

Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

30 September 2021 (Unaudited)

Contents

	Page
Review report	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of profit or loss and other comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5 and 6
Interim condensed consolidated statement of cash flows	7 and 8
Notes to the interim condensed consolidated financial information	9 to 23

Report on review of interim condensed consolidated financial information

To the board of directors of
National Industries Group Holding – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Group Holding - KPSC (the "Parent Company") and its Subsidiaries (together the "Group") as of 30 September 2021 and the related interim condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statements cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2021 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provision of law no 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-months period ended 30 September 2021 that might have had a material effect on the business or financial position of the Parent Company.



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

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Sales		27,950	27,183	80,396	74,999
Cost of sales		(22,292)	(22,407)	(65,015)	(64,427)
Gross profit		5,658	4,776	15,381	10,572
Income/(loss) from investments	5	41,441	18,846	100,670	(28,061)
Share of results of associates	12	7,582	816	19,641	7,844
Gain on partial disposal of associates		22	-	22	-
Change in fair value of investment properties		-	-	-	(3,799)
Loss on disposal of investment properties		-	-	(18)	-
Rental income		533	471	1,567	1,503
Interest and other income		359	620	2,316	2,146
Gain on disposal of indirect subsidiary	21	1,364	-	1,364	-
Distribution costs		(2,440)	(1,730)	(6,793)	(5,627)
General, administrative and other expenses		(6,271)	(5,517)	(17,798)	(16,567)
Gain/(loss) on foreign currency exchange		24	280	217	(1,193)
		48,272	18,562	116,569	(33,182)
Finance costs		(5,249)	(5,806)	(15,883)	(18,148)
Impairment in value of associates	12	(4,165)	-	(4,917)	-
Impairment in value of accounts receivables and other assets		(3,339)	(104)	(3,405)	(587)
Impairment in value of assets classified as held for sale		(1,581)	-	(1,581)	-
Profit/(loss) before foreign taxation		33,938	12,652	90,783	(51,917)
Foreign taxation	6a	(123)	(70)	(449)	(152)
Profit/(loss) before provision for KFAS, NLST, Zakat and Directors Remuneration		33,815	12,582	90,334	(52,069)
Provision for KFAS, NLST and Zakat	6b	(2,651)	(44)	(4,465)	(95)
Directors Remuneration	14b	-	-	(480)	-
Profit/(loss) for the period		31,164	12,538	85,389	(52,164)
Profit/(loss) for the period attributable to:					
Owners of the Parent Company		26,033	9,034	69,652	(55,111)
Non-controlling interests		5,131	3,504	15,737	2,947
		31,164	12,538	85,389	(52,164)
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	7	17.7 Fils	6.2 Fils	47.6 Fils	(37.7) Fils

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

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

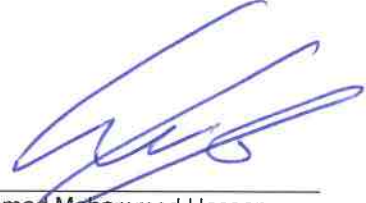
	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Profit/(loss) for the period	31,164	12,538	85,389	(52,164)
Other comprehensive (loss)/income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences:				
- Exchange differences arising on translation of foreign operations	(4,346)	1,275	(4,135)	(759)
Share of other comprehensive (loss)/income of associates				
- Change in fair value	(225)	1,061	(111)	(2,229)
Total other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods	(4,571)	2,336	(4,246)	(2,988)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Defined benefit plan actuarial gain/(losses)	190	(656)	236	(44)
Net changes in fair value of investments in equity instruments designated at FVOCI	(26,330)	4,584	(7,688)	31,001
Share of other comprehensive income/(loss) of associates	3,749	(5,791)	5,236	(6,765)
Total other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods	(22,391)	(1,863)	(2,216)	24,192
Total other comprehensive (loss)/income for the period	(26,962)	473	(6,462)	21,204
Total comprehensive income/(loss) for the period	4,202	13,011	78,927	(30,960)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Parent Company	9,535	7,642	64,066	(38,904)
Non-controlling interests	(5,333)	5,369	14,861	7,944
	4,202	13,011	78,927	(30,960)

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Assets				
Bank balances and cash	8	60,456	50,011	33,052
Short-term deposits	8	34,077	9,394	11,439
Assets classified as held for sale		4,294	6,312	8,370
Accounts receivable and other assets		58,236	56,918	55,968
Inventories		36,500	34,819	40,152
Financial assets at fair value through profit or loss	10	393,171	313,472	314,186
Financial assets at fair value through other comprehensive income	11	191,190	230,918	234,049
Right of use of leased assets		8,121	9,642	6,108
Investment properties		56,928	60,260	57,399
Investments in associates	12	328,410	315,602	316,717
Property, plant and equipment		89,349	90,144	90,779
Goodwill and other intangible assets		10,075	9,847	9,735
Total assets		1,270,807	1,187,339	1,177,954
Liabilities and equity				
Liabilities				
Due to banks	8	13,806	23,695	24,439
Accounts payable and other liabilities		75,041	72,936	73,737
Borrowings and bonds	13	623,402	612,190	604,183
Provisions		14,793	15,296	14,738
Total liabilities		727,042	724,117	717,097
Equity attributable to owners of the Parent Company				
Share capital	14	149,924	142,784	142,784
Share premium		122,962	122,962	122,962
Treasury shares	14	(23,406)	(30,375)	(30,375)
Cumulative changes in fair value		18,295	36,469	35,698
Other components of equity	15	28,008	32,816	32,616
Retained earnings		101,035	22,253	21,501
Equity attributable to owners of the Parent Company		396,818	326,909	325,186
Non-controlling interests		146,947	136,313	135,671
Total equity		543,765	463,222	460,857
Total liabilities and equity		1,270,807	1,187,339	1,177,954


Sa'ad Mohammed Al-Sa'ad
Chairman


Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 15) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2021	142,784	122,962	(30,375)	36,469	32,816	22,253	326,909	136,313	463,222
Transactions with owners									
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(1,178)	(1,178)
Effect of change in ownership percentage of subsidiaries (Note 22)	-	-	-	-	-	1,436	1,436	(1,436)	-
Issue of bonus shares (Note 14b)	7,140	-	-	-	-	(7,140)	-	-	-
Disposal of treasury shares (Note 14c)	-	-	6,969	-	(2,537)	-	4,432	(2,436)	1,996
Other adjustments	-	-	-	-	-	(25)	(25)	823	798
Total transactions with owners	7,140	-	6,969	-	(2,537)	(5,729)	5,843	(4,227)	1,616
Comprehensive income									
Profit for the period	-	-	-	-	-	69,652	69,652	15,737	85,389
Other comprehensive (loss)/income for the period (actuarial losses and others)	-	-	-	(3,551)	(2,271)	236	(5,586)	(876)	(6,462)
Total comprehensive (loss)/income for the period	-	-	-	(3,551)	(2,271)	69,888	64,066	14,861	78,927
Realised gain on equity investments at FVOCI	-	-	-	(14,623)	-	14,623	-	-	-
Balance at 30 September 2021	149,924	122,962	(23,406)	18,295	28,008	101,035	396,818	146,947	543,765

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 15) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2020	142,784	122,962	(30,375)	20,938	32,260	89,434	378,003	130,666	508,669
Transactions with owners									
Dividend paid (Note 14 b)	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(2,934)	(2,934)
Adjustments arising on capital reduction of a subsidiary	-	-	-	-	-	-	-	(5)	(5)
Total transactions with owners	-	-	-	-	-	(13,913)	(13,913)	(2,939)	(16,852)
Comprehensive income									
Loss for the period	-	-	-	-	-	(55,111)	(55,111)	2,947	(52,164)
Other comprehensive loss for the period (actuarial losses and others)	-	-	-	15,895	356	(44)	16,207	4,997	21,204
Total comprehensive loss for the period	-	-	-	15,895	356	(55,155)	(38,904)	7,944	(30,960)
Realised gain on equity investments at FVOCI	-	-	-	(1,135)	-	1,135	-	-	-
Balance at 30 September 2020	142,784	122,962	(30,375)	35,698	32,616	21,501	325,186	135,671	460,857

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2021 (Unaudited) KD '000	Nine months ended 30 Sept. 2020 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit/(loss) before foreign taxation	90,783	(51,917)
Adjustments for:		
Dividend income from financial assets at FVOCI	(1,952)	(1,232)
Share of results of associates	(19,641)	(7,844)
Loss on disposal of investment properties	18	-
Gain on partial disposal of associates	(22)	-
Interest/profit on bank balances and short-term deposits	(529)	(530)
Net provision (released)/charged	(503)	625
Gain on disposal of indirect subsidiary	(1,364)	-
Depreciation and amortisation	5,687	6,024
Changes in fair value of investment properties	-	3,799
Finance costs	15,883	18,148
Impairment in value of associates	4,917	-
Impairment in value of assets classified as held for sale	1,581	-
Impairment in value of accounts receivable and other assets	3,405	587
	98,263	(32,340)
Changes in operating assets and liabilities:		
Inventories	(1,681)	(4,229)
Accounts receivable and other assets	(197)	(5,513)
Financial assets at fair value through profit or loss	(79,699)	96,228
Accounts payable and other liabilities	(2,812)	2,490
	13,874	56,636
Taxation paid	(282)	(146)
KFAS, NLST and Zakat paid	(437)	(115)
Net cash from operating activities	13,155	56,375
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,821)	(12,792)
Addition to investment properties	-	(753)
Addition to investment in associates	(2,451)	(2,131)
Proceeds from disposal/capital reduction of associates	142	-
Proceed from disposal of investment property	620	-
Proceed from disposal of indirect subsidiary (Note 21)	4,000	-
Dividend received from associates	4,494	6,599
Purchase of financial assets at FVOCI	(213)	(779)
Proceeds from sale of financial assets at FVOCI	32,253	1,663
Dividend income received from financial assets at FVOCI	1,952	1,232
(Increase)/decrease in short term deposits maturing after three months	(4,725)	1,791
Decrease in wakala investments	-	1,000
Interest/profit received from bank balances, short-term deposits and wakala investments	600	267
Net cash from/(used) investing activities	32,851	(3,903)

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	Nine months ended 30 Sept. 2021 (Unaudited) KD '000	Nine months ended 30 Sept. 2020 (Unaudited) KD '000
FINANCING ACTIVITIES			
Net increase/(decrease) in borrowings		11,212	(24,420)
Dividend paid to owners of the Parent Company		(387)	(12,906)
Dividend paid to non-controlling interests		(1,178)	(2,934)
Proceeds from sale of treasury shares		1,996	-
Finance costs paid		(15,686)	(16,338)
Change in non-controlling interests		(1,613)	(5)
Net cash used in financing activities		(5,656)	(56,603)
Net Increase/(decrease) in cash and cash equivalents		40,350	(4,131)
Net cash on asset held for sale		-	(15)
Translation difference		(58)	(29)
		40,292	(4,175)
Cash and cash equivalents at the beginning of the period		34,454	23,598
Cash and cash equivalents at the end of the period	8	74,746	19,423

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

National Industries Group Holding – KPSC (‘the Parent Company’) was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a ‘Holding Company’. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company’s shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the company by investing them in investment and real estate portfolios managed by specialised companies.

The address of the Parent Company’s registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved this interim condensed consolidated financial information for issue on 1 November 2021.

The annual consolidated financial statements for the year ended 31 December 2020 were authorised for issuance by the Parent Company’s Board of Directors on 25 March 2021 and approved by the shareholders at the Annual General Meeting held on 29 April 2021.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2021 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The accounting policies used in the preparation of these interim condensed consolidated financial information is consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020.

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

Operating results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2020.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

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

3.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments - Classification of current and non-current	1 January 2023
IAS 1 Amendments - Disclosure of accounting policies	1 January 2023
IAS 8 Amendments - Definition of accounting estimates	1 January 2023
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

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

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

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

IAS 1 Amendments - Classification of current or non-current

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

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

IAS 1 Amendments – Disclosure of accounting policies

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

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

IAS 8 Amendments – Definition of accounting estimates

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

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

IAS 16 Amendments - Proceeds before intended use

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

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

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

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

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

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

Annual Improvements 2018-2020 Cycle

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

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

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

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

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

4 Judgement and estimates

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

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

Notes to the interim condensed consolidated financial information (continued)

5 Income/(loss) from investments

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Dividend income:				
- From financial assets at fair value through profit or loss	314	303	5,361	7,681
- From financial assets at fair value through other comprehensive income	203	698	1,952	1,232
Realised gain/(loss) on financial assets at fair value through profit or loss	2,025	579	4,814	(10,903)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	38,899	17,266	88,543	(26,090)
Interest income on debt securities classified under financial assets at FVTPL	-	-	-	19
	41,441	18,846	100,670	(28,061)

6 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000
<i>Taxation of foreign subsidiaries</i>				
Current tax expense				
Current period charge	(123)	(70)	(449)	(152)
	(123)	(70)	(449)	(152)

(b) Provision for KFAS, NLST and Zakat

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Provision for contributions to Kuwait Foundation for Advancement of Science (KFAS)	(227)	-	(552)	-
Provision for National Labour Support Tax (NLST)	(2,080)	-	(3,073)	-
Provision for Zakat	(344)	(44)	(840)	(95)
	(2,651)	(44)	(4,465)	(95)

Notes to the interim condensed consolidated financial information (continued)

7 Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited)	30 Sept. 2020 (Unaudited)	30 Sept. 2021 (Unaudited)	30 Sept. 2020 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Parent Company (KD '000)	26,033	9,034	69,652	(55,111)
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,467,097,492	1,460,875,340	1,463,411,560	1,460,875,340
Basic and diluted earnings/(loss) per share	17.7 Fils	6.2 Fils	47.6 Fils	(37.7) Fils

The weighted average number of shares outstanding during previous period has been restated to add the bonus shares approved at the Annual General Meeting of the Parent Company's shareholders held on 29 April 2021 (Note 14b).

The basic and diluted earnings/(loss) per share reported during the previous period for the three months and nine months ended 30 September 2020 were 6.5 Fils and (39.6) Fils respectively.

8 Cash and cash equivalents

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Bank balances and cash	60,456	50,011	33,052
Short-term deposits (Note 8a)	34,077	9,394	11,439
Due to banks (Note 8b)	(13,806)	(23,695)	(24,439)
	80,727	35,710	20,052
Less: Blocked balances	(6)	(6)	(6)
Less: Time deposits maturing after three months	(5,975)	(1,250)	(623)
	(5,981)	(1,256)	(629)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	74,746	34,454	19,423

- Short term deposit includes Murabaha investment with local Islamic financial institution amounting to KD5,650 thousand (31 December 2020: KD650 thousand and 30 September 2020: KD650 thousand).
- Due to banks includes bank overdraft facilities utilised by one of the subsidiaries of the Group amounting to KD851 thousand which is secured by short term deposit of KD640 thousand (31 December 2020: KD623 thousand and 30 September 2020: KD623 thousand).

Notes to the interim condensed consolidated financial information (continued)

9 Wakala investments

During the previous years, one of the subsidiaries of the Group assumed the financial and legal obligations on wakala investments of KD1,683 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary company had placed with a local Islamic investment company as part of the total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The amount was fully provided in accordance with Central Bank of Kuwait provision rules. The subsidiary company initiated legal proceedings against the parties to recover the amount including profits thereon. During the year 2019, consequent to a court ruling decided in favour of the subsidiary company, the related parties entered into a settlement agreement with the subsidiary company to settle the above amount of KD1,683 thousand. The subsidiary company received KD1,683 thousand as per the settlement agreements. This has resulted in a reversal of provision during the current period on wakala investment amounting to KD683 thousand in accordance with Central Bank of Kuwait credit provisioning rules.

10 Financial assets at fair value through profit or loss

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Quoted shares	275,952	206,244	206,285
Unquoted equity participations	14,086	13,862	26,775
Managed portfolios and funds	103,133	93,366	81,126
	393,171	313,472	314,186

Quoted shares and managed funds, held by the Group, with a fair value of KD140,887 thousand (31 December 2020: KD91,710 thousand and 30 September 2020: KD93,554 thousand) are secured against borrowings.

11 Financial assets at fair value through other comprehensive income

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Quoted shares	50,468	41,489	44,042
Unquoted equity participations	118,857	167,814	167,589
Managed portfolios and funds	21,865	21,615	22,418
	191,190	230,918	234,049

- a) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Limited, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under financial assets at fair value through other comprehensive income. However, the completion of the sale contemplated in the conditional agreement is further extended during the current period until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.

Notes to the interim condensed consolidated financial information (continued)

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

- b) Quoted shares with a fair value of KD35,201 thousand (31 December 2020: KD29,788 thousand and 30 September 2020: KD28,457 thousand) and unquoted shares with a fair value of KD384 thousand (31 December 2020: KD320 thousand and 30 September 2020: KD157 thousand) are secured against bank borrowings (Note 13).

12 Investment in associates

The movement in associates during the period/year is as follows:

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Balance at 1 January	315,602	324,781	324,781
Additions during the period/year	2,451	5,626	2,131
Share of results	19,641	5,517	7,844
Disposal	(120)	(1,328)	-
Impairment in value	(4,917)	-	-
Share of other comprehensive income/(loss)	5,125	(9,154)	(8,994)
Dividend distribution	(5,686)	(8,759)	(6,599)
Foreign currency translation adjustment	(3,689)	(1,176)	(2,446)
Other adjustments	3	95	-
Balance at the end of the period/year	328,410	315,602	316,717

13 Borrowings and bonds

Total borrowings and bonds are due as follows:

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Bonds (Note 13a)	55,000	55,000	55,000
Long term borrowings			
- Current portion of long-term borrowings	70,332	198,887	155,967
- Due after more than one year	323,088	212,731	236,043
Short term borrowings	174,982	145,572	157,173
	623,402	612,190	604,183

- a) During the last year, the Parent Company issued unsecured bonds of KD30,000 thousand in two series comprising of KD22,400 thousand fixed rate bonds and KD7,600 thousand floating rate bonds at face value maturing on 11 February 2025.
- b) The remaining bonds of KD25,000 thousand represents floating rate bonds and will mature on 20 December 2021. The bonds benefit from certain uncollateralized financial assets at fair value through profit or loss, investment in associate and investment in subsidiary through one of the local subsidiaries of the Group to ensure repayment.

Notes to the interim condensed consolidated financial information (continued)

14 Share capital and dividend distributions & treasury shares

a) Share capital

As of 30 September 2021, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,499,238,014 shares of 100 Fils each (31 December 2020: 1,427,845,728 shares and 30 September 2020: 1,427,845,728 shares).

b) Dividend distribution

At the Annual General Meeting held on 29 April 2021, the shareholders approved a bonus share of 5% which represent 71,392,286 shares of 100 Fils each amounting to KD7,140 thousand for the year ended 31 December 2020 (2019: a cash dividend of 10% equivalent to 10 Fils) and approved a total amount of KD480 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2020.

At the Annual General Meeting held on 30 April 2020, the shareholders approved a cash dividend of 10% equivalent to 10 Fils per share for the year ended 31 December 2019.

c) Treasury shares

	30 Sept. 2021	31 Dec. 2020	30 Sept. 2020
Number of shares	29,560,940	36,535,880	36,535,880
Percentage of issued shares	2.00%	2.56%	2.56%
Market value (KD '000)	7,124	6,430	8,805
Cost (KD'000)	23,406	30,375	30,375

During the period the Group disposed treasury shares with a cost of KD6,969 thousand for a consideration of KD1,996 thousand resulting in the Group share of loss amounting to KD2,537 thousand, which has been recognised against the Treasury share profit reserve included within other reserves, along with share of loss of the non- controlling interest amounting to KD2,436 thousand. Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

15 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2021	19,950	6,382	18,452	(11,968)	32,816
Other comprehensive income:					
Loss on sale of treasury shares	-	-	(2,537)	-	(2,537)
Currency translation differences	-	-	-	(2,271)	(2,271)
Balances at 30 September 2021	19,950	6,382	15,915	(14,239)	28,008
Balances at 1 January 2020	19,950	6,382	18,452	(12,524)	32,260
Other comprehensive income:					
Currency translation differences	-	-	-	356	356
Balances at 30 September 2020	19,950	6,382	18,452	(12,168)	32,616

Notes to the interim condensed consolidated financial information (continued)

16 Segmental analysis

The Group's format for reporting segment information is business segments; which conforms to the internal reporting presented to management.

[illegible]

Notes to the interim condensed consolidated financial information (continued)

16 Segmental analysis (continued)

[illegible]

Notes to the interim condensed consolidated financial information (continued)

17 Related party transactions

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

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

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies	7,173	4,986	8,247
- Due from key management personnel	70	70	70
- Due from other related parties	339	922	1,698
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	20	20	20
- Due to other related parties	111	520	565
	Three months ended 30 Sept. 2021 (Unaudited) KD '000		Nine months ended 30 Sept. 2021 (Unaudited) KD '000
	30 Sept. 2020 (Unaudited) KD '000		30 Sept. 2020 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss			
Purchase of raw materials – from associates	259	328	670
			1,222
Compensation of key management personnel of the Group			
Short term employee benefits	953	835	2,701
Board of Directors' remuneration (Note 14b)	-	-	480
End of service benefits	39	45	106
Cost of share-based payment	-	-	-
	992	880	3,287
			3,418

Refer note 19 & note 20 for details of fiduciary assets and contingent liabilities and capital commitments held and issued on behalf of related parties.

18 Financial instruments

Financial instruments comprise of financial assets (accounts receivable and other assets, wakala investments, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, short term deposits and bank balances and cash) and financial liabilities (due to banks, borrowings, bonds and accounts payable and other liabilities).

The carrying amounts of other financial assets and liabilities as at 30 September 2021 approximate their fair values.

Notes to the interim condensed consolidated financial information (continued)

18 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are 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 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 liability, 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 input to the fair value measurement.

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

	Level 1	Level 2	Level 3	Total balance
	KD'000	KD'000	KD'000	KD'000
At 30 September 2021				
Financial assets at fair value				
Financial assets at FVTPL				
- Quoted shares	275,952	-	-	275,952
- Unquoted equity participations	-	147	13,939	14,086
- Managed portfolios and funds	-	4,578	98,555	103,133
Financial assets at FVOCI				
- Quoted shares	50,468	-	-	50,468
- Unquoted equity participations	-	25,464	93,393	118,857
- Managed portfolios and funds	-	519	21,346	21,865
	326,420	30,708	227,233	584,361
At 31 December 2020				
Assets at fair value				
Financial assets at FVTPL				
-Quoted shares	206,244	-	-	206,244
-Unquoted equity participations	-	156	13,706	13,862
-Managed portfolios and funds	-	3,763	89,603	93,366
Financial assets at FVOCI				
-Quoted shares	41,489	-	-	41,489
-Unquoted equity participations	-	79,329	88,485	167,814
-Managed portfolios and funds	-	499	21,116	21,615
	247,733	83,747	212,910	544,390
At 30 September 2020				
Financial assets at fair value				
Financial assets at FVTPL				
- Quoted shares	206,285	-	-	206,285
- Unquoted equity participations	-	13,415	13,360	26,775
- Managed portfolios and funds	-	3,545	77,581	81,126
Financial assets at FVOCI				
- Quoted shares	44,042	-	-	44,042
- Unquoted equity participations	-	69,878	97,711	167,589
- Managed portfolios and funds	-	5,435	16,983	22,418
	250,327	92,273	205,635	548,235

Notes to the interim condensed consolidated financial information (continued)

18 Financial instruments (continued)

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

Fair value measurements

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

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Opening balance	212,910	265,627	265,627
Net change in fair value	28,307	964	4,873
Net (disposal)/additions during the period/year	(13,984)	(53,681)	(64,865)
Closing balance	227,233	212,910	205,635

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

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

19 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 September 2021 amounted to KD9,982 thousand (31 December 2020: KD8,497 thousand and 30 September 2020: KD8,780 thousand) of which assets managed on behalf of related parties amounted to KD2,993 thousand (31 December 2020: KD2,611 thousand and 30 September 2020: KD2,701 thousand).

20 Contingent liabilities and capital commitments

As at 30 September 2021, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD13,461 thousand (31 December 2020: KD16,048 thousand and 30 September 2020: KD17,523 thousand) of which an amount of KD7,000 thousand (31 December 2020: KD7,000 thousand and 30 September 2020: KD Nil) is in relation to an associate.

At the reporting date the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties totalling to KD14,884 thousand (31 December 2020: KD18,828 thousand and 30 September 2020: KD16,449 thousand).

Notes to the interim condensed consolidated financial information (continued)

21 Gain on disposal of indirect subsidiary

During the period, one of the Group's wholly owned local subsidiary (Al-Durra National Real Estate KSCC) has disposed one of its wholly owned local subsidiary with net asset value of KD2,636 thousand for a consideration of KD4,000 thousand resulting in a net gain of KD1,364 thousand. The assets of the disposed subsidiary mainly comprised of an investment property which was carried at KD2,674 thousand.

22 Merger of one of the subsidiaries of the Group

During the current period, one of the subsidiaries of the Group, Noor Financial Investment Company KPSC ("Noor") has merged with one of its subsidiaries, Noor Telecommunication Holding Company - KSCC ("NoorTel"), by way of amalgamation, in accordance with the CMA regulations, through share swap, where the minority shareholders of NoorTel received shares of Noor in exchange. Noor became the legal successor of NoorTel's rights and obligations on the effective date of the merger.

The merger has resulted in a gain of KD1,436 thousand recognised in the retained earnings and a corresponding reduction of a same amount in non-controlling interest.

23 Comparative information

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

24 Effect of COVID-19

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

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

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

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