

National International Holding Company K.S.C.P.
And its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
For the year ended 31 December 2021

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Independent Auditor's Report

To the Shareholders of National International Holding Company K.S.C.P
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National International Holding Company K.S.C.P (the "Parent Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of 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 Code of Ethics for Professional Accountants (including International Independence Standards) (International Ethics Standards Board for Accountants Code), and we have fulfilled our other 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. The following are the key audit matters identified and how we addressed them in our audit:

Valuation of Investments in Unquoted Securities

Investments in securities primarily comprise investments in unquoted securities of KD 20,209,541, which represents 36% of the total assets as at 31 December 2021. These instruments are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and are measured at fair value with the corresponding fair value change recognized in the consolidated statement of income and in other comprehensive income respectively. The Group uses an external expert to assist it in determining the fair value these investments.

As disclosed in Note 4 "significant accounting judgement, estimates and assumptions", the valuation of investments in unquoted securities uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgement by management, especially due to ongoing COVID-19 pandemic, in determining the appropriate valuation methodology and use of various assumptions like cash flows, discount rates, market information, market risk adjustments etc.

Given the inherent subjectivity and judgement required in the valuation of such unquoted investments, we determined this to be a key audit matter.

Audit procedures to address the Key Audit Matter:

- We evaluated the design and implementation of controls over management's valuation process.
- We evaluated the competence, capabilities, qualifications and objectivity of management's expert engaged by the Group. Together with our internal valuation specialists, we assessed the Group's valuation methodology applied as well as the impact of the COVID-19 pandemic on markets and business.
- We re-performed, on a sample basis the mathematical accuracy of the models used by the Group.
- We agreed the data used in the valuation to supporting documentation on a sample basis.
- We agreed the results of the valuation to the amount reported in the consolidated financial statements.
- We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Independent Auditor's Report (continued)

To the Shareholders of National International Holding Company K.S.C.P

State of Kuwait

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment of Investments in Associates

As at 31 December 2021, the Group held investments in associates of KD 13,639,644 in the consolidated financial statements which represents 24% of total assets.

Investments in associates are accounted for under the equity method of accounting and are considered for impairment when an impairment indicator is identified.

As disclosed in Note 4 "significant accounting judgement, estimates and assumptions", the impairment test of the investments in associates performed by management is significant to our audit because the assessment of the recoverable amount requires significant management estimates to be made and judgement to be applied, especially due to the ongoing COVID-19 pandemic. Management used the value in use method to assess whether there is impairment in the investments in associates. Assessment of the value in use includes significant judgments and estimates concerning future cash flows, growth rates taking into account management's view of future business prospects and associated discount rates etc. Accordingly, we consider this as a key audit matter.

Audit procedures to address the Key Audit Matter:

- We evaluated the design and implementation of relevant controls related to the valuation of investments in associates.
- We inspected published market information on the share price, financial position and performance of the associates to evaluate management's impairment assessment and to identify whether there were any additional indicators of impairment on other associates not assessed for impairment.
- Together with our internal valuation specialists, we assessed the group's valuation methodology applied in determining the recoverable amount as well as the impact of the COVID-19 pandemic on the value in use calculation.
- We discussed potential changes in key drivers with management in order to evaluate whether the inputs and assumptions used in the cash flow forecast were suitable.
- We re-performed the mathematical accuracy of the value in use calculations.
- We agreed the results of the value in use calculations for those investments to the amounts disclosed in the consolidated financial statements.
- We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other Information

Management is responsible for the other information. Other information consists of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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.



Independent Auditor's Report (continued)

To the Shareholders of National International Holding Company K.S.C.P

State of Kuwait

Report on the Audit of the Consolidated Financial Statements (continued)

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 auditors' 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.
- 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.

Independent Auditor's Report (continued)

To the Shareholders of National International Holding Company K.S.C.P
State of Kuwait

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 the information that we deemed necessary 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 No 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2021 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2021, that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Yousef Al-Muzaini

Licence No. 209 A

Deloitte & Touche, Al-Wazzan & Co.

Kuwait, 29 March 2022

National International Holding Company K.S.C.P.
And its subsidiaries
State of Kuwait

Consolidated Statement of Financial Position as of 31 December 2021

(All amounts are in Kuwaiti Dinar)

	Notes	2021	2020
ASSETS			
Cash and cash equivalents	5	1,529,660	603,951
Accounts receivable and other assets	6	2,488,044	3,538,650
Inventories	7	617,060	648,635
Investments at fair value through profit or loss	8	5,196,535	2,713,809
Investments at fair value through OCI	9	17,445,254	14,013,690
Investments in debt instruments at amortized cost	10	9,292,453	8,550,656
Investment in associates	11	13,639,644	12,490,649
Investment properties	12	953,788	1,599,908
Property and equipment	13	4,708,819	4,487,058
Total assets		55,871,257	48,647,006
LIABILITIES AND EQUITY			
Liabilities			
Bank facilities	14	2,708,533	2,702,358
Accounts payable and other liabilities	15	5,951,720	3,325,282
Total liabilities		8,660,253	6,027,640
Equity			
Share capital	16	22,772,138	22,772,138
Share premium		2,813,184	2,813,184
Statutory reserve	17	1,322,233	1,136,639
Fair value reserve		11,253,231	11,265,894
Treasury shares	18	(1,539,404)	(1,906,792)
Treasury shares reserve		490,638	318,561
Group's share in associates' reserves		(328,110)	159,610
Retained earnings		2,002,419	402,644
Equity attributable to shareholders of the Parent Company		38,786,329	36,961,878
Non-controlling Interests		8,424,675	5,657,488
Total equity		47,211,004	42,619,366
Total liabilities and equity		55,871,257	48,647,006

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


Abdulwahab Mohamed Al Wazzan
Chairman


Mamdouh Abdul Ghani El Sherbiny
Chief Executive Officer

Consolidated Statement of Income for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

	Notes	2021	2020
Revenues			
Net investment income	19	786,227	97,138
Revenue from operating activities	20	3,343,906	3,086,547
Group's share from associate's results		1,636,715	(3,201,652)
Other income	21	161,353	214,490
Net loss from investment properties	22	(48,125)	(192,283)
		<u>5,880,076</u>	<u>4,240</u>
Expenses			
Cost of sales from operating activities	20	2,393,762	2,241,852
Other expenses	23	1,482,131	1,315,535
Finance costs		144,399	154,059
		<u>4,020,292</u>	<u>3,711,446</u>
Profit / (Loss) for the year before deductions		<u>1,859,784</u>	<u>(3,707,206)</u>
Contribution to KFAS		(1,843)	-
National Labour Support Tax		(7,468)	-
Zakat		(2,684)	-
BOD remuneration		(50,000)	-
Profit / (Loss) for the year		<u>1,797,789</u>	<u>(3,707,206)</u>
Attributable to:			
Shareholders of the Parent Company		1,793,941	(3,722,302)
Non-Controlling Interests		3,848	15,096
		<u>1,797,789</u>	<u>(3,707,206)</u>
Basic and diluted earnings / (losses) per share (fils)	24	<u>8.74</u>	<u>(17.70)</u>

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

	2021	2020
Profit / (loss) for the year	1,797,789	(3,707,206)
Other comprehensive income:		
<i><u>Items that may be reclassified subsequently to the consolidated statement of income</u></i>		
Group's share of other comprehensive (losses) / income of associates	(516,026)	673,552
<i><u>Items that may not be reclassified subsequently to consolidated statement of income:</u></i>		
Change in fair value of equity investments at fair value through OCI	357,728	20,845
Group's share of other comprehensive income / (losses) of associates	28,306	(37,445)
	386,034	(16,600)
Total other comprehensive (loss) / income for the year	(129,992)	656,952
Total comprehensive income / (loss) for the year	1,667,797	(3,050,254)
Attributable to:		
Shareholders of the Parent Company	1,516,606	(3,081,291)
Non-Controlling Interests	151,191	31,037
	1,667,797	(3,050,254)

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

	Equity attributable to the shareholders of the Parent Company							Non-Controlling Interests	Total equity
	Share capital	Share premium	Statutory reserve	Fair value reserve	Treasury shares	Treasury shares reserve	Group's share in associates' reserves	Retained earnings	Total
As at 1 January 2020	21,687,750	2,813,184	1,136,639	11,260,990	(1,906,792)	318,561	(476,497)	5,209,334	40,043,169
Loss/ (profit) for the year	-	-	-	-	-	-	-	(3,722,302)	(3,722,302)
Other comprehensive income for the year	-	-	-	4,904	-	-	636,107	-	641,011
Bonus shares (Note 28)	1,084,388	-	-	-	-	-	-	(1,084,388)	-
As at 31 December 2020	22,772,138	2,813,184	1,136,639	11,265,894	(1,906,792)	318,561	159,610	402,644	36,961,878
As at 1 January 2021	22,772,138	2,813,184	1,136,639	11,265,894	(1,906,792)	318,561	159,610	402,644	36,961,878
Profit for the year	-	-	-	-	-	-	-	1,793,941	1,793,941
Other comprehensive income for the year	-	-	-	210,385	-	-	(487,720)	-	(277,335)
Sale of financial assets at FVTOCI	-	-	-	8,572	-	-	-	(8,572)	-
Purchase of treasury shares	-	-	-	-	(82,318)	-	-	-	(82,318)
Sale of treasury shares	-	-	-	-	449,706	172,077	-	-	621,783
Effect of decrease of Parent Company's share in a subsidiary (note 25.1)	-	-	-	(231,620)	-	-	-	-	(231,620)
Transfer to statutory reserve	-	-	185,594	-	-	-	-	(185,594)	-
As at 31 December 2021	22,772,138	2,813,184	1,322,233	11,253,231	(1,539,404)	490,638	(328,110)	2,002,419	38,786,329
									8,424,675
									47,211,004

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

National International Holding Company K.S.C.P.

And its subsidiaries

State of Kuwait

Consolidated Statement of Cash Flows for the year ended 31 December 2021*(All amounts are in Kuwaiti Dinar)*

	Note	2021	2020
Cash flow from operating activities			
Profit / (Loss) for the year		1,797,789	(3,707,206)
<i>Adjustments:</i>			
Group's share from associate's results		(1,636,715)	3,201,652
Depreciation and amortization		136,178	229,798
(Loss) / gain on sale of investment properties		47,090	(150,000)
Provision for employees' end of service benefits		130,628	129,838
Net investment income		(786,227)	(97,138)
(Reversal) / provide of expected credit losses		(78,000)	18,000
Change in fair value of investment properties		1,035	342,283
Finance costs		144,399	154,059
Operating (loss) / profit before charges in working capital		(243,823)	121,286
Accounts receivable and other assets		1,130,030	315,968
Investments at fair value through profit or loss		(2,527,305)	551
Inventories		31,575	77,075
Accounts payable and other liabilities		2,899,730	(652,086)
Cash generated from operating activities		1,290,207	(137,206)
End of service benefits paid		(26,097)	(12,184)
Net cash generated from operating activities		1,264,110	(149,390)
Cash flow from investing activities			
Purchase of investments at fair value through OCI		(693,091)	-
Proceeds from sale of investments at fair value through OCI		2,207	-
Dividends income received		89,009	386,869
Proceeds from sale of investment properties		597,995	400,000
Purchase of property and equipment		(357,939)	(434,170)
Net cash (used in) / generated from investing activities		(361,819)	352,699
Cash flow from financing activities			
Net change in bank facilities		6,175	(490,123)
Finance costs paid		(144,272)	(165,890)
Dividends paid		(377,950)	(22,884)
Purchase of treasury shares		(82,318)	-
Proceeds from sale of treasury shares		621,783	-
Net cash generated from / (used in) financing activities		23,418	(678,897)
Decrease in cash and cash equivalents		925,709	(475,588)
Cash and cash equivalents at the beginning of the year		603,951	1,079,539
Cash and cash equivalents at the end of the year	5	1,529,660	603,951

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

1. Corporate information

The Parent Company is a Kuwaiti Public Shareholding Company registered and incorporated in Kuwait on 14 January 1979 whose shares are listed on the Kuwait Stock Exchange and the Dubai Financial Market.

The registered office of the Parent Company is located at Al –Raya Tower 2, Floor 45, Abdulaziz Al-Saqer Street, P.O. Box 25825 Safat Kuwait.

The Parent Company's main activities are:

1. Manage its subsidiaries or participate in managing other companies in which it owns shares, provide the necessary support, incorporate subsidiaries, or own shares or interests in Kuwaiti or foreign shareholding companies and limited liability companies as well as managing, lending and guaranteeing the same with third parties;
2. Utilize its funds for trading in shares, bonds and other financial securities;
3. Own properties and movables necessary for executing the activities within the limits permitted by law;
4. Finance and extend loans to companies in which it owns shares or interests, and guarantee the same with third parties provided that the ownership of the Holding Company is not less than 20% of the share capital of the Borrowing Company
5. Own intellectual property rights, including patents, trademarks or industrial forms, franchise rights and other moral rights and its utilization and leasing to the subsidiaries or others whether in Kuwait or abroad;

The Parent Company shall be entitled to carry out the above-mentioned activities as a principal or by proxy. The Parent Company may have an interest or participate in any form with the entities, which carry out similar activities or which may assist it in achieving its objectives in the state of Kuwait or abroad. The Parent Company may buy or merge such entities.

These consolidated financial statements include the financial statements of the parent company and its subsidiaries, collectively referred to as "the Group" (Note 25.1).

The consolidated financial statements for the year ended 31 December 2021 have been authorized for issuance by the Board of Director on 29 March 2022. The Ordinary General Assembly of the shareholders of the Parent Company have the authority to amend these consolidated financial statements after issuance.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), under the historical cost basis of measurement except for the measurement of the fair value of investments in equity instruments through profit or loss or through other comprehensive income, as well as investments properties as described in the accounting policies below.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 Changes in accounting policies and disclosures

Interest Rate Benchmark Reform
"phase two" amendments to IFRS 9,
IAS 39, IFRS 7, IFRS 4, and IFRS 16

The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform.

- The amendments apply to all entities and are not optional.

- The amendments are effective for annual periods beginning on or after 1 January 2021 with early application permitted.

There is no impact from the application of this amendment on the consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

Covid-19-Related Rent Concessions beyond 30 June 2021 [IFRS 16]	In May 2020 The International Accounting Standards Board (IASB) amends IFRS 16, which relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification, that applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. In March 2021, IASB extended the availability of the practical expedient to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. This is the only change made to the practical expedient. - The amendments are effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.
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2.2.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 <i>Insurance Contracts</i>	The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 <i>Reference to the Conceptual Framework</i>	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated <i>Conceptual Framework</i>) at the same or earlier.
Amendments to IAS 16 <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted.
Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i> The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 The amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies the amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 8	Definition of accounting estimates The amendment is effective for annual periods beginning on or after 1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

2.3 Significant accounting policies

2.3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts 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 owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (A) The aggregate of the fair value of the consideration received and the fair value of any retained interest,
- (B) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. 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, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts, which have previously been recognised in other comprehensive income, are reclassified to the statement of income as if that interest was disposed off.

Business combinations involving entities under common control are excluded from IFRS 3 (revised)'s scope. Management could use predecessor accounting. Predecessor accounting may lead to differences on consolidation between the consideration given and the aggregate book value of the assets and liabilities (as at the date of the transaction) of the acquired entity. The differences are included in equity in retained earnings or in a separate reserve.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence. 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" (Note 4).

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Classification of financial assets

The financial assets are classified as follows:

- Amortised cost
- Equity instruments designated as at FVTOCI
- Financial assets at FVTPL

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election at initial recognition of a financial asset:

- The Group may irrevocably elect to classifying in fair value of an equity investment in other comprehensive income if certain criteria are met; 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 for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

Amortised cost and effective interest method

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

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

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

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in statement of income.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

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(All amounts are in Kuwaiti Dinar otherwise stated)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation 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 to which IFRS 3 applies.

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 Company 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 designated as 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 investments revaluation reserve. The cumulative gain or loss will not be reclassified to statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in consolidated statement of income when the Group's right to receive the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' in consolidated statement of income.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognizes loss allowances for ECLs customers' receivables, bank accounts, and purchased or originated credit impaired financial assets those are not measured at FVTPL. No impairment loss is recognised on equity investments.

With the exception of POCI financial assets (which are considered separately below), and customers receivables for which the provision matrix method is used as a simplified approach, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Purchased or originated credit-impaired (POCI) financial assets

For POCI an entity shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition. At each reporting date, an entity shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income.

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(All amounts are in Kuwaiti Dinar otherwise stated)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in consolidated statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognized in consolidated statement of income.

2.3.3 Inventories

Finished goods are stated at the lower of weighted average cost. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition.

Spare parts are not intended for resale and are valued at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

All other inventory items are valued at the lower of cost and net realisable value using the weighted average method after making provision for any slow moving and obsolete stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

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(All amounts are in Kuwaiti Dinar otherwise stated)

2.3.4 Investment properties

Investment properties are properties which have been acquired to earn rentals for long-term periods or for capital appreciation. Investment properties are recognized upon acquisition at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value through independent authorized appraisers and the lowest valuation shall be considered. Gains and losses arising from changes in the fair value are recognized in the consolidated statement of income.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period in which the property is derecognised.

2.3.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable asset.

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

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

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

2.3.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognizing impairment loss in the consolidated statement of income.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

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(All amounts are in Kuwaiti Dinar otherwise stated)

2.3.7 Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-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 reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividend are distributed 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.

2.3.8 Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees in accordance with Kuwait Labour Law. 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.

2.3.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made.

2.3.10 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the consolidated statement of income.

2.3.11 Revenue recognition

Dividend income is recognized when the right to receive the dividend is established.

Interest income / interest expense is calculated by applying the effective interest rate to the gross carrying amount of the non-credit impaired financial assets (i.e., the amortized cost of the financial asset prior to the adjustment for any expected credit loss allowance) or the amortized cost of the financial liabilities. For financial assets which are credit impaired, interest income is calculated by applying the effective interest rate to the amortized cost of credit impaired financial asset (i.e., the gross carrying amount less the expected credit loss). For purchased or originated credit-impaired financial assets (POCI), the effective interest rate reflects the expected credit losses in determining the expected future cash flows expected to be received from the financial asset.

Revenues from services and goods of an activity are recognized at point in time, when the entity meets performance obligation through transferring the right of use promised to the customer.

Rental income is recognized in accordance with the accounting policy No. 2.3.12 "Leases".

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2.3.12 Leases

Where the Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in consolidated statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

According to usage nature of the leased asset, the Group classifies the asset within a group of related assets. If the asset meets the definition of real estate investment "IAS 40", the Group measures the asset based on the accounting policy adopted in measuring real estate investments owned by the Group. However, if the asset meets the definition of property, plant and equipment, the Group measures the asset as per the accounting policy adopted in measuring the property, plant and equipment.

Generally, after the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the consolidated statement of income. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

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(All amounts are in Kuwaiti Dinar otherwise stated)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the consolidated statement of income, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group as the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

2.3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Financial risk management

3.1 Financial risk

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

The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process. The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

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(All amounts are in Kuwaiti Dinar otherwise stated)

A) 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. Management of the Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The maximum credit risk is limited to the carrying values of financial assets as follows:

The maximum credit risk is limited to the carrying value of the financial assets at the reporting date.

2021							
	Notes	Credit Rating		Calculation Method	Total value of exposure	ECL	Net Carrying Value
		Internal	External				
Cash at banks and financial institutions	5	(i)	A1/ A2	12 Months	1,529,543	-	1,529,543
Accounts receivable and other assets	6	(ii)	-	Lifetime	2,342,210	(252,445)	2,089,765
Investment in debt instruments at amortized cost	10	(ii)	-	Lifetime	9,292,453	-	9,292,453

2020							
	Notes	Credit Rating		Calculation Method	Total value of exposure	ECL	Net Carrying Value
		Internal	External				
Cash at banks and financial institutions	5	(i)	Aa3/ A1	12 Months	603,692	-	603,692
Accounts receivable and other assets	6	(ii)	-	Lifetime	3,588,964	(330,445)	3,258,519
Investment in debt instruments at amortized cost	10	(ii)	-	Lifetime	8,550,656	-	8,550,656

- (i) Although cash and cash equivalents is subject to impairment study as per IFRS 9 requirements, the impact of ECL calculation is immaterial.
- (ii) The Group applies the simplified approach in IFRS 9 to measure expected credit losses for all accounts receivables and investment in debt instruments at amortized cost over the lifetime of the instrument. The Group determines the credit losses for this item using provision matrix, which was estimated based on the past experience of credit losses on the outstanding receivables that are adjusted to reflect the current and future economic conditions.

The following table shows credit risk related to trade receivables as per provision matrix:

Aging brackets of trade receivables	31 December 2021			31 December 2020		
	gross carrying amount at default	Expected credit loss rate	Lifetime ECL	gross carrying amount at default	Expected credit loss rate	Lifetime ECL
From 0 to 90 days	1,390,843	0.53%	7,434	3,108,792	2.97%	92,476
From 91 to 120 days	141,365	1.59%	2,248	111,574	6.13%	6,839
From 121 to 180 days	119,998	2.89%	3,468	119,770	8.09%	9,689
From 181 to 365 days	483,661	6.81%	32,952	42,334	35.31%	14,947
Above 365 days	206,343	100%	206,343	206,494	100%	206,494
	<u>2,342,210</u>		<u>252,445</u>	<u>3,588,964</u>		<u>330,445</u>

The Group does not grant credit facilities unless it meets the normal requirements and activities of the Group, taking into consideration the financial position, previous transactions and reputation of the customers.

The movement represents provisions for expected credit losses as follows:

	2021	2020
Balance as at the beginning of the year	330,445	312,445
(Reversal) / provided during the year	(78,000)	18,000
Balance as at the end of the year	<u>252,445</u>	<u>330,445</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2021*(All amounts are in Kuwaiti Dinar otherwise stated)***B) Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future finance costs over the life of these financial liabilities. The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted repayment obligations.

	Less than 3 months	3 to 12 months	Over 1 year	Total
2021				
Bank facilities	-	1,634,000	1,074,533	2,708,533
Accounts payable and other liabilities	26,361	684,657	5,240,702	5,951,720
Total liabilities	26,361	2,318,657	6,315,235	8,660,253
	Less than 3 months	3 to 12 months	Over 1 year	Total
2020				
Bank facilities	-	103,333	2,599,025	2,702,358
Accounts payable and other liabilities	35,948	817,684	2,471,650	3,325,282
Total liabilities	35,948	921,017	5,070,675	6,027,640

C) Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its bank overdrafts and borrowings.

As at 31 December 2021, if the interest rate on bank facilities increase by 5%, with all other variables held constant, the profit for the year would have been decreased by KD 18,534 (KD 7,703 - 2020).

Foreign currency risk

The table below indicates the effect of a reasonably possible movement of the currency rate against the Kuwaiti Dinars on profit for the year and other comprehensive income, with all other variables held constant:

	Increase/decrease in foreign currency rate	Effect on profit for the year	Effect on other comprehensive income
2021			
US Dollars	+/- 5%	32	11,197
Euro	+/- 5%	44	644,133
	Increase/decrease in foreign currency rate	Effect on profit for the year	Effect on other comprehensive income
2020			
US Dollars	+/- 5%	33	10,307
Euro	+/- 5%	155	627,846

Notes to the Consolidated Financial Statements for the year ended 31 December 2021*(All amounts are in Kuwaiti Dinar otherwise stated)***Equity price risk**

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of industry concentration.

The following table demonstrates the sensitivity of the quoted investments' values to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

The effect on Group's results (as a result of a change in the fair value of investments at fair value through profit or loss at 31 December) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2021		2020	
	Change in equity price	Effect on profit for the year	Change in equity price	Effect on profit for the year
Market indices				
Kuwait	+/- 5%	121,612	+/- 5%	27

3.2 Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Parent Company comprising issued capital, reserve and retained earnings.

	2021	2020
Total borrowings	2,708,533	2,702,358
Less: cash and cash equivalents	(1,529,660)	(603,951)
Net debt	1,178,873	2,098,407
Total equity	38,786,329	36,961,878
Total capital	39,965,202	39,060,285
Gearing ratio%	3	5

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. The Group's current strategy is to maintain the external finance at minimum.

3.3 Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical financial instruments.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

The table below gives information about how the fair values of the financial assets are determined:						
Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/21	31/12/20				
<u>Investments at fair value through profit or loss</u>						
Quoted shares	2,432,248	579	1	Bid prices	-	-
Unquoted shares	2,764,287	2,713,230	3	i) Peer market price to book value of similar companies in the same industry ii) Discounted future cash flows	i) Peer market price to book value factor and discount for lack of market availability ii) Discount rate and growth rate	i) Changes in market multiple and discount rate will result change in fair value ii) The higher the discount rate, the lower the fair value
<u>Investments at fair value through OCI</u>						
Local and foreign equity securities "unquoted"	17,445,254	14,013,690	3	i) Peer market price to book value of similar companies in the same industry ii) Discounted future cash flows	i) Peer market price to book value factor and discount for lack of market availability ii) Discount rate and growth rate	i) Changes in market multiple and discount rate will result change in fair value ii) The higher the discount rate, the lower the fair value

The following table shows a reconciliation of the opening and closing amount of level 3:

	2021	2020
Balance as at 1 January	16,726,920	16,995,585
Additions	3,077,467	-
Change in fair value during the year	405,154	(268,665)
Balance as at 31 December	20,209,541	16,726,920

The fair values of other financial assets and financial liabilities approximately equal its book value as at the consolidated financial statements date. Investments in debt instruments at amortized cost amounted by KD 9,292,453 as at 31 December 2021 (KD 8,550,656 – 2020) are recognized using the effective interest rate method.

4. Significant accounting judgement, estimates and assumptions

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements:

Classification of financial instruments

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

The Group has classified its investments in equity instruments mainly as "FVTOCI" as these investments are strategic investments, and are not traded actively.

The Group also classified the investments in debt instruments which were acquired during the year under the financial assets at amortized cost. The Group has adopted the guidelines of IFRS 9, which resulted in classification of such instruments as investments in debt instruments "purchased or originated credit-impaired".

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in notes 3.3.

Impairment in value of financial assets

The Group estimates the expected credit losses for all financial assets carried at amortized cost or fair value through profit or loss, except for equity instruments. The determination of expected credit losses implies significant use of internal and external data and assumptions. The amount of expected credit losses is affected by changes in expected economic conditions and other factors. The experience of the Group's expected historical credit losses as well as an expectation of economic conditions may not be considered evidence of a customer's actual exposure to default in the future. Please refer to note 2.3.2 impairment of financial assets for more information. The assessment of the relationship between observed historical default rates and expected economic conditions, as well as expected credit losses, is significant estimation.

In respect of debt instruments classified at credit impaired level that are measured at amortized cost, the Group estimates the expected cash flows of the recoverable amounts on an annual basis which are considered to be a component of material uncertainty and require a high degree of appreciation. The effective interest rate adjusted for credit risk is also a process that requires the exercise of significant judgments and estimates. Impairment losses on these financial instruments are determined on the basis of the difference between the discounted cash flows and the carrying amount (Note 10).

Impairment of associates

Impairment testing of the associate is carried out when there is an indication of such impairment. Impairment is assessed for the entire carrying value of the Group's investment in the associates including goodwill, therefore no impairment study for goodwill is required independently.

The impairment of the associate is assessed based on estimate of value in use. The calculation of the value in use requires that the management estimate the expected future cash flows and an appropriate discount rate to calculate the present value. An impairment loss may arise materially when the actual future cash flows are less than expected.

The recovery value of the investment in associates had been determined, based on value in use calculations, using cash flow projections based on financial budgets as follows:

	2021	2020
Specialties Group Holding Company		
Financial budgets cover period (years)	2022-2026	2021-2025
Discount rate (weighted average cost of capital)	8.64%	9.5%
Terminal growth rate	5%	2%

The discount rate reflects the current market assessment of risks specific to associates.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in investment being impaired.

Revaluation of investment properties

The Group recognizes the investment properties at fair value and changes in fair value are included in the consolidated statement of income. The Group appoints independent specialized valuers to determine the fair value. Those valuers use valuation techniques to determine the fair value. The estimated fair value of investment properties may differ from the actual realizable prices in arm's length transaction as at reporting date.

National International Holding Company K.S.C.P.

And its subsidiaries

State of Kuwait

Notes to the Consolidated Financial Statements for the year ended 31 December 2021*(All amounts are in Kuwaiti Dinar otherwise stated)***Contingent liabilities**

Contingent liabilities arise as a result of past events that are determined to exist only on the occurrence or non-occurrence of an uncertain future event or events that are not entirely within the Group's control. Provisions are recognized against liabilities when the loss is considered to be probable and can be estimated reliably. The determination of whether or not a provision should be recorded against any contingent liability is based on management's judgment.

5. Cash and cash equivalents

	2021	2020
Cash at banks and financial institutions	1,429,428	603,692
Cash at clearing company	100,115	-
Cash on hand	117	259
	<u>1,529,660</u>	<u>603,951</u>

6. Accounts receivable and other assets

	2021	2020
Trade receivables	1,742,210	1,738,964
Expected credit losses	(252,445)	(330,445)
	<u>1,489,765</u>	<u>1,408,519</u>
Due from selling of investment properties (*)	600,000	1,850,000
Advance paid to acquire an investment (**)	150,000	-
Other receivables	248,279	280,131
	<u>2,488,044</u>	<u>3,538,650</u>

(*) During the current year the Group collected an amount of KD 1,250,000 from the balance due from selling of investment properties and the remaining amount of KD 600,000 was rescheduled to 1 June 2022.

(**) During the current year the Group's management has signed acquisition contract of 26% ownership in a Kuwaiti company with a value amount to KD 300,000 out of which KD 150,000 has been paid in advance. The management is currently in process of transferring the ownership of such investment in the name of the group.

7. Inventories

	2021	2020
Finished goods	229,436	249,523
Raw and packing materials (net of provision)	387,624	399,112
	<u>617,060</u>	<u>648,635</u>

The cost of inventories recognized as expense in cost of sales during the current year in respect of operation was KD1,802,963 (KD 1,664,072 – 31 December 2020).

8. Investments at fair value through profit or loss

	2021	2020
Quoted shares	2,432,248	579
Unquoted shares	2,764,287	2,713,230
	<u>5,196,535</u>	<u>2,713,809</u>

- Fair value hierarchy disclosures for investments are provided in (Note 3.3).
- Investments at fair value through profit or loss include securities with fair value of KD 2,764,287 as at 31 December 2021 (KD 2,713,230 - 31 December 2020) pledged as collateral against credit facilities granted by a local bank.

9. Investments at fair value through OCI

	2021	2020
Unquoted foreign equity securities	13,106,610	12,763,064
Unquoted local equity securities	4,338,644	1,250,626
	<u>17,445,254</u>	<u>14,013,690</u>

- Fair value hierarchy disclosures for investments are provided in (Note 3.3).
- Investments at fair value through OCI are not subject to impairment, and their cumulated changes in fair value included in the investments revaluation reserve is not subsequently reclassified to statement of income.
- During the current year, the Group entered into assets swap transaction, and acquired unquoted local investments amounted with fair value amounted to KD 2,384,376 against sell of investments in subsidiaries (Note 25.1).

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

10. Investments in debt instruments at amortized cost

During 2018, the Group acquired credit impaired debt instruments (sukuk) for contractual amount of KD 10.5M.

The Group's management expects to obtain future cash flows during 2022 amounted by KD 9,850,000. The present value of expected cash flows of the acquired debt instruments is estimated based on discount rate of 6%.

The Interest income recorded during the current year from these instruments are amounted to KD 741,797 (KD Nil -2020).

11. Investment in associates

Company name	Country of incorporation	Principal activity	2021		2020	
			%	Carrying value	%	Carrying value
Coast Development and Investment Company	Kuwait	Investment	31.65	6,695,785	31.65	5,931,167
Specialties Group Holding Company	Kuwait	Investment Holding	31.54	6,943,859	31.54	6,559,482
				<u>13,639,644</u>		<u>12,490,649</u>

The movement over investment in associates summarized as below:

	2021	2020
Opening balance	12,490,649	15,056,194
Share of results	1,636,715	(3,201,652)
Share of other comprehensive income/ (losses)	(487,720)	636,107
	<u>13,639,644</u>	<u>12,490,649</u>

- The Group's share in the results and other comprehensive losses of the associates is calculated based on the audited financial statements for the year ended 31 December 2021.
- The fair value based on quoted price (level 1) for the investment in Coast Development and Investment Company and Specialties Group Holding Company is KD 15,308,007 as at 31 December 2021 (KD 8,935,500 – 2020) and KD 6,187,500 (KD 3,865,950 – 2020) respectively.
- The Group's 98% of its owned shares of Specialties Group Holding Company are pledged against credit facilities granted by a local bank.
- During the current year, the Group carried out a review of the recoverable amount of an associated company "Specialties Group Holding Company". The fair value less costs of disposal is less than the value in use and hence the recoverable amount of this associate has been determined on the basis of value in use. The recoverable amount approximately equals to the carrying value, accordingly no impairment in value was recorded.
- The following is summary of the financial information of the associates based on the latest available financial statements which have been prepared in accordance with IFRS:

Coast Development and Investment Company

	2021	2020
Revenues	5,449,843	(2,526,713)
Profit / (Loss) for the year	3,919,495	(10,191,234)
Other comprehensive (loss) / income for the year	(1,503,805)	2,043,623
Total comprehensive income / (loss) for the year attributable to shareholders	2,415,690	(8,147,348)
Total assets	26,686,496	24,002,870
Total Liabilities	5,511,872	5,230,926
Non-controlling interests	18,906	32,080
Total equity	21,155,718	18,739,864
Ownership %	31.65	31.65
Associate's carrying value	<u>6,695,785</u>	<u>5,931,167</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

Specialties Group Holding Company	2021	2020
Revenues	22,339,773	18,465,692
Profit for the year	1,473,691	79,762
Other comprehensive loss for the year	(12,265)	(9,728)
Total comprehensive income for the year attributable to shareholders	1,461,426	67,552
Total assets	37,013,640	37,165,468
Total Liabilities	9,771,608	11,359,355
Non-controlling interests	535,470	318,246
Total equity	26,706,562	25,487,867
Ownership %	31.54	31.54
	8,423,250	8,038,873
Less: impairment losses	(1,479,391)	(1,479,391)
Associate's carrying value	6,943,859	6,559,482

12. Investment properties

	2021	2020
At 1 January	1,599,908	4,042,191
Disposal	(645,085)	(2,100,000)
Change in fair value	(1,035)	(342,283)
At 31 December	953,788	1,599,908

Investment properties are categorized as follows:

	2021	2020
Land	651,675	1,077,789
Developed property	302,113	522,119
	953,788	1,599,908

- The fair value of investment properties has been determined based on independent real estate evaluators, the fair value was determined for these investment properties based on the comparative market method (level 2). The comparative market approach is based on comparing market prices for similar properties and transactions with purely commercial terms, adjusted to reflect the difference in the nature, location and condition of the property in question.
- During the current year, the Group disposed investment properties with a carrying value of KD 645,085 which resulted loss from sale amounted to KD 47,090 included in the consolidated statement of income for the current year.

13. Property and equipment

	Leasehold Lands	Buildings	Machinery and equipment	Other assets	Projects under constructions	Total
Cost						
As at 1 January 2020	3,360,597	237,205	619,508	447,136	228,067	4,892,513
Additions	-	-	5,745	11,625	416,800	434,170
As at 31 December 2020	3,360,597	237,205	625,253	458,761	644,867	5,326,683
Additions	-	850	2,344	87,350	267,395	357,939
As at 31 December 2021	3,360,597	238,055	627,597	546,111	912,262	5,684,622
Accumulated depreciation						
As at 1 January 2020	67,121	85,297	261,834	195,575	-	609,827
Charge for the year	-	23,952	80,810	125,036	-	229,798
As at 31 December 2020	67,121	109,249	342,644	320,611	-	839,625
Charge for the year	-	19,272	45,217	71,689	-	136,178
As at 31 December 2021	67,121	128,521	387,861	392,300	-	975,803
Net book values						
As at 31 December 2021	3,293,476	109,534	239,736	153,811	912,262	4,708,819
As at 31 December 2020	3,293,476	127,956	282,609	138,150	644,867	4,487,058
Annual depreciation rates	-	4%-20%	5%-33.33%	33.33%	-	

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

Buildings are constructed on lands leased from the Public Authority for Industry, State of Kuwait for a period ending 2024 and 2025. The Group has mortgaged nine plots to local banks against bank facilities (Note 14).

The fair value of leasehold lands and buildings build on amounting to KD 3,860,000 as of 31 December 2021 (KD 3,480,000 - 2020) based on valuation from independent authorized valuers.

14. Bank facilities

	2021	2020
Bank overdraft	651,828	734,653
Wakala and murabha payable	2,056,705	1,967,705
	<u>2,708,533</u>	<u>2,702,358</u>

The effective average interest rate on Wakala and murabha payable is 3.5% - 4.5% (3.5% - 4.5% - 2020).

Following is the maturity of the bank facilities;

	2021	2020
Within 1 year	1,634,000	103,333
More than 1 year	1,074,533	2,599,025
	<u>2,708,533</u>	<u>2,702,358</u>

The bank facilities are granted to the Group against the following assets;

	2021	2020
Investment in an associate (Note 11)	6,804,982	6,428,292
Investments at fair value through profit or loss (Note 8)	2,764,287	2,713,230
Property and equipment (Note 13)	4,259,728	4,005,000
	<u>13,828,997</u>	<u>13,146,522</u>

In addition to that, the Group has pledged 48.46% of the shares of Al Ahlia Chemical Company "the Subsidiary" of the Group (Note 25).

15. Accounts payable and other liabilities

	2021	2020
Trade payables	808,711	726,634
Advances received	26,361	35,948
Accrued expenses	684,657	746,608
Dividends payables	208,429	586,379
Employees' end of service benefits	871,553	767,022
Lease liability	236,672	114,371
Other liabilities	3,115,337	348,320
	<u>5,951,720</u>	<u>3,325,282</u>

16. Share capital

The authorized, issued and full paid up share capital becomes KD 22,772,138 distributed over 227,721,375 shares as of 31 December 2021 & 2020, with a nominal value of 100 fils each, and all shares are paid in cash.

17. Reserves

Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued 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 payment of a dividend of that amount.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

General reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to general reserve based on recommendation of the Board of Directors and subject to the approval of the General Assembly of the Parent Company's shareholders. Such annual transfer may be increased or discontinued by a resolution of the General Assembly of the Parent Company's shareholders upon recommendation from the Parent Company's Board of Directors.

18. Treasury shares

	2021	2020
Number of shares	13,818,717	17,419,717
Percentage of issued shares (%)	6	8
Market value (KD)	2,086,626	1,376,158

The Parent Company is required to retain reserves and retained earnings equivalent to the cost of treasury shares throughout the year, in which they are held by the Parent Company, in accordance with the instructions of the relevant regulatory authorities. These shares are not pledged.

During the current year the Group signed a liquidity agreement on liquidity provision, with a market provider (Liquidity Provider). The Liquidity provider role is the provision of liquidity for the parent company shares listed in Dubai Financial Market.

19. Net investment income

	2021	2020
<u>Investments at fair value through profit or loss</u>		
Realised gain / (loss)	63,288	(216)
Change in fair value	(107,867)	(289,515)
Dividends income	89,009	252,027
	<u>44,430</u>	<u>(37,704)</u>
<u>Investments at fair value through OCI</u>		
Dividends income	-	134,842
<u>Investments in debt instruments at amortized cost</u>		
Interest income	741,797	-
	<u>786,227</u>	<u>97,138</u>

20. Gross profit from operating activities

	2021	2020
Sales	3,343,906	3,086,547
Cost of sales	(2,393,762)	(2,241,852)
	<u>950,144</u>	<u>844,695</u>

The breakdown of sales is as follows:-

	2021	2020
Sale of manufactured materials (Points at time)	2,923,029	2,502,512
Sale of trading materials (Points at time)	420,877	584,035
	<u>3,343,906</u>	<u>3,086,547</u>

The breakdown of cost of sales is as follows:-

	2021	2020
Material costs	1,802,963	1,664,072
Staff costs	243,833	257,301
Depreciation	57,099	65,622
Others	289,867	254,857
	<u>2,393,762</u>	<u>2,241,852</u>

21. Other income

	2021	2020
Rental income	-	57,295
Other income	83,353	175,195
Reversal / (provided) of ECL provision	78,000	(18,000)
	<u>161,353</u>	<u>214,490</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

22. Net loss from investment properties

	2021	2020
Change in fair value	(1,035)	(342,283)
(Loss) / gain on sale	(47,090)	150,000
	<u>(48,125)</u>	<u>(192,283)</u>

23. Other expenses

	2021	2020
Staff cost	963,651	833,072
Others	518,480	482,463
	<u>1,482,131</u>	<u>1,315,535</u>

24. Basic and diluted earnings / (losses) per share

Basic earnings / (losses) per share is calculated by dividing the profit / (loss) for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings / (losses) per share is calculated by dividing the profit / (loss) for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December, the Parent Company had no outstanding dilutive potential shares.

The basic earnings / (losses) per share is calculated based on the profit / (loss) for the year divided by the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2021	2020
Profit / (Loss) for the year (KD)	1,793,941	(3,722,302)
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	205,328,917	210,301,658
Basic and diluted earnings / (losses) per share (fils)	<u>8.74</u>	<u>(17.70)</u>

25. Investment in subsidiaries

25.1 Subsidiaries

The consolidated financial statements includes the financial statements of the Parent Company and its subsidiaries, together referred to as "the Group" as follows:

Company Name	Country of incorporation	Principal activity	Effective interest (%)	
			2021	2020
Al-Ola National Real Estate Company sole proprietorship	Kuwait	Real estate activities	100	100
Al-Ghad Project Management Company sole proprietorship	Kuwait	Real estate projects management	100	100
Al-Ghad International General Trading W.L.L.	Kuwait	General Trading	100	100
Asoul Sukuk Musharaka for General Trading W.L.L.	Kuwait	General Trading	100	100
Smart Wood for General Trading Company W.L.L.	Kuwait	General Trading	54.8	76
Ahlia Chemicals Company K.S.C.C.	Kuwait	Manufacturing	62.6	62.6

The financial statements of the subsidiaries have been consolidated based on audited financial statements as at 31 December 2021.

During the current year, the Parent Company sold a stake of 25% from Smart Wood for General Trading. The parent company acquired unquoted shares from the associate in exchange for the sale, no gain or loss resulted from this transaction. Accordingly, the Group actual stake in exchange for the sale decreased by 21.2% as at 31 December 2021, and the fair value reserve attributable to the shareholders of the parent company decreased with KD 231,620, investments AFTOCI and the non-controlling interests increased by KD 2,384,376 and KD 2,615,996, respectively, as at that date. This transaction was eliminated from the cash flows as it is non-cash transaction.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

25.2 Subsidiaries in which non-controlling interests hold significant rights

Below is a summary of the financial information of the Group's subsidiaries in which non-controlling interests hold significant rights:

Al Ahlia Chemicals Company K.S.C.C

	2021	2020
Current assets	2,527,566	3,378,322
Non-current assets	7,050,988	5,750,169
Current Liabilities	1,878,143	1,907,090
Non-current Liabilities	498,915	509,966
Total Equity	7,201,496	6,711,435
Revenues	3,143,906	3,236,547
Net profit for the year	110,061	11,998
Net decrease in cash flows	(12,245)	(517,451)

26. Related party transactions

These related party is the main shareholders, directors, executive officers and key management personnel of the Group and close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence. The Parent Company's management approves pricing policies and terms of these transactions with the related party.

In addition to the mentioned in Notes 9 and 25.1, Balances and transactions with related parties included in the consolidated financial statements are as follows:

	2021	2020
Transactions: (Key Management Compensation)		
Salaries and short-term benefits	323,022	205,200
Employees' end of service benefits	56,030	94,425
Board of Directors' remuneration	50,000	-
Board committee remuneration	4,800	2,400
Balances arising from such transactions		
Accrued expenses	94,022	-
Employees' end of service benefits	358,602	235,847
Board of Directors' remuneration	50,000	-

27. Segmental information

The Group is classified into business units based on their products and services, and has three reportable operating segments as follows:

- Financial investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements; and
- Real estate investing activities comprise investing and trading in real estate and construction or development of real estate for the purpose of sale in the ordinary course of business and other related real estate services.
- Industrial activities comprise manufacturing and selling of chemical products.

The segment reporting information is as follows:

	2021				
	Industrial activities	Real estate investing activities	Financial investing activities	Unallocated	Total
Segments revenues	3,343,906	(48,125)	2,422,942	161,353	5,880,076
Segments expenses	(3,118,636)	-	(963,651)	-	(4,082,287)
Total segments' results	225,270	(48,125)	1,459,291	161,353	1,797,789
Segments assets	9,343,583	953,788	45,573,886	-	55,871,257
Segment liabilities	2,708,533	-	5,951,720	-	8,660,253

National International Holding Company K.S.C.P.

And its subsidiaries

State of Kuwait

Notes to the Consolidated Financial Statements for the year ended 31 December 2021*(All amounts are in Kuwaiti Dinar otherwise stated)*

	2020				
	Industrial activities	Real estate investing activities	Financial investing activities	Unallocated	Total
Segments revenues	3,086,547	(192,283)	(3,104,514)	214,490	4,240
Segments expenses	(2,878,374)	-	(833,072)	-	(3,711,446)
Total segments' results	208,173	(192,283)	(3,937,586)	214,490	(3,707,206)
Segments assets	8,375,240	1,599,908	38,671,858	-	48,647,006
Segment liabilities	2,417,056	-	3,610,584	-	6,027,640

28. Cash dividends

On 29 March 2022, the Parent Company's Board of Directors propose cash dividends of 5% (5 fils per share), bonus shares dividends of 3% for the year ended 31 December 2021 and propose Board of Directors' remuneration for the Parent Company's Board of Directors of KD 50,000 for the year ended 31 December 2021. These proposals are subject to the approval of shareholders at the general assembly meeting.

The consolidated financial statements for the year ended 31 December 2020 were approved in the general assembly of the shareholders held on 26 April 2021 and also approved no distribution to the Board of Directors for the same year.

29. Commitments and contingent liabilities

	2021	2020
Letters of guarantee	293,317	293,317
Letters of credit and acceptance	150,837	10,563
	<u>444,154</u>	<u>303,880</u>

30. Legal cases

During prior year, a first instance court has issued a judgement nullifying a contract for acquisition of a subsidiary "the contract" by the Group where it owns 62.6% as at 31 December 2021, and the capital increase during 2016. Furthermore, the judgement nullified the process to call the extraordinary general assembly meeting for the same company during 2019 and the related decisions including the capital increase.

Subsequent to that date, the Court of Appeal issued its judgment to annul the first instance court verdict with respect to nullifying the contract and transferred the case to the Plenary Court at Capital Markets Circle. Also, the Court ruled to reject the request to nullify the capital increase during 2016 and request to nullify the process to call the extraordinary general assembly meeting for the same company during 2019, the appellant appeals against it to the Court of Cassation and no date was identified yet. During the current another case was filed in order to nullify the general assembly meeting held on 21 June 2021 which has been suspended till the finalization of the appeal mentioned above.

The Plenary Court at Capital Markets Circle issued a first instance to consider the lawsuit as if it were not. An appeal was initiated, and the court of appeal issued a decision to return the case to the first instance session. Subsequent to the financial statements date, the first instance court reject the plaintiff's request to nullify the contract.

Based on the lawyer opinion, the request to nullify the contract is likely to have no impact since the contract has not been executed, and it is also likely that the judgment issued by the Court of Appeal will be upheld in the appeals against it at the Court of Cassation.

The net carrying value of the investment in subsidiary amounted to KD 4.5 million approximately as at the date of the consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar otherwise stated)

31. Impact of COVID-19

The future dynamics of the COVID-19 pandemic remain uncertain due to its evolving nature (new ongoing waves of infection, new restrictions, new variants, vaccination efficacy and rollouts). The full extent of the impact of the crisis in the region and related policy and support measures is still not fully known.

The economy suffered significant consequences following the introduction of the first round of restrictive measures in March 2020 until now. In order to determine the effects of the COVID-19 pandemic on the group's operations, it is essential to consider the pre-pandemic situation before moving from the beginning of the pandemic to the present day.

The sudden halt in investing activities due to COVID-19 restriction measures, and the concomitant fall in investment, led to a decrease in sectoral economic performance in the region during 2020. Whilst the sector is among the main contributors to GDP to the region. However, the available data suggest that the sector quickly rebounded and did not exhibit a significant decline during 2021.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of the available guidance of IFRS, and incorporated the outcome in these consolidated financial statements and explained the changes related to the critical judgement and estimates for the year ended 31 December 2021.

Further, management is aware that any further disruptions due to the emerging new covid variants could negatively impact the consolidated financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its industry reports and cash flows to minimise any negative impact on the Group.

Expected credit loss model on financial assets

The Group has reassessed its significant judgements and estimates in relates to expected credit losses (including probability of default, loss rate at default, and incorporation of future information) and adjusted as disclosed in note 2.3.2.

Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID-19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Non-financial assets

As at the reporting date, the Group has not identified any significant impact on the carrying values of its non-financial assets. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis.