Grant Thornton
Al-Qatami, Al-Aiban & Partners

Consolidated financial statements and independent auditor's report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

31 December 2021

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Independent auditor's report

To the shareholders of
National Industries Group Holding – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Group Holding – Kuwaiti Public Shareholding Company (the "Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Valuation of financial assets measured at fair value

The Group's financial assets measured at fair value represent 46% of total assets as of the reporting date. These assets are either classified as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income. The valuation of these financial assets is performed using a fair value hierarchy:

- Level 1 are valuations based on quoted prices (unadjusted) in active markets;
- Level 2 are valuations based on other than quoted prices included within level 1, that are observable either directly or indirectly; and,
- Level 3 are valuations based on unobservable inputs for the asset.

The valuation of these financial assets is inherently subjective - most predominantly for the level 2 and level 3 financial assets since these are valued using inputs other than quoted prices in an active market. These valuations were derived from the application of different valuation methods including relative valuation method, adjusted net asset value and discounted cash flows. The key inputs used in the valuation of individual level 2 and level 3 financial assets are market multiples, illiquidity discount, expected cash flows, risk free rates and credit spreads. Given the inherent subjectivity in the valuation of level 2 and level 3 financial assets, we determined this to be a significant item for our audit.

Independent Auditor's Report to the Shareholders of National Industries Group Holding – KPSC (continued)

Key Audit Matters (continued)

Valuation of financial assets measured at fair value (continued)

Our audit procedures comprised, amongst others of an assessment of the methodology and the appropriateness of the valuation models and inputs used to value these financial assets, including agreeing the carrying value of the investments to the internal and external valuations. Further, we challenged the valuation of these financial assets, and assessed whether the valuations performed by the Group were within a pre-defined tolerable differences threshold. As part of these audit procedures we assessed the accuracy of key inputs used in the valuation such as the expected cash flows and risk-free rates by benchmarking them with external data. Finally, we assessed the completeness and accuracy of the disclosures relating to these financial assets to assess compliance with disclosure requirements included in IFRS. Refer Notes 5, 6, 18, 19 and 34 to the consolidated financial statements for more information on fair valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Impairment of investment in associates

The Group's investment in associates represent 26% of the total assets and are accounted for under the equity method of accounting and are considered for impairment in case of indication of impairment. Under the equity method of accounting for associates, these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the share of the net assets of the associates less any impairment provisions. Market value of some investment in associates has been below their respective carrying amounts for a sustained period, and therefore their current carrying amount continues to rely on the Group's significant judgement in determining their recoverable amount based on their value-in-use. The projected future cash flows and discount rates used by the Group in determining value-in-use are subject to estimation uncertainty and sensitivity. Therefore, we consider this a key audit matter.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators, the assessment of the Group's methodology and calculation of value-in-use. For associates where there were impairment indicators, we evaluated the reasonableness of cash flow projections against most recent financial performance and considered the appropriateness of key inputs such as long-term growth rates used to extrapolate these cash flows and the discount rate. Additionally, we considered whether the Group's disclosures of the application of judgement in estimating the recoverable amount and the sensitivity of the results of those estimates adequately reflect the risks associated with impairment of investment in associates. Refer Notes 5, 6 and 21 to the consolidated financial statements for more information on investment in associates.

Other information included in the Group's 2021 annual report

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2021 other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2021 after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Shareholders of National Industries Group Holding – KPSC (continued)

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report to the Shareholders of National Industries Group Holding – KPSC (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 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

Kuwait
27 March 2022

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Continuing operations:			
Sales		**110,745**	109,899
Cost of sales		**(88,482)**	(91,613)
Gross profit		**22,263**	18,286
Gain/(loss) from financial assets at fair value through profit or loss	8	**103,744**	(29,366)
Dividend income	9	**10,514**	11,040
Interest income		**534**	629
Share of results of associates	21	**30,843**	5,517
Change in fair value of investment properties		**336**	(2,243)
Rental income		**2,119**	1,950
Gains on other non-financial assets - net		**1,413**	350
Other income		**2,635**	2,772
Loss on foreign currency exchange		**(182)**	(765)
		174,219	8,170
General, administrative and other expenses		**(31,556)**	(23,302)
Distribution costs		**(10,226)**	(7,600)
Finance costs	10	**(21,185)**	(23,761)
Impairment losses	11	**(9,657)**	(834)
Profit/(loss) before taxation and Directors' remuneration		**101,595**	(47,327)
Taxation (charged)/reversed on overseas subsidiaries		**(419)**	1,565
Directors' remuneration	31	**(650)**	-
Profit/(loss) for the year from continuing operations		**100,526**	(45,762)
Discontinued operations:			
Loss for the year from discontinued operations	7.3	**(1,644)**	(900)
Profit/(loss) for the year	12	**98,882**	(46,662)
Profit/(loss) for the year attributable to:			
Owners of the Parent Company		**78,628**	(52,213)
Non-controlling interests		**20,254**	5,551
		98,882	(46,662)
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company:			
From continuing operations		**54.0 Fils**	(35.6) Fils
From discontinued operations		**(0.3) Fils**	(0.1) Fils
	14	**53.7 Fils**	(35.7) Fils

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Profit/(loss) for the year	**98,882**	(46,662)
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(6,921)**	(42)
Share of other comprehensive loss of associates	**(1,284)**	(3,193)
	(8,205)	(3,235)
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit plan actuarial gains/(loss) - net	**1,744**	(682)
Net changes in fair value of financial assets at FVTOCI	**(7,160)**	34,174
Share of other comprehensive income/(loss) of associates	**7,667**	(5,961)
	2,251	27,531
Total other comprehensive (loss)/income for the year	**(5,954)**	24,296
Total comprehensive income/(loss) for the year	**92,928**	(22,366)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Parent Company	**75,711**	(34,777)
Non-controlling interests	**17,217**	12,411
	92,928	(22,366)

Consolidated statement of financial position

	Note	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Assets			
Cash and cash equivalents	15	**90,674**	59,405
Assets classified as held for sale	7.3	**4,263**	6,312
Accounts receivable and other assets	16	**54,117**	56,918
Inventories	17	**36,905**	34,819
Financial assets at fair value through profit or loss	18	**396,501**	313,472
Financial assets at fair value through other comprehensive income	19	**194,307**	230,918
Right of use of assets		**7,633**	9,642
Investment properties	20	**60,293**	60,260
Investment in associates	21	**336,783**	315,602
Property, plant and equipment	22	**88,601**	90,144
Goodwill and other intangible assets		**9,834**	9,847
Total assets		**1,279,911**	1,187,339
Liabilities and equity			
Liabilities			
Due to banks	15	**12,941**	23,695
Accounts payable and other liabilities	23	**72,393**	63,178
Lease liabilities		**7,274**	9,758
Borrowings	24	**586,804**	557,190
Bonds	25	**30,000**	55,000
Provisions	26	**13,295**	15,296
Total liabilities		**722,707**	724,117
Equity attributable to owners of the Parent Company			
Share capital	27	**149,924**	142,784
Share premium	27	**122,962**	122,962
Treasury shares	28	**(23,406)**	(30,375)
Statutory and general reserves	29	**43,225**	26,332
Other components of equity	30	**21,139**	42,953
Retained earnings		**94,618**	22,253
Equity attributable to owners of the Parent Company		**408,462**	326,909
Non-controlling interests	7.2	**148,742**	136,313
Total equity		**557,204**	463,222
Total liabilities and equity		**1,279,911**	1,187,339

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Statutory and general reserves KD '000	Other components of equity KD '000	Retained earnings KD '000	Sub-total KD '000	KD '000	KD '000
Balance at 1 January 2021	142,784	122,962	(30,375)	26,332	42,953	22,253	326,909	136,313	463,222
Issue of bonus shares (Note 31)	7,140	-	-	-	-	(7,140)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(1,564)	(1,564)
Arising on ownership changes in subsidiaries	-	-	-	-	-	1,436	1,436	(1,436)	-
Consolidation and other adjustments	-	-	-	-	-	(26)	(26)	648	622
Total transactions with owners	7,140	-	-	-	-	(5,730)	1,410	(2,352)	(942)
Profit for the year	-	-	-	-	-	78,628	78,628	20,254	98,882
Other comprehensive (loss)/income for the year	-	-	-	-	(4,661)	1,744	(2,917)	(3,037)	(5,954)
Total comprehensive (loss)/income for the year	-	-	-	-	(4,661)	80,372	75,711	17,217	92,928
Gain on sale of financial assets at FVTOCI	-	-	-	-	(14,616)	14,616	-	-	-
Sale of treasury shares	-	-	6,969	-	(2,537)	-	4,432	(2,436)	1,996
Transferred to reserves	-	-	-	16,893	-	(16,893)	-	-	-
Balance at 31 December 2021	149,924	122,962	(23,406)	43,225	21,139	94,618	408,462	148,742	557,204

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Statutory and general reserves KD '000	Other components of equity KD '000	Retained earnings KD '000	Sub-total KD '000	KD '000	KD '000
Balance at 1 January 2020	142,784	122,962	(30,375)	26,332	26,866	89,434	378,003	130,666	508,669
Transactions with owners									
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(2,940)	(2,940)
Dividend paid	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
Capital reduction by a subsidiary	-	-	-	-	-	-	-	(1,860)	(1,860)
Consolidation and other adjustments	-	-	-	-	-	(2,404)	(2,404)	(1,964)	(4,368)
Total transactions with owners	-	-	-	-	-	(16,317)	(16,317)	(6,764)	(23,081)
(Loss)/profit for the year	-	-	-	-	-	(52,213)	(52,213)	5,551	(46,662)
Other comprehensive income/(loss) for the year	-	-	-	-	18,118	(682)	17,436	6,860	24,296
Total comprehensive income/(loss) for the year	-	-	-	-	18,118	(52,895)	(34,777)	12,411	(22,366)
Gain on sale of financial assets at FVTOCI	-	-	-	-	(2,031)	2,031	-	-	-
Balance at 31 December 2020	142,784	122,962	(30,375)	26,332	42,953	22,253	326,909	136,313	463,222

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
OPERATING ACTIVITIES		
Profit/(loss) before taxation and Directors' remuneration	**101,595**	(47,154)
Adjustments:		
Dividend income	**(10,514)**	(11,040)
Share of results of associates	**(30,843)**	(5,517)
Interest income	**(534)**	(629)
Net provisions charged/(reversed) during the year	**(257)**	1,183
Depreciation and amortisation	**9,172**	8,122
Net impairment losses	**9,657**	834
Change in fair value of investment properties	**(336)**	2,243
Gains on other non-financial assets, net	**(1,413)**	(350)
Finance costs	**21,185**	23,761
	97,712	(28,547)
Changes in operating assets and liabilities:		
Inventories	**(2,086)**	1,105
Accounts receivable and other assets	**(999)**	(6,662)
Financial assets at fair value through profit or loss	**(83,029)**	96,942
Accounts payable and other liabilities	**10,024**	213
Cash from operations	**21,622**	63,051
Taxation paid	**(956)**	(295)
Net cash from continuing operations	**20,666**	62,756
Net cash used in discontinued operations	**(107)**	(1,948)
Net cash from operating activities	**20,559**	60,808
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(5,941)**	(13,342)
Proceeds from disposal of property, plant and equipment	**847**	55
Additions to investment properties	**(3,030)**	(3,574)
Additions to investment in associates	**(3,570)**	(5,626)
Dividend received from associates	**7,003**	8,759
Proceeds from disposal of associates	**361**	1,328
Proceeds from sale of investment properties	**620**	1,900
Purchase of financial assets at FVTOCI	**(3,321)**	(786)
Proceeds from sale of financial assets at FVTOCI	**32,772**	7,974
Dividend income received	**10,514**	11,040
Proceeds from disposal of a subsidiary	**4,000**	-
Increase in restricted bank balances	**(5,500)**	-
(Increase)/decrease of short-term deposits maturing after 3 months	**(3,442)**	1,164
Interest income received	**534**	555
Decrease in wakala investments	**-**	1,000
Additions to goodwill & other intangible assets	**-**	(191)
Net cash from investing activities from continuing operations	**31,847**	10,256
Net cash from in investing activities from discontinued operations	**-**	2,496
Net cash from investing activities	**31,847**	12,752

Consolidated statement of cash flows (continued)

	Note	**Year ended 31 Dec. 2021 KD '000**	Year ended 31 Dec. 2020 KD '000
FINANCING ACTIVITIES			
Net increase/(decrease) in borrowings		**29,614**	(46,413)
Net (decrease)/increase in bonds		**(25,000)**	30,000
Repayment of lease liabilities		**(3,058)**	(1,370)
Dividend paid to non-controlling interests		**(1,564)**	(2,940)
Finance costs paid		**(20,830)**	(24,296)
Proceeds from sale of treasury shares		**1,996**	-
Dividend paid to the owners of the Parent Company		**-**	(13,287)
Change in non-controlling interests		**-**	(3,824)
Net cash used in financing activities		**(18,842)**	(62,130)
Net increase in cash and cash equivalents		**33,564**	11,430
Foreign currency translation differences		**(483)**	(11)
		33,081	11,419
Cash and cash equivalents attributable to the disposal group		**-**	(563)
Cash and cash equivalents at beginning of the year		**34,454**	23,598
Cash and cash equivalents at end of the year	15	**67,535**	34,454

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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 legal status was changed 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 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 these consolidated financial statements for issuance on 27 March 2022. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") and all amounts are rounded to the nearest thousand (KD '000), except when otherwise indicated.

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and a "statement of profit or loss and other comprehensive income".

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

No new amendments or standards were effective for the current reporting period except for the extension of the IFRS 16 amendment discussed below.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021
The IFRS 16 Leases amendment relate to Covid19 Rent Related Concessions that has been extended until 30 June 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

Impact of the initial application of Interest Rate Benchmark Reform
In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The Group is managing the transition activities and continues to engage with lenders to support an orderly transition and to mitigate the risks resulting from the transition.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of this consolidated financial statements, 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 consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial information.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments	No stated date
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
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 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	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:

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

IFRS 3 – Reference to the conceptual framework
The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination

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 - 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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 8 Amendments – Definition of accounting estimates
The amendments to IAS 8 provide an exemption from the *initial recognition exemption* provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

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 12 Amendments – Deferred tax related to assets and liabilities arising from a single transaction
The amendments to IAS 12 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.

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.

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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle (continued)
Amendment to IFRS 16 avoids the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns 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.

5 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)
However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

5.2 Business combinations
The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 Goodwill and other intangible assets

5.3.1 Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

5.3.2 Other intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life and amortisation method are reviewed periodically to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from items of finite intangible assets. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.3 Goodwill and other intangible assets (continued)

5.3.2 Other intangible assets (continued)

5.3.2.1 Indefeasible Rights of Use (IRU)
IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight-line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.4 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate and joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the equity of the associate and joint venture. Changes in the Group's share in associate's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The financial statements of the associate are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

However, when the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

5.5 Segment reporting

The Group has four operating segments: investments and financial services, real estate and construction, specialist engineering and chemical, and and IT services segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.6 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises revenue from the following major sources:

5.6.1 Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customers generally upon delivery or shipment of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)

5.6.1 Sale of goods
In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

5.6.2 Rendering of services
The Group generates revenues from after-sales service and maintenance, consulting, hotel operations, IT services and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody, consulting and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

5.7 Interest income
Interest income is reported on an accrual basis using the effective interest method.

5.8 Dividend income
Dividend income is recognised at the time the right to receive payment is established.

5.9 Rental income
Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

5.10 Operating expenses
Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.11 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.12 Taxation

5.12.1 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Taxation (continued)

5.12.1 National Labour Support Tax (NLST) (continued)
For the year ended 31 December 2020, one of the subsidiaries of the Group has no liability towards NLST in line with agreement between The Islamic Republic of Pakistan and the State of Kuwait for the "avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income" which state that income source shall be taxed only in the Contracting State.

5.12.2 Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group attributable to the shareholders of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Under the Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

5.12.3 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.12.4 Withholding taxes
The Group is exempt from income taxation and withholding taxes in Kuwait. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted of the source of the income and is not significant for the Group. The Group presents the withholding tax separately from the gross investment income in the consolidated statement of profit or loss. For the purpose of the consolidated statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

5.12.5 Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

5.13 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment of value. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 20 years
Motor vehicles	2 to 10 years
Furniture and equipment	3 to 10 years

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Property, plant and equipment (continued)

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss and other comprehensive income.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.14 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within "change in fair value of investment properties".

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss resulting from disposal of an investment property is immediately recognised in the consolidated statement of profit or loss within "gain/loss on sale of investment properties".

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

5.15 Leases

The Group as a lessee

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

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Leases (continued)

The Group as a lessee (continued)

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee:
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset
The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability
At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Leases (continued)

The Group as a lessor (continued)
When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

5.16 Impairment testing of goodwill and non-financial assets
For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.17 Financial instruments

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.1 Recognition, initial measurement and derecognition (continued)
A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily derecognised when:

- rights to receive cash flows from the assets have expired;

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset or

  (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)
- financial assets at fair value through other comprehensive (FVTOCI)

5.17.2 Classification of financial assets
The classification is determined by both:

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

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (Note 5.17.3); and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.3 Subsequent measurement of financial assets

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- *Receivables and other financial assets*

Trade receivable are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

b) Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise investment in managed portfolios and funds and investment in quoted and unquoted equity shares.

c) Financial assets at FVTOCI

The Group's financial assets at FVTOCI comprise of investments in managed portfolios and funds, equity shares (quoted equity shares and unquoted equity participation).

On initial recognition, the Group may make irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designate at FVTOCI 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.3 Subsequent measurement of financial assets (continued)

c) Financial assets at FVTOCI (continued)
A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the Cumulative Changes in Fair Value Reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity on sale.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

5.17.4 Impairment of financial assets
The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances
- Short term deposits
- Accounts receivables and other financial assets

The Group recognises ECL on investment in debt instruments measured at amortised cost on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses
The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL
The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.4 Impairment of financial assets (continued)

Stage 3: Lifetime ECL – credit impaired (continued)
Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment
At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other assets as permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5.17.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, bonds leasing creditors, due to banks, trade payables and other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

a) Financial liabilities at amortised cost
These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Financial instruments (continued)

5.17.5 Classification and subsequent measurement of financial liabilities (continued)

a) Financial liabilities at amortised cost (continued)

- *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Bonds*

Bonds are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in accounts payable and other liabilities.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

b) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.18 Amortised cost of financial instruments
This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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

5.20 Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

5.21 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.22 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's Articles of Association.

Other components of equity include the following:
- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign operations into KD and the Group's share of foreign currency translation reserves shown in the associates statement of financial position.
- cumulative changes in fair value – comprises gains and losses relating to financial assets at FVTOCI.
- treasury shares reserve – comprise of gains and losses from re-issuance of treasury shares.

Retained earnings include all current and prior period profit retained/losses incurred.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.22 Equity, reserves and dividend payments (continued)
All transactions with owners of the Parent Company are recorded separately within consolidated statement of changes in equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a General Assembly meeting.

5.23 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.24 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

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

5.25 Foreign currency translation

5.25.1 Functional and presentation currency
The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.25.2 Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.25 Foreign currency translation (continued)

5.25.2 Foreign currency transactions and balances (continued)
Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "financial assets at FVTOCI" are reported as part of the cumulative change in fair value reserve within equity.

5.25.3 Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal/liquidation of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal/liquidation.

5.26 Employees end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

In addition to the end of service benefits with respect to its Kuwaiti national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.27 Pensions
Contributions are paid to both defined benefit and defined contribution pension schemes of foreign subsidiaries in accordance with the recommendations of independent actuaries and advisors. Contributions to defined contribution schemes are charged to the consolidated statement of profit or loss on an accrual basis.

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of profit or loss and is calculated as the aggregate of current service cost (using the projected unit credit method), a net interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised past service costs and the effect of curtailments or settlements. Actuarial gains or losses are recognised in full in other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.28 Related party transactions
Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

5.29 Share-based payment
Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions
The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

5.30 Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

6 Significant management judgements and estimation uncertainty
The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments
In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Business model assessment
The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 5.17). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Significant increase in credit risk
Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.3 Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6.1.4 Judgements in determining the timing of satisfaction of performance obligations
The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods to customers has been satisfied requires significant judgement.

6.1.5 Control assessment
When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.1.6 Significant influence
Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

6.2 Estimates uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Contract revenue
Recognised amounts of service and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

6.2.2 Impairment of goodwill and other intangible assets
The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.3 Impairment of associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.4 Impairment of financial assets
Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

6.2.5 Useful lives of depreciable/amortisable assets
Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and other obsolescence that may change the utility of certain software, intangible assets and property, plant and equipment.

6.2.6 Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

6.2.7 Fair value of financial instruments
Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.8 Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.9 Defined benefits obligation

Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rates of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses

6.2.10 Provision for foreign taxation

The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made.

7 Subsidiaries

7.1 Composition of the Group

Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group at year end	
			31 Dec. 2021 %	31 Dec. 2020 %
Al Durra National Real Estate – KSC (Closed) (a)	Kuwait	Real Estate	**97**	97
National Combined Industries Holding Company for Energy – KSC (Closed) (a)	Kuwait	Investments	**96**	96
Pearl National Holding – KSC (Closed) (a)	Kuwait	Investments	**99**	99
BI Group Plc (owned by Proclad Group Limited)	United Kingdom	Specialist Engineering	**100**	100
Ikarus Petroleum Industries Company – KSC (Closed)	Kuwait	Petroleum	**72**	72
National Industries Company - KPSC (b)	Kuwait	Industrial	**50**	50
Noor Financial Investment Company – KPSC	Kuwait	Investments	**50**	50
Proclad Group Limited	UAE	Specialist Engineering	**100**	100
Eagle Proprietary Investments Limited	UAE	Investments	**100**	100

(a) The Group's ownership of these subsidiaries is 100% as the remaining shares are held by nominees on behalf of the Group.

(b) 37% of the Group's owned shares of National Industries Company – KPSC are kept in a custody portfolio with a specialised institution against borrowings. Additionally, part of the ownership of one of the indirect subsidiaries has been pledged as security against borrowings (Note 24).

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 Subsidiaries with material non-controlling interests

The Group includes three subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) for the year allocated to NCI		Accumulated NCI	
	31 Dec. 2021 %	31 Dec. 2020 %	**31 Dec. 2021 KD '000**	31 Dec. 2020 KD '000	**31 Dec. 2021 KD '000**	31 Dec. 2020 KD '000
Noor Financial Investment Company - KPSC	**50**	50	**8,869**	5,961	**50,852**	48,515
National Industries Company - KPSC	**50**	50	**1,540**	(849)	**49,732**	49,800
Ikarus Petroleum Industries Company – KSC (Closed)	**28**	28	**9,876**	465	**46,796**	27,388
Individual immaterial subsidiaries with non-controlling interests			**(31)**	(26)	**1,362**	10,610
			20,254	5,551	**148,742**	136,313

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

Statement of financial position as at 31 December 2021:

	Noor Financial Investment KD '000	National Industries Company KD '000	Ikarus Petroleum Industries KD '000
Total assets	**117,987**	**121,201**	**174,426**
Total liabilities	**30,382**	**29,136**	**37,417**
Equity attributable to the shareholders of the Parent Company	**43,306**	**44,456**	**94,293**
Non-controlling interests	**44,299**	**47,609**	**42,716**

Statement of financial position as at 31 December 2020:

	Noor Financial Investment KD '000	National Industries Company KD '000	Ikarus Petroleum Industries KD '000
Total assets	107,190	118,263	111,786
Total liabilities	33,574	29,957	31,527
Equity attributable to the shareholders of the Parent Company	33,642	42,128	53,229
Non-controlling interests	39,974	46,178	27,030

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 Subsidiaries with material non-controlling interests (continued)
Statement of profit or loss for the year ended 31 December 2021 and 31 December 2020:

	Noor Financial Investment KD '000	National Industries Company KD '000	Ikarus Petroleum Industries KD '000
31 December 2021:			
Revenue	**35,077**	**45,704**	**46,289**
Profit for the year	**17,713**	**3,979**	**35,107**
Other comprehensive (loss)/income for the year	**(1,181)**	**(122)**	**21,902**
Total comprehensive income for the year	**16,532**	**3,857**	**57,009**
- attributable to the shareholders of the Parent Company	**7,515**	**2,208**	**41,063**
- attributable to NCI	**9,017**	**1,649**	**15,946**
Dividend paid to NCI	**1,124**	**-**	**-**
31 December 2020:			
Revenue	29,459	37,000	6,106
Profit/(loss) for the year	12,132	(730)	1,327
Other comprehensive (loss)/income for the year	(7,344)	3,531	358
Total comprehensive income for the year	4,788	2,801	1,685
- attributable to the shareholders of the Parent Company	2,331	1,733	1,030
- attributable to NCI	2,457	1,068	655
Dividend paid to NCI	1,124	1,748	-

Statement of cash flows for the year ended 31 December 2021 and 31 December 2020:

	Noor Financial Investment KD '000	National Industries Company KD '000	Ikarus Petroleum Industries KD '000
31 December 2021:			
Net cash (outflow)/inflow from operating activities	**(25)**	**7,126**	**(1,119)**
Net cash flow/(outflow) from investing activities	**11,822**	**(2,244)**	**20,518**
Net cash (outflow)/inflow from financing activities	**(8,025)**	**(1,253)**	**8,070**
Net cash inflow	**3,772**	**3,629**	**27,469**
31 December 2020:			
Net cash flow from operating activities	3,486	4,063	2,655
Net cash flow/(outflow) from investing activities	7,658	(1,176)	(4,624)
Net cash outflow from financing activities	(8,147)	(4,698)	(4,165)
Net cash flow/(outflow)	2,997	(1,811)	(6,134)

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.3 Assets held for sale and discontinued operations

During the previous year, the Group decided to sell, liquidate or merge one of its subsidiaries located in Saudi Arabia. Management is actively seeking to exit the investment and expects it to be completed during the year 2022. Consequently, the assets and liabilities assigned to this subsidiary have been classified as a disposal group held for sale from 31 December 2020. Furthermore, the revenues, expenses, profits and losses related to this subsidiary have been excluded from continuing operations of the Group and have been classified separately.

8 Gain/(loss) from financial assets at fair value through profit or loss

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Gain/(loss) on sale of financial assets at fair value through profit or loss	**13,119**	(9,893)
Change in fair value of financial assets at fair value through profit or loss	**90,625**	(19,473)
	103,744	(29,366)

9 Dividend income

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Dividend income from financial assets at FVTPL	**7,611**	8,692
Dividend income from financial assets at FVTOCI	**2,903**	2,348
	10,514	11,040

10 Finance costs

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
On financial liabilities at amortised cost:		
Due to banks, borrowings and bonds	**20,914**	23,470
Lease liabilities	**271**	291
	21,185	23,761

11 Impairment losses

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Impairment of accounts receivable and other assets	**3,800**	834
Impairment of associates, net	**5,857**	-
	9,657	834

Notes to the consolidated financial statements (continued)

12 Profit/(loss) for the year

Profit/(loss) for the year is stated after charging the following expenses:

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Staff costs	**35,606**	35,166
Depreciation	**6,467**	7,082
Amortisation	**2,705**	1,040

The number of staffs employed by the Parent Company at 31 December 2021 was 59 (31 December 2020: 60).

13 Net gain/(loss) on financial assets and financial liabilities

Net gain/(loss) on financial assets and financial liabilities, analysed by category, is as follows:

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
From financial assets at amortised cost:		
- Interest income	**534**	610
- Impairment in value of accounts receivable and other assets	**(3,800)**	(834)
- Reversal of provision on wakala investment	**683**	740
From financial assets at fair value through profit or loss (FVTPL):		
- Gain/(loss) on sale of financial assets at FVTPL	**13,119**	(9,893)
- Change in fair value of financial assets at FVTPL	**90,625**	(19,473)
- Dividend income	**7,611**	8,692
- Interest income	**-**	19
From financial assets at FVTOCI:		
- recognised directly in other comprehensive income	**(7,160)**	34,174
- recognised directly in consolidated statement of profit or loss as dividend	**2,903**	2,348
	104,515	16,383
From financial liabilities at amortised cost:		
- Finance costs	**(21,185)**	(23,761)
	83,330	(7,378)
Net gain/(loss) recognised in the consolidated statement of profit or loss	**90,490**	(41,552)
Net (loss)/gain recognised in the consolidated statement of profit or loss and other comprehensive income	**(7,160)**	34,174
	83,330	(7,378)

Notes to the consolidated financial statements (continued)

14 Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company

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

	Year ended 31 Dec. 2021	Year ended 31 Dec. 2020
Profit/(loss) for the year attributable to the owners of the Parent Company (KD '000)		
- From continuing operations	**79,041**	(51,987)
- From discontinued operations	**(413)**	(226)
Total	**78,628**	(52,213)
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,464,990,812**	1,460,875,340
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company:		
- From continuing operations	**54.0 Fils**	(35.6) Fils
- From discontinued operations	**(0.3) Fils**	(0.1) Fils
Total	**53.7 Fils**	(35.7) Fils

The weighted average number of shares outstanding during the previous year 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 31).

The basic and diluted loss per share reported during the previous year was 37.3 Fils, 0.2 Fils and 37.5 Fils for continuing, discontinued operations and total amount, respectively.

15 Cash and cash equivalents

	Effective interest/profit rate %	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Bank balances and cash		**59,188**	50,011
Short term deposits	0.30% - 2.00%	**31,486**	9,394
Cash and cash equivalents for the purpose of consolidated statement of financial position		**90,674**	59,405
Less: restricted bank balances (a)		**(5,506)**	(6)
Less: time deposits maturing after three months		**(4,692)**	(1,250)
Due to banks (b)	1.25% - 4.72%	**(12,941)**	(23,695)
Cash and cash equivalents for the purpose of consolidated statement of cash flows		**67,535**	34,454

a) At 31 December 2021, it includes KD5,500 thousand restricted against letters of guarantee.

b) Due to banks include bank overdraft facilities secured by pledge of short-term deposits of KD642 thousand as at 31 December 2021 (2020: KD623 thousand).

c) Cash and cash equivalents amounting to KD1,400 thousand (2020: KD1,390 thousand) are pledged against borrowings (Note 24).

Notes to the consolidated financial statements (continued)

16 Accounts receivable and other assets

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Financial assets		
Trade receivables – net	**26,421**	32,130
Due from related parties (Note 33)	**13,585**	5,978
Accrued income	**614**	1,971
Other financial assets	**7,920**	13,796
	48,540	53,875
Non-financial assets		
Prepayments and other assets	**5,577**	3,043
	5,577	3,043
	54,117	56,918

17 Inventories

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Finished goods and work-in-progress	**13,615**	11,598
Raw materials and consumables	**20,136**	19,904
Spare parts and others	**3,998**	3,759
Goods in transit	**663**	1,072
	38,412	36,333
Provision for obsolete and slow-moving inventories	**(1,507)**	(1,514)
	36,905	34,819

18 Financial assets at fair value through profit or loss

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Quoted securities:		
- Local	**196,858**	161,871
- Foreign	**75,219**	44,373
Unquoted securities:		
- Local	**2,368**	2,851
- Foreign	**17,027**	11,011
Managed portfolios and funds:		
- Investment in private equity funds	**100,421**	88,943
- Local funds	**2,153**	2,278
- Foreign portfolios	**2,455**	2,145
	396,501	313,472

Quoted securities and managed funds with an aggregate carrying value of KD140,943 thousand (2020: KD91,710 thousand) are pledged against borrowings (Note 24).

The Group has signed agreements whereby certain shares of financial assets at fair value through profit or loss with aggregate carrying value of KD139,073 thousand (2020: KD111,837 thousand) have been kept in custody portfolios against borrowings (Note 24).

Notes to the consolidated financial statements (continued)

19 Financial assets at fair value through other comprehensive income

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Quoted securities:		
- Local	**10,862**	8,337
- Foreign	**41,827**	33,152
Unquoted securities:		
- Local	**15,746**	25,232
- Foreign	**101,387**	142,582
Managed portfolios and funds:		
- Local	**1,827**	1,956
- Foreign	**22,658**	19,659
	194,307	230,918

These investments are held in equity instruments for medium - to long-term strategic objectives. Accordingly, management has chosen to identify these investments in equity instruments as financial assets at fair value through other comprehensive income where it is believed that the recognition of short-term fluctuations in the fair value of these financial assets in the consolidated statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.

Quoted securities with an aggregate carrying value of KD34,043 thousand (2020: KD29,788 thousand) and unquoted securities with an aggregate carrying value of KD384 thousand (2020: KD320 thousand) are pledged against borrowings (Note 24).

The Group has signed agreements whereby certain shares of financial assets at fair value through other comprehensive income with aggregate carrying value of KD4,105 thousand (2020: KD3,263 thousand) have been kept in custody portfolios against borrowings (Note 24).

20 Investment properties

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Land and buildings in Kuwait, UAE and Saudi Arabia	**55,491**	51,897
Freehold land in Kuwait, UAE and Jordan	**3,903**	7,459
Building in the United Kingdom	**899**	904
	60,293	60,260

Investments properties with a carrying value of KD39,804 thousand (2020: KD39,885 thousand) are pledged against borrowings (Note 24).

Details of fair valuation of investment properties are disclosed in Note 34.4.

Notes to the consolidated financial statements (continued)

21 Investment in associates

21.1 Details of the Group's material associates are as follows:

Name of the associate	Country of Incorporation and principal place of business	Principal activity	Proportion of ownership interest held by the Group	
			31 Dec. 2021	31 Dec. 2020
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	**35**	35
Privatisation Holding Company – KPSC (Quoted)	Kuwait	Financial services	**36**	36
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	**27**	27
Mabanee Company - KPSC - (Quoted) (a)	Kuwait	Real estate	**18**	18

a) Although the Group owns 18% of the investee, it exercises significant influence over the associate by way of representation on the board of directors.

21.2 The movement in the carrying value of investment in associates during the year is as follows:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Balance as at 1 January	**315,602**	324,781
Additions during the year	**3,570**	5,626
Share of results	**30,843**	5,517
Disposals	**(294)**	(1,328)
Share of other comprehensive income/(loss)	**6,383**	(9,154)
Dividend distributions	**(7,003)**	(8,759)
Impairment loss - net	**(5,857)**	-
Foreign currency translation adjustments	**(6,461)**	(1,176)
Other adjustments	**-**	95
Balance at the end of the year	**336,783**	315,602

The Group has signed agreements whereby certain shares of investment in associates with aggregate carrying value of KD204,073 thousand (2020: KD190,960 thousand) have been kept in custody portfolios with specialised institutions against borrowings (Note 24).

Notes to the consolidated financial statements (continued)

21 Investment in associates (continued)

21.3 Summarised financial information of material associates

Summarised financial information set out below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates, where applicable.

	Mabanee		*Kuwait Cement*		*Meezan Bank*		*Privatisation Holding*	
	2021 KD '000	2020 KD '000	**2021 KD '000**	2020 KD '000	**2021 KD '000**	2020 KD '000	**2021 KD '000**	2020 KD '000
Summarised statement of financial position - 31 December								
Total assets	**1,445,299**	1,293,067	**292,074**	278,562	**3,231,574**	2,884,284	**121,960**	123,154
Total liabilities	**(481,359)**	(409,767)	**(95,863)**	(103,016)	**(3,078,366)**	(2,745,921)	**(46,065)**	(46,140)
Non-controlling interests	**(66,086)**	(59,164)	**(168)**	(148)	**(2,027)**	(2,389)	**235**	(568)
Equity attributable to the owners of the associate	**897,854**	824,136	**196,043**	175,398	**151,181**	135,974	**76,130**	76,446
Group's ownership interest	**17.90%**	17.90%	**27.16%**	27.16%	**35.25%**	35.25%	**35.55%**	35.82%
Group's share of net assets of the associate	**160,716**	147,520	**53,245**	47,638	**53,289**	47,931	**27,064**	27,383
Goodwill	**10,496**	10,496	**14,893**	14,893	**3,707**	4,189	**-**	-
Impairment in value	**-**	-	**(9,466)**	(4,706)	**-**	-	**-**	(2,564)
Other adjustments	**(264)**	(264)	**3,934**	3,416	**-**	-	**(4,399)**	(3,782)
Carrying value of Group's ownership interest	**170,948**	157,752	**62,606**	61,241	**56,996**	52,120	**22,665**	21,037
Fair value of the Group's interest in the quoted associates	**165,654**	129,374	**45,213**	45,611	**130,283**	98,402	**11,538**	8,741
Summarised statement of profit or loss - year ended 31 December								
Income	**131,854**	22,083	**36,464**	42,465	**186,471**	201,399	**7,162**	4,364
Profit/(loss) attributable to the shareholders of the Parent Company	**80,652**	(14,415)	**(2,805)**	(18,179)	**47,817**	42,316	**(609)**	(4,325)
Total comprehensive income/(loss) attributable to the shareholders of the Parent Company	**80,348**	(14,039)	**20,143**	(31,017)	**45,164**	35,101	**(637)**	(6,788)
Dividends received from the associate during the year	**1,187**	2,612	**-**	962	**5,538**	4,980	**-**	-
Group's share of contingent liabilities and commitments in associates	**9,457**	5,042	**2,169**	3,240	**557,848**	516,984	**7,482**	1,794

Notes to the consolidated financial statements (continued)

21 Investment in associates (continued)

As at 31 December 2021, the fair value (based on quoted market prices) of the Group's investments in Mabanee, Kuwait Cement and Privatisation Holding was KD165,654 thousand, KD45,213 thousand, and KD11,538 thousand, respectively. The carrying values of these associates exceeded their respective fair values. Management of the Group assessed the recoverable amount for each associate and recognised impairment to the extent of their recoverable amounts, where required. In arriving at the value in use, discount rates in the range of 7.24% and 9.34% were used.

21.4 Aggregate information of associates that are not individually material to the Group is as follows:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Group's share of results for the year	**219**	(332)
Group's share of other comprehensive income/(loss)	**787**	(3,485)
Group's share of total comprehensive income/(loss)	**1,006**	(3,817)
Aggregate carrying value of Group's ownership interests	**23,568**	23,452
Aggregate dividend received during the year	**278**	205

Notes to the consolidated financial statements (continued)

22 Property, plant and equipment

Year ended 31 December 2021

	Freehold land KD '000	Leasehold properties and buildings KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation								
At 1 January 2021	2,183	57,850	112,668	15,380	13,642	2,931	18,539	223,193
Foreign exchange and other adjustments	-	(94)	(359)	68	(116)	(24)	-	(525)
Additions	-	571	2,398	136	456	-	2,380	5,941
Disposals	-	(27)	(159)	(61)	(149)	-	(756)	(1,152)
At 31 December 2021	2,183	58,300	114,548	15,523	13,833	2,907	20,163	227,457
Accumulated depreciation and impairment losses								
At 1 January 2021	-	35,080	72,155	12,787	10,759	2,268	-	133,049
Foreign exchange and other adjustments	-	96	(456)	61	(36)	(20)	-	(355)
Charge for the year	-	1,410	3,973	522	467	95	-	6,467
Relating to disposals	-	(27)	(111)	(61)	(106)	-	-	(305)
At 31 December 2021	-	36,559	75,561	13,309	11,084	2,343	-	138,856
Net book value								
At 31 December 2021	2,183	21,741	38,987	2,214	2,749	564	20,163	88,601

Leasehold properties and buildings include properties on land which have been leased from the government of Kuwait through renewable lease contracts.

Properties under construction mainly represents the cost incurred on the expansion of existing factories. The costs will be transferred to the appropriate asset categories when the assets are ready for their intended use.

Property plant and equipment with an aggregate carrying value of KD11,525 thousand (2020: KD11,330 thousand) are pledged against borrowings (Note 24).

Notes to the consolidated financial statements (continued)

22 Property, plant and equipment (continued)

Year ended 31 December 2020

	Freehold land KD '000	Leasehold properties and buildings KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation								
At 1 January 2020	3,652	58,864	117,468	15,857	13,081	2,855	11,007	222,784
Foreign exchange and other adjustments	-	138	1,219	6	-	36	-	1,399
Effect of disposal group classified as held for sale	(1,469)	(2,424)	(7,800)	(152)	(87)	-	(346)	(12,278)
Transfers	-	966	636	-	-	-	(1,602)	-
Additions	-	711	2,205	212	694	40	9,480	13,342
Disposals	-	(405)	(1,060)	(543)	(46)	-	-	(2,054)
At 31 December 2020	2,183	57,850	112,668	15,380	13,642	2,931	18,539	223,193
Accumulated depreciation and impairment losses								
At 1 January 2020	-	34,642	71,866	12,772	10,179	2,148	-	131,607
Foreign exchange and other adjustments	-	(95)	958	(10)	121	35	-	1,009
Charge for the year	-	1,638	4,094	719	546	85	-	7,082
Effect of disposal group classified as held for sale	-	(700)	(3,757)	(152)	(41)	-	-	(4,650)
Relating to disposals	-	(405)	(1,006)	(542)	(46)	-	-	(1,999)
At 31 December 2020	-	35,080	72,155	12,787	10,759	2,268	-	133,049
Net book value								
At 31 December 2020	2,183	22,770	40,513	2,593	2,883	663	18,539	90,144

Notes to the consolidated financial statements (continued)

23 Accounts payable and other liabilities

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Financial liabilities		
Trade payables	**20,925**	20,370
Accrued interest and other expenses	**11,815**	9,251
Due to related parties (Note 33)	**1,651**	540
Provision for a legal case	**2,700**	2,700
Provisions for taxation	**13,301**	11,230
Other financial liabilities	**21,208**	18,494
	71,600	62,585
Non-financial liabilities		
Other liabilities	**793**	593
	793	593
	72,393	63,178

24 Borrowings

	Effective Interest rate	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Short term:			
Term loans	**0.98% - 3.75%**	**161,377**	131,675
Islamic financing arrangements	**3.50% - 4.00%**	**13,829**	13,897
		175,206	145,572
Long term:			
Term loans	**1.40% - 4.75%**		
- Current portion		**48,748**	93,929
- Due after more than one year		**222,980**	198,173
Islamic financing arrangements	**2.00% - 6.00%**		
- Current portion		**18,290**	104,958
- Due after more than one year		**121,580**	14,558
		411,598	411,618
		586,804	557,190

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Denominated in:		
Kuwait Dinar	**501,451**	459,944
United States Dollar	**65,606**	74,061
Saudi Riyal	**11,213**	10,979
UAE Dirham	**4,232**	7,043
Euro	**3,139**	4,140
GBP	**1,163**	1,023
At 31 December	**586,804**	557,190

Notes to the consolidated financial statements (continued)

24 Borrowings (continued)

As at 31 December 2021, certain borrowings are secured against cash and cash equivalents (Note 15b) and pledged and/or in custody portfolios with specialised institutions that includes, financial assets at fair value through profit and loss (Note 18), financial assets at fair value through other comprehensive income (Note 19), investment properties (Note 20), property plant and equipment (Note 22), investment in subsidiaries (Note 7) and shares of certain associates (Note 21).

25 Bonds

	Effective interest rate	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Kuwait Dinar:			
Floating rate bonds	CBK + 2.75%	7,600	32,600
Fixed rate bonds	5.50%	22,400	22,400
		30,000	55,000

a) The outstanding bonds as on 31 December 2021 mature on 11 February 2025, and are unsecured.

b) During the year, the Group repaid bonds of KD25,000 thousand upon maturity.

26 Provisions

	31 Dec. 2021 KD'000	31 Dec. 2020 KD '000
Net provision for staff indemnity and pension liability	12,764	14,785
Provision for land-fill expenses	531	511
	13,295	15,296

27 Share capital and share premium

As of 31 December 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 of 100 Fils) (Refer Note 31).

Share premium is not available for distribution.

28 Treasury shares

	31 Dec. 2021	31 Dec. 2020
Number of shares	29,560,940	36,535,880
Percentage of issued shares	1.97%	2.56%
Market value (KD '000)	8,336	6,430
Cost (KD'000)	23,406	30,375

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

As at 31 December 2021, an associate held 10.1% (2020: 9.8%) of the Parent Company's shares.

Notes to the consolidated financial statements (continued)

29 Statutory and general reserves

Statutory reserve
In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration attributable to the owners of the Parent Company is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist.

General reserve
In accordance with the Parent Company's Articles of Association, a certain percentage of the profit for the year before KFAS, NLST, Zakat and directors' remuneration attributable to the owners of the Parent Company is to be transferred to the general reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist.

30 Other components of equity

	Cumulative changes in fair value KD '000	Treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances as at 1 January 2021	**36,469**	**18,452**	**(11,968)**	**42,953**
Share of other comprehensive income of associates	**7,015**	-	-	**7,015**
Change in fair value of financial assets at FVTOCI	**(7,778)**	-	-	**(7,778)**
Currency translation differences	-	-	**(3,898)**	**(3,898)**
Other comprehensive income	**(763)**	-	**(3,898)**	**(4,661)**
Gain on sale of investments at FVTOCI	**(14,616)**	-	-	**(14,616)**
Sale of treasury shares	-	**(2,537)**	-	**(2,537)**
Balances as at 31 December 2021	**21,090**	**15,915**	**(15,866)**	**21,139**
Balances at 1 January 2020	20,938	18,452	(12,524)	26,866
Share of other comprehensive income of associates	(7,605)	-	-	(7,605)
Change in fair value of financial assets at FVTOCI	25,167	-	-	25,167
Currency translation differences	-	-	556	556
Other comprehensive income	17,562	-	556	18,118
Gain on sale of investments at FVTOCI	(2,031)	-	-	(2,031)
Balances at 31 December 2020	36,469	18,452	(11,968)	42,953

Notes to the consolidated financial statements (continued)

31 Annual general assembly, dividends and directors' remuneration

The board of directors of the Parent Company proposed to distribute cash dividend of to the shareholders of 12% equivalent to 12 Fils per share, and to issue 8% bonus shares which represent 119,939,041 shares of 100 Fils each amounting to KD11,994 thousand, and an amount of KD650 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2021.

The Annual General Assembly of the shareholders of the Parent Company held on 29 April 2021 approved the consolidated financial statements for the year ended 31 December 2020 and the boards of directors' proposal to issue bonus shares of 5% which represent 71,392,286 shares of 100 Fils each amounting to KD7,140 thousand and an amount of KD480 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2020 which has been expensed in the consolidated statement of profit or loss for the current period under "general, administrative and other expenses".

The Extra-ordinary General Assembly of the shareholders held on 20 December 2021 approved the board of directors' proposals to increase the authorized share capital of the Parent Company from KD149,923,801 to KD300,000,000 distributed on 3,000,000,000 shares of 100 Fils each, and to authorize the board of the directors to increase the issued and fully paid up share capital of the Parent Company within the limits of the new authorized share capital. In addition, the shareholders of the Parent Company authorized the board of directors to determine the amount and way of issued and paid up capital increase and to determine the share premium on issuance of the new shares.

Subsequent event:

a) On 11 January 2022, the authorised capital increase (refer above) was registered in the commercial register.

b) On 30 January 2022, the board of directors of the Parent Company approved the following:

- To increase the issued and paid up share capital from KD149,923,801 to KD202,397,132 through a cash increase of KD52,473,331 (representing 35% of the Parent Company's share capital) by issuing 524,733,305 shares of 100 Fils per share plus 100 Fils per share as share premium in accordance with the report issued by an investment consultant.

- To amend article 5 of the Memorandum of Incorporation and article 5 of Articles of Association to be as follows: "the Company's authorized share capital amounts to KD300,000,000 distributed on 3,000,000,000 shares of 100 Fils each, all shares are in cash. The issued and paid up share capital amounts to KD202,397,132 distributed on 2,023,971,319 shares of 100 Fils each, and all shares are in cash."

c) On 24 February 2022, Capital Markets Authority (CMA) issued its approval to increase the Parent Company's issued and paid up share capital from KD149,923,801 to KD202,397,132 through an increase of KD52,473,331 distributed on 524,733,305 shares to be issued by nominal value of 100 Fils each plus share premium of 100 Fils each.

d) On 8 March 2022, the Parent Company submitted the offering prospectus to CMA, which was approved by CMA on 13 March 2022.

e) On 14 March 2022, the Parent Company announced the timeline for the corporate actions regarding the increase in share capital and trading of pre-emption rights on Boursa's website.

Notes to the consolidated financial statements (continued)

32 Segmental analysis

The Group's activities are concentrated in four main segments: investment, building material, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management of the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations in which the Group operates.

Geographical segments

The geographical analysis is as follows:

	Assets		Sales	
	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000	**Year ended 31 Dec. 2021 KD '000**	Year ended 31 Dec. 2020 KD '000
Kuwait	**702,980**	642,927	**54,615**	46,937
Outside Kuwait	**576,931**	544,412	**56,130**	62,962
	1,279,911	1,187,339	**110,745**	109,899

Notes to the consolidated financial statements (continued)

32 Segmental analysis (continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering and chemical		Hotel and IT services		Total	
	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000	**31 Dec. 2021 KD '000**	31 Dec. 2020 KD '000	**31 Dec. 2021 KD '000**	31 Dec. 2020 KD '000	**31 Dec. 2021 KD '000**	31 Dec. 2020 KD '000	**31 Dec. 2021 KD '000**	31 Dec. 2020 KD '000
Segment revenue	**152,138**	(9,351)	**43,047**	36,193	**54,612**	60,399	**13,086**	13,307	**262,883**	100,548
Less:										
(Gain)/loss from financial assets at fair value through profit or loss									**(103,744)**	29,366
Dividend income									**(10,514)**	(11,040)
Interest income									**(534)**	(629)
Share of result of associates									**(30,843)**	(5,517)
Change in fair value of investment properties									**(336)**	2,243
Rental income									**(2,119)**	(1,950)
Gains on other non-financial assets - net									**(1,413)**	(350)
Other income									**(2,635)**	(2,772)
Sales, per consolidated statement of profit or loss									**110,745**	109,899
Segment profit/(loss)	**123,662**	(23,359)	**3,174**	210	**(4,698)**	375	**824**	(27)	**122,962**	(22,801)
Less:										
Finance costs									**(21,185)**	(23,761)
Other unallocated loss									**(182)**	(765)
Profit/(loss) before taxation and Directors' remuneration									**101,595**	(47,327
Segment assets	**1,073,954**	975,673	**82,311**	78,787	**112,731**	122,170	**10,915**	10,709	**1,279,911**	1,187,339
Segment liabilities	**(36,120)**	(29,235)	**(28,763)**	(28,552)	**(22,555)**	(24,346)	**(5,524)**	(6,099)	**(92,962)**	(88,232)
Segment net assets	**1,037,834**	946,438	**53,548**	50,235	**90,176**	97,824	**5,391**	4,610	**1,186,949**	1,099,107
Borrowings, bonds and due to banks									**(629,745)**	(635,885)
Total equity, per consolidated statement of financial position									**557,204**	463,222

Notes to the consolidated financial statements (continued)

32 Segmental analysis (continued)

Property, plant and equipment of the Group are primarily utilised by the building materials segment, hotel & IT services segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering and chemical KD '000	Hotel and IT services KD '000	Total KD '000
At 31 December 2021					
Additions to property, plant and equipment	**140**	**2,302**	**3,466**	**33**	**5,941**
Depreciation	**61**	**2,815**	**3,353**	**238**	**6,467**
At 31 December 2020					
Additions to property, plant and equipment	304	2,028	10,877	133	13,342
Depreciation	30	3,284	3,470	298	7,082

33 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:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Balances included in the consolidated statement of financial position:		
Due from related parties (included in accounts receivable and other assets)		
- Due from associate companies	**12,596**	4,986
- Due from key managements personnel	**68**	70
- Due from other related parties	**921**	922
Due to related parties (included in accounts payable and other liabilities)		
- Due to associates	**20**	20
- Due to other related parties	**1,631**	520
Transactions with related parties:		
Development and construction costs	**-**	224

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials –associates	**821**	1,428
Compensation of key management personnel of the Group		
Short term employee benefits	**4,204**	4,352
Board of Directors' and committee remuneration including subsidiaries	**2,000**	495
Pension and end of service benefits	**140**	178
Cost of share-based payments	**-**	260
	6,344	5,285

Notes to the consolidated financial statements (continued)

34 Summary of financial assets and liabilities by category and fair value measurement

34.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Financial assets:		
At amortised cost:		
• Cash and cash equivalents (Note 15)	**90,674**	59,405
• Accounts receivable and other financial assets (Note 16)	**48,540**	53,875
	139,214	113,280
At fair value:		
• Financial assets at FVTPL	**396,501**	313,472
• Financial assets at FVTOCI	**194,307**	230,918
	590,808	544,390
Total financial assets	**730,022**	657,670
Financial liabilities:		
At amortised cost:		
• Due to banks	**12,941**	23,695
• Accounts payable and other financial liabilities (Note 23)	**71,600**	62,585
• Lease liabilities	**7,274**	9,758
• Borrowings	**586,804**	557,190
• Bonds	**30,000**	55,000
	708,619	708,228

34.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets at fair value though profit or loss, financial assets at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 34.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs are considered a reasonable approximation of their fair values. The Group also measures non-financial asset such as investment properties at fair value at each annual reporting date (Note 34.4).

34.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices 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 asset or liability that are not based on observable market data (that is, unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Notes to the consolidated financial statements (continued)

34 Summary of financial assets and liabilities by category (continued)

34.3 Fair value hierarchy

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

At 31 December 2021

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets:					
At FVTPL:					
- Quoted securities	a	272,077	-	-	272,077
- Unquoted securities	b	-	128	19,267	19,395
- Managed portfolios and funds	c	-	4,608	100,421	105,029
At FVTOCI:					
- Quoted securities	a	52,689	-	-	52,689
- Unquoted securities	b	-	21,288	95,845	117,133
- Managed portfolios and funds	c	-	522	23,963	24,485
		324,766	26,546	239,496	590,808

At 31 December 2020

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets:					
At FVTPL:					
- Quoted securities	a	206,244	-	-	206,244
- Unquoted securities	b	-	156	13,706	13,862
- Managed portfolios and funds	c	-	3,763	89,603	93,366
At FVTOCI:					
- Quoted securities	a	41,489	-	-	41,489
- Unquoted securities	b		79,329	88,485	167,814
- Managed portfolios and funds	c	-	499	21,116	21,615
		247,733	83,747	212,910	544,390

Measurement at fair value

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

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

a) Quoted securities

Quoted securities represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1).

Notes to the consolidated financial statements (continued)

34 Summary of financial assets and liabilities by category (continued)

34.3 Fair value hierarchy (continued)

b) Unquoted securities (Level 2 and 3)
The consolidated financial statements include investments in unlisted securities which are measured at fair value. Fair value is estimated using discounted cash flow model or observable market prices or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Managed portfolios and funds

Private equity funds (Level 3)
The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Other managed portfolios and funds (Level 2 and 3)
The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on periodic reports received from the portfolio/fund managers.

Level 3 Fair value measurements
The Group's measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The impact on profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Opening balance	**212,910**	265,627
Net change in fair value	**33,807**	964
Net disposal during the year	**(7,221)**	(53,681)
Closing balance	**239,496**	212,910

34.4 Fair value measurement of non-financial assets
The Group's non-financial assets measured at fair value consist of investment properties. All investment properties are categorised as level 3 under the fair value hierarchy on a recurring basis at 31 December 2021 and 2020.

The movement in investment properties is as follows:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Balance as at 1 January	**60,260**	60,445
Additions	**3,030**	3,574
Disposals	**(3,312)**	(1,550)
Changes in fair value	**336**	(2,243)
Foreign currency translation	**(21)**	34
	60,293	60,260

Notes to the consolidated financial statements (continued)

34 Summary of financial assets and liabilities by category (continued)

34.4 Fair value measurement of non-financial assets (continued)

The fair value of the investment properties has been determined based on appraisals performed by independent, professionally qualified property valuers (two appraisals for local properties, of which one from a local bank, and one appraisal for foreign properties). The significant inputs and assumptions are developed in close consultation with management. The appraisals were carried out using two methods, a yield method and a combination of market comparison approach for land and cost minus depreciation approach for buildings as follows:

	Method of valuation	
	31 Dec. 2021	31 Dec. 2020
Land and buildings in Kuwait, UAE, Saudi Arabia and UK	Yield method and Market comparison approach for land and cost less depreciation for buildings	Yield method and Market comparison approach for land and cost less depreciation for buildings
Freehold land in Kuwait, UAE and Jordan	Market comparison approach	Market comparison approach

When the yield method is used, the appraisal capitalizes the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When the actual rent differs materially from the estimated rent, adjustments have been made to the estimated rental value. The estimated rental stream considers current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The inputs used in the valuations at 31 December 2021 and 31 December 2020 were:

	Land and buildings in Kuwait, UAE, Saudi Arabia and UK	
	31 Dec. 2021	**31 Dec. 2020**
Average monthly rent (per sqm)	**KD1.24 to KD149.70**	KD3.80 to KD155.70
Yield rate	**6.51% to 10.25%**	6.61% to 10.00%
Vacancy rate	**10%**	10% to 15%

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

When the market comparison approach is used, the appraisal reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in Note 34.4.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies

The Group's financial liabilities comprise due to banks, short term and long-term borrowings and bond, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and cash, wakala investments, short term deposits and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Board of Directors sets out policies for reducing each of the risks discussed below.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance. The Group's policy is not to trade in derivative financial instruments.

35.1 Market risk

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

a) Foreign currency risk

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

The Group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar and Saudi Riyal. The consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the consolidated open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2021 *Equivalent* KD '000	31 Dec. 2020 *Equivalent* KD '000
US Dollars	**(1,971)**	(46,382)
Saudi Riyals	**16,717**	17,223
GBP	**(5,029)**	(1,373)

Management of the Group estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the Group's other comprehensive income.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.1 Market risk (continued)

a) Foreign currency risk (continued)

	Impact on profit/loss	
	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
US Dollars	**99**	2,319
Saudi Riyals	**(836)**	(861)
GBP	**251**	69
	(486)	1,527

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for US Dollars and positive for Saudi Riyals.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its short-term deposits (Note 15), borrowings (Note 24), bonds (Note 25) and due to banks (Note 15) which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000	**31 Dec. 2021 KD '000**	31 Dec. 2020 KD '000
Effect on profit/(loss) for the year	**(1,348)**	(1,441)	**4,043**	4,324

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments. Equity investments are classified either as "financial assets at fair value through profit or loss" or "financial assets at fair value through other comprehensive income".

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the Group.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.1 Market risk (continued)

c) Equity price risk (continued)

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates an increase profit and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Profit/(loss) for the year		Other comprehensive income	
	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000	**31 Dec. 2021 KD '000**	31 Dec. 2020 KD '000
Financial assets at FVTPL	**27,208**	20,624	**-**	-
Financial assets at FVTOCI	**-**	-	**5,269**	4,149
	27,208	20,624	**5,269**	4,149

For a 10% decrease in the equity prices there would be an equal and opposite impact on the profit/(loss) for the year and other comprehensive income and the amounts shown above would be negative.

35.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Cash and cash equivalents (Note 15)	**90,674**	59,405
Accounts receivable and other assets (Note 16)	**48,540**	53,875
	139,214	113,280

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except account receivable and other asset. Management of the Group considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short-term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.3 Concentration of assets

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

	Kuwait KD '000	Middle East KD '000	Asia and Africa KD '000	Europe KD '000	USA KD '000	Total KD '000
At 31 December 2021						
Cash and cash equivalents	**49,195**	**27,977**	**99**	**13,245**	**158**	**90,674**
Accounts receivable and other assets	**27,426**	**12,200**	**1,424**	**6,742**	**748**	**48,540**
Financial assets at FVTPL	**211,695**	**68,374**	**2,014**	**75,536**	**38,882**	**396,501**
Financial assets at FVTOCI	**31,911**	**129,625**	**20,488**	**1,793**	**10,490**	**194,307**
	320,227	**238,176**	**24,025**	**97,316**	**50,278**	**730,022**
At 31 December 2020						
Cash and cash equivalents	29,499	17,332	67	11,818	689	59,405
Accounts receivable and other assets	22,040	21,643	2,894	6,578	720	53,875
Financial assets at FVTPL	177,076	38,820	13,426	14,831	69,319	313,472
Financial assets at FVTOCI	43,448	97,546	77,560	1,665	10,699	230,918
	272,063	175,341	93,947	34,892	81,427	657,670

35.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss, fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

	At 31 December 2021			At 31 December 2020		
	1 year KD '000	**Over 1 year KD '000**	**Total KD '000**	1 year KD '000	Over 1 year KD '000	Total KD '000
ASSETS						
Cash and cash equivalents	**90,674**	**-**	**90,674**	59,405	-	59,405
Assets classified as held for sale	**4,263**	**-**	**4,263**	6,312	-	6,312
Accounts receivable and other assets	**52,249**	**1,868**	**54,117**	54,787	2,131	56,918
Inventories	**36,905**	**-**	**36,905**	34,819	-	34,819
Financial assets at FVTPL	**91,420**	**305,081**	**396,501**	95,137	218,335	313,472
Financial assets at FVTOCI	**29,144**	**165,163**	**194,307**	95,760	135,158	230,918
Right of use of assets	**-**	**7,633**	**7,633**	-	9,642	9,642
Investment properties	**-**	**60,293**	**60,293**	1,769	58,491	60,260
Investment in associates	**-**	**336,783**	**336,783**	-	315,602	315,602
Property, plant and equipment	**-**	**88,601**	**88,601**	-	90,144	90,144
Goodwill and other intangible assets	**-**	**9,834**	**9,834**	-	9,847	9,847
	304,655	**975,256**	**1,279,911**	347,989	839,350	1,187,339

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.4 Liquidity risk (continued)

	At 31 December 2021			At 31 December 2020		
	1 year KD '000	Over 1 year KD '000	Total KD '000	1 year KD '000	Over 1 year KD '000	Total KD '000
LIABILITIES						
Due to banks	**12,941**	**-**	**12,941**	23,695	-	23,695
Accounts payable and other liabilities	**72,371**	**22**	**72,393**	63,136	42	63,178
Lease liabilities	**1,779**	**5,495**	**7,274**	3,023	6,735	9,758
Borrowings	**242,244**	**344,560**	**586,804**	344,459	212,731	557,190
Bonds	**-**	**30,000**	**30,000**	25,000	30,000	55,000
Provisions	**-**	**13,295**	**13,295**	-	15,296	15,296
	329,335	**393,372**	**722,707**	459,313	264,804	724,117

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	Over 1 Year KD '000	Total KD '000
31 December 2021					
Financial liabilities (undiscounted)					
Due to banks	**11,396**	**-**	**1,545**	**-**	**12,941**
Accounts payable and other liabilities	**31,791**	**14,063**	**25,746**	**-**	**71,600**
Lease liabilities	**44**	**315**	**1,742**	**6,095**	**8,196**
Borrowings	**19,610**	**57,576**	**180,432**	**379,767**	**637,385**
Bonds	**132**	**251**	**1,150**	**33,314**	**34,847**
	62,973	**72,205**	**210,615**	**419,176**	**764,969**
31 December 2020					
Financial liabilities (undiscounted)					
Due to banks	22,106	430	1,159	-	23,695
Accounts payable and other liabilities	26,802	9,112	26,671	-	62,585
Lease liabilities	756	423	2,024	7,497	10,700
Borrowings	37,188	59,506	268,188	238,252	603,134
Bonds	244	464	27,100	34,869	62,677
	87,096	69,935	325,142	280,618	762,791

36 Capital risk management

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

Notes to the consolidated financial statements (continued)

36 Capital risk management (continued)

The capital structure for the Group consists of the following:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Borrowings	**586,804**	557,190
Bonds	**30,000**	55,000
Due to banks	**12,941**	23,695
	629,745	635,885
Less:		
Cash and cash equivalents	**90,674**	59,405
Net debt	**539,071**	576,480
Total equity	**557,204**	463,222

The Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2021 %	31 Dec. 2020 %
Net debt to equity ratio	**97%**	124%

37 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 consolidated statement of financial position. Assets under management at 31 December 2021 amounted to KD9,973 thousand (2020: KD8,497 thousand) of which assets managed on behalf of the related parties amounted to KD2,878 thousand (2020: KD2,611 thousand).

38 Contingent liabilities and capital commitments

At 31 December 2021, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD17,221 thousand (2020: KD16,048 thousand).

At the reporting date, the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties and the incorporation of investment in associates totalling KD30,177 thousand (2020: KD18,828 thousand).

39 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.

Notes to the consolidated financial statements (continued)

40 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. While the country has started to ease the lockdown, the relaxation has been gradual. 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. However, management of the Group is actively monitoring any effects of COVID19 may have on its business operations and financial performance.

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

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