480,533)	(12,569,687)	(3,050,220)	2,016,970	(1,033,250)
Loss for the year	-	-	-	(134,567)	(134,567)	-	(134,567)
Other comprehensive loss for the year (Note 6)	-	-	(30,039)	-	(30,039)	-	(30,039)
Total comprehensive loss for the year	-	-	(30,039)	(134,567)	(164,606)	-	(164,606)
Repayment to a shareholder (Note 12)	-	-	-	-	-	(49,903)	(49,903)
Balance as at 31 December 2021	**10,000,000**	-	**(510,572)**	**(12,704,254)**	**(3,214,826)**	**1,967,067**	**(1,247,759)**

	Share capital KD	*Assets revaluation surplus KD*	*Cumulative Changes in Fair Value KD*	*Accumulated losses KD*	*Sub total KD*	*Amount due to a shareholder KD*	*Total KD*
Balance as at 1 January 2020	10,000,000	2,447,409	(441,775)	(12,564,254)	(558,620)	1,967,067	1,408,447
Loss for the year	-	-	-	(2,452,842)	(2,452,842)	-	(2,452,842)
Other comprehensive loss for the year	-	-	(38,758)	-	(38,758)	-	(38,758)
Total comprehensive loss for the year	-	-	(38,758)	(2,452,842)	(2,491,600)	-	(2,491,600)
Contributions from a shareholder (Note 12)	-	-	-	-	-	49,903	49,903
Transfer of assets revaluation surplus on sale of office building and leasehold land (Notes 4 and 10)	-	(2,447,409)	-	2,447,409	-	-	-
Balance as at 31 December 2020	10,000,000	-	(480,533)	(12,569,687)	(3,050,220)	2,016,970	(1,033,250)

The attached notes 1 to 15 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	***2021*** ***KD***	*2020* *KD*
OPERATING ACTIVITIES			
Loss for the year		**(134,567)**	(2,452,842)
Non-cash adjustments to reconcile loss for the year to net cash flows:			
Depreciation of property and equipment	4	**31,591**	50,992
Depreciation on right of use assets	7	**2,598**	4,006
Interest expense on lease liabilities	7	**80**	196
Provision for employees' end of service benefits		**5,769**	1,178
Loss from disposal of property and equipment		**-**	719,142
Legal and litigation expenses	5	**-**	335,533
Provision for legal claims	5	**-**	1,350,000
		(94,529)	8,205
Working capital changes:			
Movement of other receivables		**635,026**	-
Movement of accounts payable and accruals		**(489,640)**	(52,718)
Net cash flows from (used in) operating activities		**50,857**	(44,513)
FINANCING ACTIVITIES			
Contributions (to) from a shareholder	12	**(49,903)**	49,903
Payment of lease liabilities	7	**(975)**	-
Net cash flows from financing activities		**(50,878)**	49,903
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(21)**	5,390
Bank balances and cash as at 1 January		**5,390**	-
BANK BALANCES AND CASH AS AT 31 DECEMBER		**5,369**	5,390

The attached notes 1 to 15 form part of these financial statements.

1 CORPORATE INFORMATION

The financial statements of Kuwait National Airways Company K.S.C.P. (the "Company") for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Company's Board of Directors on 21 July 2024 and are subject to the approval of the shareholders of the Company in the Annual General Meeting ("AGM"). The AGM of the Company's shareholders has the power to amend these financial statements after their issuance.

The financial statements for the year ended 31 December 2020 have been approved by the shareholders of the Company on 23 March 2023.

The Company is a Kuwaiti Public Shareholding Company registered and incorporated in Kuwait on 14 May 2006. Its registered address is located at P.O. Box 3355, Safat 13036, Kuwait. The Company operated an airline, Wataniya Airways till 16 March 2011.

The principal activities of the Company are as follows:

- Air travel services;
- Providing airplane ground and cleaning services and supply of water and other airplane supplies;
- Leasing out airplanes;
- Tourism and cargo shipment services;
- Managing projects;
- Investing surplus funds in investment portfolios managed by specialised institutions; and
- The Company has the right to participate with other companies that operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those companies or participate in their equity.

The Company started its airline operations on 24 January 2009. On 16 March 2011, the Board of Directors of the Company resolved to temporarily cease their airline operations on account of significant losses and inability of the Company to honour its debt obligations to banks, lessors and other creditors. Effective from 6 September 2011, the Air Operator Certificate ("AOC") of the Company to operate as an airline has been suspended by the Directorate General of Civil Aviation ("DGCA"). During July 2017, the Company has recommenced its operations subsequent to reviving its AOC with DGCA. In 2018, the DGCA has revoked the Company's AOC on 6 December 2018 due to frequent flight delays and cancellations by the Company.

The Company's shares were listed on the Kuwait Stock Exchange on 15 December 2008. Effective from 12 February 2012, the Company's shares have been delisted by the Kuwait Stock Exchange.

2 FUNDAMENTAL ACCOUNTING CONCEPTS

The Company incurred loss of KD 134,567 for the year ended 31 December 2021 (2020 loss of: KD 2,452,842) and as of that date the Company's accumulated losses have exceeded its share capital. Further. On 16 March 2011, the Company's Board of Directors resolved to cease the airline operations and called for an extraordinary general meeting ("EGM") of the Company's shareholders to decide on the future of the Company. On 30 June 2013, the EGM was held with a quorum of 51.91% and a decision with a vote rate of 51.908% out of 51.91%, was taken to authorise the Company's Board of Directors to take the necessary measures to recommence the Company's commercial operations. On 28 May 2014, the Company's Board of Directors resolved to extinguish the Company's accumulated losses and write off its treasury shares amounting to KD 48,877,193 and KD 1,267,827, respectively, as at 31 December 2013 against a decrease of the Company's share capital by an amount of KD 40,000,000 from KD 50,000,000 to KD 10,000,000 and the statutory reserve amounting to KD 356,991 as at 31 December 2013; and also resolved to increase the Company's share capital from KD 10,000,000 to KD 24,000,000 through offering 140,000,000 additional shares to either existing shareholders of the Company or to new strategic shareholders. On 10 June 2014, the EGM of the Company's shareholders was held with a quorum of 51.448% out of which a vote rate of 51.446% approved the abovementioned Board of Directors' proposals and authorised the Company's Board of Directors to finalise all the necessary procedures and legal formalities. On 20 October 2014, the legal formalities of the abovementioned decisions have been finalised. However, the additional authorised 140,000,000 shares were neither issued nor subscribed for.

2 FUNDAMENTAL ACCOUNTING CONCEPTS (continued)

In 2015, the CMA has approved the offering and the Board has opened the subscription from 13 September 2015 to 13 December 2015. Existing and a new shareholders have shown interest to subscribe in KD 3,595,176 which represents 26.19% of the planned increase. On 6 January 2016, the investor who was willing to subscribe in KD 3,500,000 has requested to cancel his subscription, leaving KD 95,176 only, representing less than 1% of the planned increase. This has resulted in the annulation of the increase in share capital on 11 January 2016, and accordingly the management requested for an EGM to decrease the authorised shares to KD 10,000,000 and discuss the future plans of the Company, however, no action has been taken to address the solvency issue up to the issuance of the financial statements of the Company for the year ended 31 December 2021. An EGM is planned on 30 September 2024 to discuss the Company's future.

On 6 December 2018, the DGCA has revoked the Company's AOC on 6 December 2018 due to frequent flight delays and cancellations by the Company. The ability of the Company to continue as a going concern is contingent on raising additional funds through increasing the share capital from either the Company's current shareholders or from new strategic shareholders and securing additional loans. Management was unable to determine whether the Company will be able to increase the share capital or obtain additional loans. If the Company is unable to continue in operational existence for the foreseeable future, it may be unable to discharge its liabilities in the normal course of business. Accordingly, adjustments have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to reclassify non-current assets as current assets and certain commitments and contingent liabilities may crystallise. No such adjustments have been made to these financial statements; accordingly, these financial statements have been prepared on a going concern basis.

3.1 BASIS OF PREPARATION

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

Basis of preparation
The financial statements of the Company have been prepared on a historical cost basis except for financial asset at fair value through other comprehensive income which have been measured at fair value.

The financial statements of the Company have been presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Company.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of the financial statements are consistent with those used in previous year, except for the adoption of the new and amendments to the existing standards relevant to the Company, effective as of 1 January 2021. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, financial position or performance of the Company. The Company has not early adopted any standard, interpretation or amendment that have been issued but are not yet effective.

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new and amended standards and interpretations are issued, but not yet effective, up to the date of issuance of the Company's financial statements. None of these are expected to have a significant impact on the Company's financial statements.

3.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES.

Property and equipment
Property and equipment, except for an office building and leasehold land which was disposed of in 2020, is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is recognised in the statement of income on a straight-line basis over the estimated useful lives of property and equipment. The estimated useful lives for the current and comparative periods are as follows:

3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES. (continued)

Office building	10 to 20 years
Furniture and fixtures	3 to 5 years
Computers	3 to 5 years
Tools and equipment	5 years
Lounges and terminal offices	3 to 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of income as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Impairment of non-financial assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

Financial instruments
Financial assets and financial liabilities
Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on financial assets and financial liabilities at fair value through profit or loss (FVPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue financial liabilities at fair value through profit or loss are recognised immediately in the statement of income.

Financial assets
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

Classification of financial assets
Financial assets such as trade receivable, amount due from related parties and bank balances and cash that meet the following conditions are subsequently measured at amortised cost:

3.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets and financial liabilities (continued)
Financial assets

Classification of financial assets (continued)

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

By default, all other financial assets are subsequently measured at FVPL except for equity instruments when the Company may make an irrevocable election/designation at initial recognition. The Company does not have any asset which can be classified as financial assets at FVPL.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments at amortised cost, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments carried at amortised cost, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in the statement of income based on the effective interest method.

Financial assets at FVOCI (equity instruments)
On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Classification of financial assets
Financial assets at FVOCI (equity instruments)
Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to statement of income on disposal of the equity investments, instead, they will be transferred to accumulated losses.

Dividends on these investments in equity instruments are recognised in statement of income when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses (ECLs) on financial assets that are measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets and financial liabilities (continued)
Financial assets (continued)

Impairment of financial assets (continued)
The expected credit losses on these trade receivables are estimated using a provision matrix based on the Company'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. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

Credit-impaired financial assets at amortised cost
A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off of financial assets at amortised cost
The Company writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of income.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.
For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The Company recognises an impairment loss in statement of income for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statement of income.

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value.

3.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets and financial liabilities (continued)
Financial assets (continued)

Derecognition (continued)
A financial asset (or where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired, or
- The Company has transferred the right 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company's financial liabilities include trade and other payables and lease liabilities.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition
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 the statement of income.

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

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

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

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

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

Employees' end of service benefits
The Company provides end of service benefits to all its employees in accordance with Kuwait Labor Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

3.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets and financial liabilities (continued)

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

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

Foreign currencies
Transactions in prevailing foreign currencies are translated to the respective functional currencies of the Company entities periodically at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on retranslation are recognised in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of income is also recognised in other comprehensive income or statement of income, respectively).

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

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental interest rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets and financial liabilities (continued)

Lease liabilities (continued)
Significant judgement in determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

3.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of financial assets (IFRS 9)
The Company determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.
.

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

Impairment of financial assets at amortised cost (IFRS 9)
The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For accounts receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

3.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

4 PROPERTY AND EQUIPMENT

	Office building and leasehold land KD	*Furniture and fixtures* KD	*Computers* KD	*Tools and equipment* KD	*Lounges and terminal offices* KD	*Total* KD
Cost or valuation:						
As at 1 January 2021	-	320,232	1,529,499	394,302	400,625	2,644,658
As at 31 December 2021	**-**	**320,232**	**1,529,499**	**394,302**	**400,625**	**2,644,658**
Depreciation:						
As at 1 January 2021	-	320,231	1,497,907	394,301	400,620	2,613,059
Charge for the year	-	-	31,591	-	-	31,591
As at 31 December 2021	**-**	**320,231**	**1,529,498**	**394,301**	**400,620**	**2,644,650**
Net carrying amount:						
As at 31 December 2021	-	**1**	**1**	**1**	**5**	**8**
Cost or valuation:						
As at 1 January 2020	5,200,000	320,232	1,529,499	394,302	400,625	7,844,658
Disposals	(5,200,000)	-	-	-	-	(5,200,000)
As at 31 December 2020	-	320,232	1,529,499	394,302	400,625	2,644,658
Depreciation:						
As at 1 January 2020	980,358	320,231	1,446,915	394,301	400,620	3,542,425
Charge for the year	-	-	50,992	-	-	50,992
Relating to disposals	(980,358)	-	-	-	-	(980,358)
As at 31 December 2020	-	320,231	1,497,907	394,301	400,620	2,613,059
Net carrying amount:						
As at 31 December 2020	-	1	31,592	1	5	31,599

4 PROPERTY AND EQUIPMENT (continued)

The office building was constructed on a leasehold plot of land leased from the Directorate General of Civil Aviation ("DGCA").

During 2020, the Company won the legal case against the DGCA and the court issued a final verdict in favour of the Company with claim to be paid by DGCA amounting to KD 3,500,500 for the office building and leasehold land. During 2020, this claimed amount was fully settled by DGCA. During 2021 the Company has transferred an amount of KD 2,000,000 (2020: KD Nil) to a related party, in addition to KD 490,049 (2020: KD Nil) paid to the Company's lawyer for outstanding dues and the remaining amount of KD 852,055 (KD 3,500,500) is held with the Company's lawyer. As a result, the Company has derecognised the office building and leasehold land with carrying value of KD 4,219,642 and recognised a loss on disposal of KD 719,142 in the statement of income for the year ended 31 December 2020. The related revaluation surplus amounting to KD 2,447,409 was transferred to accumulated losses in accordance with the accounting policy.

5 ADMINISTRATIVE EXPENSES

	2021 ***KD***	*2020* *KD*
Legal and litigation expenses (Notes 11 and 13)	-	335,533
Provision for legal claims (Notes 11 and 13)	-	1,350,000
Legal provision related to staff	-	63,927
Bonus expenses (Note 12)	-	21,000
Lawyer and court fees	**16,266**	23,171
Staff salaries and benefits expenses	**64,974**	52,453
Other expenses	**19,058**	16,201
	100,298	1,862,285

6 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 ***KD***	*2020* *KD*
Local unquoted security	**376,678**	406,717
	376,678	406,717

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2021 ***KD***	*2020* *KD*
Balance as at 1 January	**1,668**	5,674
Addition	**7,439**	-
Depreciation expense	**(2,598)**	(4,006)
Balance as at 31 December	**6,509**	1,668

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2021	*2020*
	KD	*KD*
Balance as at 1 January	**5,929**	5,733
Addition	**7,439**	-
Interest on lease liabilities	**80**	196
Payments	**(975)**	-
Balance as at 31 December	**12,473**	5,929
Classified as:		
Current	**9,607**	5,929
Non-current	**2,866**	-
	12,473	5,929

The following are the amounts recognised in the statement of income:

	2021	*2020*
	KD	*KD*
Interest expense on lease liabilities	**80**	196
Depreciation expense of right-of-use assets	**2,598**	4,006
	2,678	4,202

8 OTHER RECEIVABLES

	2021	*2020*
	KD	*KD*
Receivables from sale of office building and leasehold land (Note 4)	-	3,500,500
Refundable deposits	**46,177**	46,177
Other receivable (Note 4)	**852,055**	-
	898,232	3,546,677

9 OTHER INCOME

	2021	*2020*
	KD	*KD*
Provision no longer required	-	183,779
	-	183,779

10 EQUITY

a) The Company's authorised, issued and fully paid in cash share capital consists of:

	Authorised		*Issued and fully paid up in cash*	
	Shares	***KD***	***Shares***	***KD***
2021				
Shares of 100 fils each	**240,000,000**	**24,000,000**	**100,000,000**	**10,000,000**
2020				
Shares of 100 fils each	240,000,000	24,000,000	100,000,000	10,000,000

b) In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Company's board of directors. The annual general assembly of the Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. No such transfer has been made during the years ended 31 December 2021 and 31 December 2020 since the Company has incurred accumulated losses as at these dates.

11 ACCOUNTS PAYABLE AND ACCRUALS

	2021 ***KD***	*2020* *KD*
Amounts due to contractors and suppliers*	**2,488,695**	2,535,108
Legal claims provision**	**1,695,178**	1,696,256
Retention payables	**120,344**	120,344
Staff payables	**114,746**	107,156
Accrued expenses	**30,178**	480,967
Other payables	**59,157**	58,107
	4,508,298	4,997,938

* Included in this balance is an amount due to a supplier amounting to KD 2,376,283 (2020: KD 2,376,283). The management of the Company had signed an agreement with a major shareholder to settle amounts due to this supplier amounting to KD 2,638,577 as at 31 December 2016. During the year ended 31 December 2017, an amount of KD 262,294 has been settled by the major shareholder and the remaining outstanding balance amounting to KD 2,376,283 had to be fully settled on a three-year scheduled payment terms according to the agreement. During the year ended 31 December 2021, no amounts have been settled by the major shareholder for the benefit of the supplier.

** As disclosed in Note 13, during the year ended 31 December 2019, the Court of Cassation has issued its verdict requiring aircraft lessor and the Company to settle the legal claims against one another. As a result, the Company is liable to pay the aircraft lessor KD 335,533 which the Company has recognised in the statement of income for the year ended 31 December 2020 (Note 5). In addition, management of the Company has provided an additional legal provision of KD 1,350,000 in the statement of income for the year ended 31 December 2020 being their best estimate of the potential impact of the various legal cases which the Company is involved in.

12 RELATED PARTY TRANSACTIONS

Related parties represent shareholders, key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

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

	2021	
	Amounts due from related party KD	***Amounts due to related parties (equity) KD***
Entity under common control (Note 4)	**2,013,419**	**-**
Major shareholder	**-**	**1,967,067**
	2,013,419	**1,967,067**

	2020	
	Amounts owed to related parties KD	*Amounts owed by related parties (equity) KD*
Major shareholder	-	2,016,970
	-	2,016,970

Amount due to a shareholder amounting to KD 1,967,067 (2020: KD 2,016,970) represents contributions from a major shareholder to support the operations of the Company. During the prior year, the shareholder contributed an amount of KD 49,903 which has been repaid during the year ended 31 December 2021. The balance is interest free, does not have any fixed repayment period, and is payable at the discretion of the Company. Consequently, this balance is included within equity of the Company. Amount due from a related party is interest free and repayable on demand. The balance has not paid or increased at the date of issuing the report and the management has no plan to settle in near future.

Compensation of key management personnel

	2021 KD	*2020 KD*
Director bonus	-	21,000

13 CONTINGENCIES

During the year ended 31 December 2012, an aircraft lessor has filed legal claims aggregating to KD 3,424,913 against the Company for the recovery of its dues. On 21 November 2018, the appeal court has issued its verdict that the Company is only liable to the aircraft lessor for an amount of United States Dollar ("USD") 3,018,693, amounting to approximately KD 931,762, in addition the aircraft lessor won another legal case amounting to KD 401,425.

Further, during the year ended 31 December 2012, the Company has filed a separate legal claim against the aircraft lessor for an amount of USD 12,560,000. During the year ended 31 December 2015, the experts committee had issued its report for an amount of USD 3,285,000 in favour of the Company for which both parties had appealed to it.

13 CONTINGENCIES (continued)

During the year ended 31 December 2019, the Court of Cassation has issued its verdict requiring both parties to settle the legal claims against one another. As a result, the Company is liable to pay the aircraft lessor KD 335,533 which is recognised in the financial statements for the year ended 31 December 2020 (Note 5).

The Company is also involved in other legal cases and considering the uncertainty over the final outcome of the legal cases, the management of the Company has quantified the potential impact and the effect of such legal claims to be KD 1,350,000 and recorded the same in the statement of income for the year ended 31 December 2020 (Note 5).

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company is exposed to credit risk and liquidity risk. The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

14.1 Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk on its accounts receivable and bank balances. The Company seeks to limit its credit risk with regard to bank balance by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and limiting transactions with specific counterparties. The maximum exposure to the Company is limited to the carrying value of the financial assets in the statement of financial position.

14.2 Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments (see Note 2 for details).

As at 31 December 2021 and 31 December 2020, the Company's liabilities, based on contractual undiscounted repayment obligations, mature within one year from the reporting date.

As disclosed in Note 2, the ability of the Company to continue as a going concern is contingent on raising additional funds through increasing the share capital from either the Company's existing shareholders or from new strategic shareholders and securing additional loans. Consequently, if the Company is unable to continue as a going concern, the maturity of the Company's liabilities will change.

15 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments
Financial instruments comprise financial assets and financial liabilities. The management assessed that the fair values of bank balances and cash, accounts receivable and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments. Financial assets at fair value through other comprehensive income were not measured at fair value due to the lack of financial information as at the reporting date.

15 FAIR VALUE MEASUREMENT (continued)

The following table shows an analysis of the Company's assets recorded at fair value by level of the fair value hierarchy as at 31 December:

	Level 3 KD
2021	
Financial assets at fair value through other comprehensive income	
Unquoted equity investments (Note 6)	**376,678**
2020	
Financial assets at fair value through other comprehensive income	
Unquoted equity investments (Note 6)	406,717

The following table shows a reconciliation of the opening and closing amount of level 3 assets which are recorded at fair value.

	At the beginning of the year KD	*Net losses recorded in the statement of income KD*	*Net loss recorded in the statement of comprehensive income KD*	*Disposal during the year KD*	*At the end of the year KD*
2021					
Financial assets at fair value through other comprehensive income					
Unquoted equity investments	**406,717**	**-**	**(30,039)**	**-**	**376,678**

	At the beginning of the year KD	*Net losses recorded in the statement of income KD*	*Net loss recorded in the statement of comprehensive income KD*	*Disposal during the year KD*	*At the end of the year KD*
2020					
Property and equipment	4,219,642	-	-	(4,219,642)	-
Financial assets at fair value through other comprehensive income					
Unquoted equity investments	445,475	-	(38,758)	-	406,717

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