

Consolidated financial statements and independent auditor's report

**Gulf Investment House – KPSC and Subsidiaries**

**Kuwait**

31 December 2021

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# Independent auditor's report

To the shareholders of  
Gulf Investment House – KPSC  
Kuwait

## Report on the Audit of the Consolidated Financial Statements

### Opinion

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

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

### 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 Auditors' 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) (IESBA Code), and we have fulfilled our other responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

#### *Valuation of investments held at fair value*

The Group invests in various asset classes, of which 23% of the total assets represent investments which are carried at fair value and classified either as investments at fair value through profit or loss or as fair value through other comprehensive income. The investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using a fair value hierarchy as detailed in note 19.2. 42% of these investments are carried at fair value based on Level 1 valuations, and the balance 58% of these investments are carried at fair value based on Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 3 we determined this to be a key audit matter. Refer to Note 10 and 11 for more information on fair valuation of investments at fair value through statement of profit or loss and investments at fair value through other comprehensive income respectively.

## **Independent auditor's report to the shareholders of Gulf Investment House – KPSC (continued)**

### ***Valuation of investments held at fair value (continued)***

Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investment portfolio, agreeing the carrying value of the investments to the Group's internal valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

### ***Investments in associates***

The Group's investments in associates represent 27% of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. The investment in associates is significant to our audit due to the Group's share of results in the associates and the carrying value of these associates. In addition, significant management judgment and number of assumptions are required in the assessment of impairment, including the determination of the recoverable value in case there are indicators of impairment. Accordingly, we considered this as a key audit matter. Refer note 13 for more information on investment in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological, market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition. For associates where there were impairment indicators, we also reviewed management's assessment of the recoverable value of the investment and assessed and challenged the appropriateness of estimates, assumptions and valuation methodology used.

### **Other information included in the Group's 2021 annual report**

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

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

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

### **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, as adopted for use by the State of Kuwait 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.

## **Independent auditor's report to the shareholders of Gulf Investment House – KPSC (continued)**

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)**

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.

### **Auditors' 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 auditors' 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

## **Independent auditor's report to the shareholders of Gulf Investment House – KPSC (continued)**

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business or financial position of the Parent Company.



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

Kuwait  
16 March 2022



## Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
<b>Income</b>			
Sale of Goods		5,144,458	3,721,287
Cost of sales		(3,577,677)	(2,330,077)
<b>Gross profit</b>		<b>1,566,781</b>	<b>1,391,210</b>
Unrealised loss on financial assets at fair value through profit or loss		(412,959)	(102,920)
Realised gain on financial assets at fair value through profit or loss		4,248,313	33,881
Share of results of associates	13	(1,331,602)	(408,568)
Deemed gain on reclassifying of investment in associate to financial assets at fair value through profit and loss	13	1,732,690	-
Realised gain on disposal of investments in associates	13	1,785,568	-
Change in fair value of investment properties	14	(13,395)	(51,650)
Realised gain on sale of investment properties	14	-	209,269
Dividend Income		88,180	69,634
Profit from saving deposits		94,932	173,465
Net reversal of provision for impairment of investment in associates	13	285,288	-
Other income		150,222	142,156
<b>Total income</b>		<b>8,194,018</b>	<b>1,456,477</b>
<b>Expenses and other charges</b>			
Staff costs		(896,895)	(582,253)
General, administrative and other expenses		(379,110)	(292,681)
Selling and distribution expenses		(555,347)	(379,667)
Impairment in value of accounts receivable and other assets		(7,436)	-
Foreign exchange (loss)/gain		(8,033)	4,219
		(1,846,821)	(1,250,382)
<b>Profit before contribution to Kuwait Foundation for the Advancement of Science ("KFAS"), National Labour Support Tax ("NLST") and Zakat</b>		<b>6,347,197</b>	<b>206,095</b>
Provision for contribution to KFAS		(10,198)	(8,196)
Provision for NLST		(153,367)	-
Provision for Zakat		(60,895)	(9,097)
<b>Profit for the year</b>		<b>6,122,737</b>	<b>188,802</b>
<b>Attributable to:</b>			
Owners of the Parent Company		6,003,379	(207,702)
Non-controlling interests		119,358	396,504
		6,122,737	188,802
<b>Basic and diluted earnings/(loss) per share attributable the owners of the Parent Company (fils)</b>	8	<b>14.77</b>	<b>(0.51)</b>

The notes set out on pages 10 to 50 form an integral part of these consolidated financial statements.

## Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Profit for the year	6,122,737	188,802
<b>Other comprehensive income:</b>		
<i>Items to be reclassified to profit or loss in subsequent years:</i>		
Exchange differences arising on translation of foreign operations	(120,774)	(141,659)
Transfer to consolidated statement of profit or loss on de-recognition/disposal of an associate	(270,641)	-
<b>Total other comprehensive loss to be reclassified to profit or loss in subsequent periods</b>	<b>(391,415)</b>	<b>(141,659)</b>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Net changes in fair value of investments in equity instruments designated at FVOCI	677,498	442,275
<b>Total other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>677,498</b>	<b>442,275</b>
<b>Total other comprehensive income for the year</b>	<b>286,083</b>	<b>300,616</b>
<b>Total comprehensive income for the year</b>	<b>6,408,820</b>	<b>489,418</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Parent Company	6,315,332	61,629
Non-controlling interests	93,488	427,789
	<b>6,408,820</b>	<b>489,418</b>

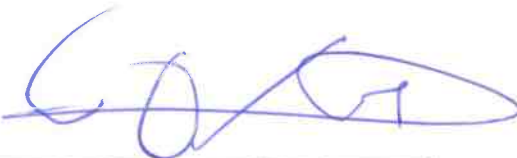
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## Consolidated statement of financial position

	Note	31 Dec. 2021 KD	(Restated) 31 Dec. 2020 KD
<b>Assets</b>			
Cash and bank balances	9	5,359,029	2,725,648
Short-term deposits	9	15,150,000	7,750,000
Financial assets at fair value through profit or loss	10	10,707,394	2,245,078
Financial assets at fair value through other comprehensive income	11	1,325,301	2,465,930
Inventories		506,148	533,119
Accounts receivables and other assets	12	2,783,409	3,196,467
Investment in associates	13	13,947,672	23,935,460
Investment properties	14	830,408	862,254
Property and equipment		671,678	745,020
Intangible Assets		621,883	590,770
Goodwill		356,017	356,017
<b>Total assets</b>		<b>52,258,939</b>	<b>45,405,763</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Accounts payable and other liabilities	15	2,280,915	1,836,559
<b>Total liabilities</b>		<b>2,280,915</b>	<b>1,836,559</b>
<b>Equity</b>			
Share capital	16	40,649,566	40,649,566
Statutory reserve		100,144	-
Cumulative changes in fair value		(562,754)	(367,899)
Foreign currency translation reserve		390,626	756,171
Retained earnings/(accumulated losses)		1,549,191	(5,226,397)
<b>Equity attributable to the Owners of the Parent Company</b>		<b>42,126,773</b>	<b>35,811,441</b>
Non-controlling interests		7,851,251	7,757,763
<b>Total equity</b>		<b>49,978,024</b>	<b>43,569,204</b>
<b>Total liabilities and equity</b>		<b>52,258,939</b>	<b>45,405,763</b>

  
 Abdulaziz A. Alsanad  
 Chairman

  
 Mohammad S. AlAyoub  
 Chief Executive Officer

The notes set out on pages 10 to 50 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

	Share Capital KD	Statutory reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	(Accumulated losses)/retained earnings KD	Sub- Total KD	Non-controlling interests KD	Total equity KD
Balance as at 31 December 2020 – as previously reported	40,649,566	-	(367,899)	756,171	(5,042,626)	35,995,212	7,927,510	43,922,722
Effect of a restatement of a subsidiary (note 24)	-	-	-	-	(183,771)	(183,771)	(169,747)	(353,518)
Balance as at 1 January 2021 – as restated	40,649,566	-	(367,899)	756,171	(5,226,397)	35,811,441	7,757,763	43,569,204
Profit for the year	-	-	-	-	6,003,379	6,003,379	119,358	6,122,737
Total other comprehensive (loss) for the year	-	-	677,498	(365,545)	-	311,953	(25,870)	286,083
Total comprehensive income/(loss) for the year	-	-	677,498	(365,545)	6,003,379	6,315,332	93,488	6,408,820
Transfer to statutory reserve	-	100,144	-	-	(100,144)	-	-	-
Transfer to retained earnings on derecognition (note 11)	-	-	(872,353)	-	872,353	-	-	-
Balance as at 31 December 2021	40,649,566	100,144	(562,754)	390,626	1,549,191	42,126,773	7,851,251	49,978,024
Balance as at 31 December 2019 – as previously reported	40,649,566	-	(537,052)	929,115	(4,858,659)	36,182,970	8,056,256	44,239,226
Effect of a restatement of a subsidiary (note 24)	-	-	-	-	(183,771)	(183,771)	(169,747)	(353,518)
Balance as at 1 January 2020 – as restated	40,649,566	-	(537,052)	929,115	(5,042,430)	35,999,199	7,886,509	43,885,708
Increase on acquisition of subsidiary (note 7.3)	-	-	-	-	(249,387)	(249,387)	(550,613)	(800,000)
Dividend paid to non-controlling interest by the subsidiaries	-	-	-	-	-	-	(5,922)	(5,922)
Total transactions with owners	-	-	-	-	(249,387)	(249,387)	(556,535)	(805,922)
Profit for the year	-	-	-	-	(207,702)	(207,702)	396,504	188,802
Total other comprehensive loss for the year	-	-	442,275	(172,944)	-	269,331	31,285	300,616
Total comprehensive (loss)/income for the year	-	-	442,275	(172,944)	(207,702)	61,629	427,789	489,418
Transfer on de-recognition of equity accounting of an associate	-	-	(273,122)	-	273,122	-	-	-
Balance as at 31 December 2020	40,649,566	-	(367,899)	756,171	(5,226,397)	35,811,441	7,757,763	43,569,204

The notes set out on pages 10 to 50 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
<b>OPERATING ACTIVITIES</b>			
Profit before provision for KFAS, NLST and Zakat		6,347,197	206,095
Adjustments:			
Depreciation		127,474	125,261
Share of results of associates	13	1,331,602	408,568
Net reversal of provision for impairment of investment in associates		(285,288)	-
Realised gain on disposal of investments in associates		(1,785,568)	-
Deemed gain on reclassifying of investment in associates to financial assets at fair value through profit or loss		(1,732,690)	-
Change in fair value of investment properties		13,395	51,650
Realised gain on sale of investment properties		-	(209,269)
Dividend Income		(88,180)	(69,634)
Profit from saving deposits		(94,932)	(173,465)
Impairment in value of accounts receivable and other assets		7,436	-
Provision for employees end of service benefits		108,700	88,615
		<b>3,949,146</b>	<b>427,821</b>
<b>Changes in operating assets and liabilities:</b>			
Financial assets at fair value through profit or loss		(2,692,770)	(1,477,833)
Accounts receivables and other assets		405,621	(1,057,303)
Inventories		26,971	(288,343)
Accounts payable and other liabilities		1,060,438	(918,495)
Cash from/(used) in operations		2,749,406	(3,314,153)
Employee end of service benefits paid		(156,306)	(60,688)
<b>Net cash from/(used in) operating activities</b>		<b>2,593,100</b>	<b>(3,374,841)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property and equipment		(90,184)	(100,601)
Net cash outflow on acquisition of subsidiaries		(788,000)	(918,000)
Addition to investment in associates		(305,933)	(148,223)
Proceeds from disposal of investment in associates		8,065,080	58,840
Redemption proceeds received from financial assets at fair value through other comprehensive income		376,206	1,532,340
Cash outflow on acquisition of non-controlling interest		-	(800,000)
Profit received from saving deposits		94,932	173,465
Dividend received		88,180	69,634
<b>Net cash from/(used in) investing activities</b>		<b>7,440,281</b>	<b>(132,545)</b>
<b>FINANCING ACTIVITIES</b>			
Movement in restricted bank accounts		178	45
<b>Net cash from financing activities</b>		<b>178</b>	<b>45</b>
Net increase/(decrease) in cash and cash equivalents		10,033,559	(3,507,341)
Cash and cash equivalents at beginning of the year		10,346,527	13,853,868
<b>Cash and cash equivalents at end of the year</b>	9	<b>20,380,086</b>	<b>10,346,527</b>

The notes set out on pages 10 to 50 form an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## 1 Incorporation and activities

Gulf Investment House – KPSC (“the Parent Company”) was incorporated in Kuwait on 8 September 1998 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company is registered with the Central Bank of Kuwait as a finance company and is listed on Kuwait Stock Exchange.

The Parent Company is a subsidiary of GIH Financing Ltd, (The Ultimate Parent Company).

The Parent Company was registered with the Capital Market Authority (“CMA”) as an investment company. However, during the previous year, the Parent Company has been removed from the registry of the CMA and hence is no longer registered as a licensed investment company with CMA as at 31 December 2018.

The Group is primarily engaged in investment activities and related financial and advisory services. All activities of the Group are carried out in compliance with the Noble Islamic Sharee’a, as approved by the Parent Company’s Fatwa and Sharee’a Supervisory Board.

The Parent Company’s registered head office is at Dar Al-Awadi Tower, Sharq, Kuwait City, P.O. Box 28808, 13149 Safat, Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 16 March 2022. The general assembly of the Parent Company’s shareholders has the power to amend these consolidated financial statements after issuance.

## 2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the functional and presentation currency of the Parent Company.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

## 3 Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require expected credit loss (“ECL”) to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instruction; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”) (collectively referred to as IFRS, as adopted for use by the State of Kuwait). However as of 31 December 2021 the Group does not have any credit facilities.

## 4 Changes in accounting policies

### 4.1 New and amended standards adopted by the Group

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

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

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

##### Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021

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

The application of the amendments did not have a significant impact on the Group's consolidated financial statements.

#### 4.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

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

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

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

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



## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

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

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

##### **IFRS 3 – Reference to the conceptual framework**

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

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

##### **IAS 1 Amendments - Classification of current or non-current**

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

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

##### **IAS 1 Amendments – Disclosure of accounting policies**

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

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

##### **IAS 8 Amendments – Definition of accounting estimates**

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

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

##### **IAS 16 Amendments - Proceeds before intended use**

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

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



## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### Annual Improvements 2018-2020 Cycle

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

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

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

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

### 5 Summary of significant accounting policies

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

#### 5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company’s financial statements. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.1 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary as applicable.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences, recorded in consolidated statement of changes in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in consolidated statement of profit or loss;
- Reclassifies the parent's share of components previously recognized in consolidated statement of profit or loss and other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

#### 5.2 Business combinations

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

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

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

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

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.3 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared either to the reporting date of the Parent Company or to a date not earlier than three months of the Parent Company's reporting date, using consistent accounting policies. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under separate heading in the consolidated statement of profit or loss.

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

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

#### 5.4 Segment reporting

The Group has two operating segments: Investments and Real Estate. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.5 Revenue

The Group recognises revenue from dividend income and management fee.

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

The Group follows a 5-step process:

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

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

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

##### 5.5.1 Sale of goods

Revenue is recognised when the Company transfers control of the assets to the customers which is usually at the point in time the customer takes undisputed delivery of the goods.

##### 5.5.2 Dividend income

Dividend income, other than those from investments in associates, is recognised at the time the right to receive payment is established.

##### 5.5.3 Rendering of services

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

###### *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

###### *Fee income from providing transaction services*

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

#### 5.6 Operating expenses

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



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.7 Borrowing costs

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

#### 5.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year-end.

#### 5.9 Leases

##### *The Group as a lessee*

For any new contracts entered into on or after 1 January 2020, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

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

##### Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position as follows:

##### *Right-of-use asset*

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

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

##### *Lease liability*

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

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.9 Leases (continued)

##### *Lease liability (continued)*

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

##### *The Group as a lessor*

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

The Group enters into lease agreements as a lessor with respect to some of its investment properties. When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

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

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

#### 5.10 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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

#### 5.11 Impairment testing of non-financial assets

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



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.11 Impairment testing of non-financial assets (continued)

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

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

#### 5.12 Financial instruments

##### 5.12.1 Recognition, initial measurement and derecognition

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

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.12 Financial instruments (continued)

##### 5.12.2 Classification of financial assets

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

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (note 5.12.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. No such designation have been made.

##### 5.12.3 Subsequent measurement of financial assets

###### *Financial assets at amortised cost*

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

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

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

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

- *Cash and bank balances and short-term deposits*

Cash on hand and demand deposits are classified under cash and bank balances and deposits placed with financial institutions with a maturity of less than one year are classified as short-term deposits.

- *Accounts and other financial assets*

Accounts receivables are stated at original invoice amount less allowance for impairment (note 5.12.4).

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.12 Financial instruments (continued)

##### 5.12.3 Subsequent measurement of financial assets (continued)

###### *Financial assets at FVOCI*

The Group's financial assets at FVOCI comprise of investments in equity shares: These represent investments in equity shares of various companies and include both quoted and unquoted.

###### *Debt instruments at FVOCI*

The Group accounts for debt instruments at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset. The Group does not hold any such instruments at the reporting date.

###### *Equity instruments at FVOCI*

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

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

###### *Financial assets at FVTPL*

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.12 Financial instruments (continued)

##### 5.12.3 Subsequent measurement of financial assets (continued)

###### *Financial assets at FVTPL (continued)*

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

The Group's financial assets at FVTPL comprise of the investment in equity shares and funds.

##### 5.12.4 Impairment of financial assets

The Group applies three-stage approach to measuring expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Loan to customers
- Bank balances and time deposits
- Other financial assets

Equity instruments are not subject to Expected Credit Losses.

###### *Impairment of credit facilities*

Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions. However, there is no any credit facility as of the reporting date.

###### *Impairment of financial assets other than credit facilities*

The Group recognises ECL on investment in debt instruments measured at amortised cost or FVOCI and on balances and deposits with banks and other assets.

#### **Expected Credit Losses**

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

##### **Stage 1: 12 months ECL**

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

##### **Stage 2: Lifetime ECL – not credit impaired**

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

##### **Stage 3: Lifetime ECL – credit impaired**

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.12 Financial instruments (continued)

##### 5.12.4 Impairment of financial assets (continued)

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

##### *Determining the stage of impairment*

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

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

##### *Measurement of ECLs*

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

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

##### *Provision for credit losses in accordance with CBK instructions*

The Group is required to calculate provisions for credit losses on finance credit facilities in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the instalment or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions.



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.12 Financial instruments (continued)

##### 5.12.4 Impairment of financial assets (continued)

###### *Provision for credit losses in accordance with CBK instructions (continued)*

Category	Criteria	Specific provisions
Watch list	Irregular for a period of 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

##### 5.12.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities includes other liabilities.

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

- **Financial liabilities at amortised cost**

These are stated using effective profit rate method and other liabilities are classified as financial liabilities other than at FVTPL.

###### *Other liabilities*

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

All the profit-related charges are included within finance costs.

##### 5.12.6 Amortised cost of financial instruments

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

##### 5.12.7 Offsetting of financial instruments

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



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.12 Financial instruments (continued)

##### 5.12.8 Fair value of financial instruments

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

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

#### 5.13 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Legal reserve comprises appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the Parent Company's Articles of Association.

Other components of equity include the following:

- foreign currency translation reserve – comprises of foreign currency translation differences arising from the translation of financial statements of the Group's foreign-subidiaries and associates into Kuwaiti Dinar (KD).
- Cumulative changes in fair value reserve – comprises of gains and losses relating to financial assets at fair value through other comprehensive income and Group share of cumulative change in fair value reserve of associates.

Retained earnings/(accumulated losses) include all current and prior period profits and losses. All transactions with owners of the parent are recorded separately within consolidated statement of changes in equity.

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

#### 5.14 Provisions, contingent assets and contingent liabilities

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

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

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

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.15 Foreign currency translation

##### 5.15.1 Functional and presentation currency

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

##### 5.15.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Translation difference on non-monetary asset classified as, “fair value through profit or loss” is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and “fair value through other comprehensive income” is reported as part of the cumulative change in fair value reserve within consolidated statement of profit or loss and other comprehensive income.

##### 5.15.3 Foreign operations

In the Group’s financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

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

#### 5.16 End of service indemnity

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

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.17 Taxation

##### 5.17.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the shareholders of the parent company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

##### 5.17.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group attributable to the shareholders of the parent company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

##### 5.17.3 Zakat

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

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

#### 5.18 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

#### 5.19 Related party transactions

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

### 6 Significant management judgements and estimation uncertainty

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

#### 6.1 Significant management judgments

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

##### 6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.12). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

## Notes to the consolidated financial statements (continued)

### 6 Significant management judgements and estimation uncertainty

#### 6.1 Significant management judgments (continued)

##### 6.1.2 Significant increase in credit risk

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

##### 6.1.3 Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

##### 6.1.4 Control assessment

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

##### 6.1.5 Equity method accounting for entities in which the Group holds less than 20% of the voting rights

Management has assessed the level of influence that the Group has over its material associates (note 13) and determined that it has significant influence even though the shareholding in these associates are below 20%, because the Group exercises significant influence over the associates by way of board representation. Consequently, these investments have been classified as associates and has been accounted for using the equity method.

##### 6.1.6 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

#### 6.2 Estimates uncertainty

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

##### 6.2.1 Impairment of associates

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

## Notes to the consolidated financial statements (continued)

### 6 Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.2 Impairment of financial assets

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

##### 6.2.3 Revaluation of investment properties

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

##### 6.2.4 Fair value of financial instruments

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

### 7 Subsidiary companies

7.1 Details of the Group's consolidated subsidiaries as of the reporting date are as follows:

Subsidiary	Country of registration and place of business	Proportion of ownership interest held by the Group		Nature of business
		31 Dec. 2021	31 Dec. 2020	
<b>Direct subsidiaries</b>		%	%	
Afkar Holding Company K.S.C.("Afkar") (note 7.2)	Kuwait	51.98%	51.98%	Investment and related activities
Bait Al-Amar Al-Khaleeji General Trading and Contracting Company - WLL	Kuwait	100%	100%	Real estate
India Diversified Co.	Cayman Islands	90%	90%	Undertaking Islamic investments
<b>Indirect subsidiaries</b>				
Al-Wataniya for Paper Products – WLL("Wataniya")	Kuwait	100%	100%	Manufacturing and trading
Light Food Company – KSC ("LFC")	Kuwait	100%	100%	Manufacturing and trading



## Notes to the consolidated financial statements (continued)

### 7 Subsidiary companies (continued)

#### 7.2 Acquisition of subsidiary

##### a) Acquisition of a subsidiary - Al-Wataniya for Paper Products – WLL

During the previous year, one of the subsidiaries of the Group (Afkar Holding Company KSCC – “Afkar”) acquired 100% equity stake in Al-Wataniya for Paper Products Company – WLL (“Investee”) as per the asset purchase agreement entered with the Partners of the investee, and the acquisition was accounted in accordance with IFRS 3 as follows:

	29 Feb 2020 KD
Total consideration	918,000
<b>Less: Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Account receivable and other assets *	1,089,195
Property, plant and equipment	546,585
Intangible assets	600,000
Right of use assets	44,925
Account payable and other liabilities	(636,851)
Payment due to former partners*	(1,081,871)
Total identifiable net assets	561,983
<b>Goodwill</b>	<b>356,017</b>

\* As per the assets purchase agreement, the management of the Afkar has agreed with the previous owners of the investee company (“previous owners”) to collect the total trade receivable balance as of the acquisition date which amounting to KD1,081,871 on behalf of them and settle the net collection after deducting a commission for the collection process. Accordingly, all these trade balances were debited to trade receivable and then credited to a “due to previous owners” till the settlement process is completed. The Group has collected and settled an amount of KD1,063,230 to the previous owners and consequently the amount due to the former partners of the subsidiary declined to KD18,641 at 31 December 2021.

Further, as per the assets purchase agreement, the management of Afkar has agreed with the previous owners to purchase the total inventory balance as of the acquisition date with a carrying value of KD188,270 for a discounted value of KD99,544 which is separate from the above purchase consideration and hence; has been treated as separate transaction from the above business combination.

For the purpose of the consolidated statement of cash flow, the net cash outflow on acquisition of subsidiary was KD918,000.

##### b) Acquisition of non-controlling interests of Light Food Company – WLL

At the beginning of 2020, Afkar Holding Company KSC (Holding), a Subsidiary, owned 50% of the equity interest in Light Food Company – KSC (Closed) (“LFC”) which is also a subsidiary of the group. During the previous year, the subsidiary acquired the remaining equity stake of 50% from its non-controlling interests for a consideration of KD800,000 which resulted in increasing its ownership of the existing subsidiary from 50% to 100%. This change in the ownership resulted in a net deficit of KD249,387 at group level which has been included in the consolidated statement of changes in equity for the year ended 31 December 2020.



## Notes to the consolidated financial statements (continued)

### 7 Subsidiary companies (continued)

#### 7.3 Subsidiaries with material non-controlling interests

The Group includes only one subsidiary with material non-controlling interest (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	%	%	KD	KD	KD	KD
Afkar Holding Company K.S.C. ("Afkar")	48.02%	48.02%	120,805	401,264	7,768,074	7,841,108
Individually immaterial subsidiaries with non- controlling interests			(1,447)	(4,760)	83,177	86,402
			<b>119,358</b>	<b>396,504</b>	<b>7,851,251</b>	<b>7,927,510</b>

Summarised financial information for the above subsidiary as of 30 September 2021, before intra-group eliminations, is set out below:

	30 Sept. 2021 KD	30 Sept. 2020 KD
Non-current assets	6,517,862	7,412,198
Current assets	10,755,167	10,129,438
<b>Total assets</b>	<b>17,273,029</b>	<b>17,541,636</b>
Non-current liabilities	191,259	269,530
Current liabilities	947,972	929,816
<b>Total liabilities</b>	<b>1,139,231</b>	<b>1,199,346</b>
Equity attributable to owners of the Parent Company	8,386,972	8,495,355
Non-controlling interests (including NCI of the sub subsidiary)	7,746,826	7,846,935
Total income	5,266,790	3,978,732
Profit for the year	251,591	835,685
Other comprehensive (loss)/income for the year	(106,566)	70,333
<b>Total comprehensive income for the year</b>	<b>145,025</b>	<b>906,018</b>
-attributable to owners of the Parent Company	75,390	470,983
-attributable to NCI	69,635	435,035
Net cash from/(used in) operating activities	197,244	(1,285,629)
Net cash from investing activities	17,609	7,854,753
<b>Net cash inflow</b>	<b>214,853</b>	<b>6,569,124</b>

## Notes to the consolidated financial statements (continued)

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

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

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Profit/(loss) for the year attributable to the owners of the Parent Company (KD)	6,003,379	(207,702)
Weighted average number of shares outstanding during the year – shares	406,495,660	406,495,660
Basic and diluted earnings/(loss) per share (Fils)	14.77	(0.51)

### 9 Cash and cash equivalents

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cash and bank balances	5,359,029	2,725,648
Short term deposits	15,150,000	7,750,000
	20,509,029	10,475,648
Less: Dividend restricted bank accounts*	(128,943)	(129,121)
Cash and cash equivalents as per consolidated statement of cash flows	20,380,086	10,346,527

The short terms deposits have original maturity of three months or less and carry profit in the range of 1.3% to 2.35% (31 December 2020: 1.25% to 2.7%) per annum.

\*Relates to amount set apart to meet unclaimed dividend balances, as and when they are claimed by the shareholders. An amount of KD178 (31 December 2020: KD45) was paid during the current year, out of dividend payable which relates to dividend for prior years.

### 10 Financial assets at fair value through profit or loss

	31 Dec. 2021 KD	31 Dec. 2020 KD
Quoted securities	4,881,341	2,076,718
Unquoted securities	5,774,390	98,084
Unquoted funds managed by external fund managers	51,663	70,276
	10,707,394	2,245,078

During the third quarter of the current year, the Parent Company has fully disposed its holding in Al Mazaya Holding Company K.P.S.C (“Mazaya”), a Kuwaiti listed Company, for a total consideration of KD12,289,786 realising a gain of KD3,450,103. The investment was initially acquired for KD8,839,683 during the second quarter of 2021.

Fair values of unquoted securities and unquoted funds managed by external fund managers are determined using valuation techniques that are not based on observable market prices or rates (Note 19.2).

## Notes to the consolidated financial statements (continued)

### 11 Financial assets at fair value through other comprehensive income

	31 Dec. 2021 KD	31 Dec. 2020 KD
<b>Quoted securities – Local</b>		
Yiaco Medical Company KPSC	189,151	317,427
<b>Unquoted equity securities</b>		
Ibdar Bank B.S,C	710,918	894,605
Al Muttahed for Investment and Real Estate Development Company	-	717,697
Mozon Investment Holding Co	197,144	199,087
Others	55,206	79,486
<b>Managed funds</b>	172,882	257,628
	<b>1,325,301</b>	<b>2,465,930</b>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these investments in equity instruments as at FVOCI as it believes that recognising short-term fluctuations in the fair value of these investments in consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

During the year ended 31 December 2021, the Parent Company disposed an investment at fair value through other comprehensive income by way of an asset swap agreement between the Parent Company and third-party Company.

A summary of the asset swap transaction is as follows:

	Received assets KD	Disposed assets KD
Investment at FVTPL	1,140,607	-
Investment in Mada'in Properties P.J.S.C. (an existing associate company)	301,315	-
Cash received	71,564	-
Investments at FVTOCI – Fair value at 31 December 2020	-	688,953
Changes in fair value of investment at FVTOCI	-	824,533
	<b>1,513,486</b>	<b>1,513,486</b>

Upon signing the asset swap agreement, an investment with a carrying amount of KD688,953 was swapped for above assets with a total consideration of KD1,513,486. Consequently, during the year, the realised gain on disposal of this asset amounting to KD883,177, has been transferred from cumulative change in fair values reserve to the retained earnings.

Fair values of certain unquoted securities are determined using valuation techniques that are not based on observable market prices or rates (refer note 19.2).

## Notes to the consolidated financial statements (continued)

### 12 Accounts receivable and other assets

	31 Dec. 2021 KD	31 Dec. 2020 KD
Trade receivable	1,339,534	1,497,952
Provision for doubtful debts	(199,568)	(196,896)
	<b>1,139,966</b>	<b>1,301,056</b>
Staff receivables	18,054	19,303
Dividends receivable	310,625	312,809
Refundable deposits	4,354	132,304
Advance payments to suppliers	-	21,371
Prepaid expenses	40,854	37,774
Due from sale of associate	194,830	259,628
Other receivables	74,726	112,222
Advance payment for the purchase of investments	1,000,000	1,000,000
	<b>2,783,409</b>	<b>3,196,467</b>

### 13 Investment in associates

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

	Country of registration and principal place of business	Nature of business	Percentage ownership		Carrying value	
			31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
			%	%	KD	(Restated) KD
<b>Quoted Associates</b>						
Inovest B.S.C. (Closed) ("Inovest")*	Bahrain	Investment	14.27	14.27	5,492,108	5,568,726
Future Kid Entertainment and Real Estate Company K.S.C.P ("Future Kid") (refer note 13b)	Kuwait	Real Estate	-	16.71	-	1,461,049
Amar Finance and Leasing Company K.P.S.C ("Amar") (refer note 13b)	Kuwait	Investment	-	13.82	-	2,360,040
					<b>5,492,108</b>	<b>9,389,815</b>
<b>Unquoted Associates</b>						
Gulf Real Estate Co. S.S.C. (Closed) ("GREC") (refer note 13c)	Saudi Arabia	Real Estate	-	13.48	-	5,467,495
Mada'in Properties P.J.S.C. ("Mada'in")*	UAE	Real Estate	15.89	12.16	1,285,018	1,293,525
Majan Development Company Joint Stock (Closed) ("Majan")	Oman	Real Estate	21.33	21.33	2,654,034	2,846,792
Gulf Industrial Development Co. ("GID")	Saudi Arabia	Industrial	28	28	4,012,153	4,174,538
Hayat Factory for Fruit Drinks and Bottle Water Company Limited ("Hayat") *	Saudi Arabia	Industrial	15	15	504,359	763,295
					<b>8,455,564</b>	<b>14,545,645</b>
					<b>13,947,672</b>	<b>23,935,460</b>

## Notes to the consolidated financial statements (continued)

### 13 Investment in associates (continued)

The movement of investment in associates is as follows:

	31 Dec. 2021 KD	(Restated) 31 Dec. 2020 KD
Carry value as at beginning of the year (as reported previously)	24,288,978	24,471,117
Effect of restatement (refer note 24)	(353,518)	(353,518)
Carry value as at beginning of the year – as restated	23,935,460	24,117,599
Additions during the year	607,248	148,223
Share of results of associates (note 13a & 13b)	(1,331,602)	(408,568)
Disposal during the year (note 13b)	(3,475,057)	-
Partial disposal during the year (note 13c)	(2,804,455)	-
Reclassification of an associate to financial assets at fair value through profit or loss during the year (note 13c)	(3,166,890)	-
Reversal of impairment provision of the investment in an associate (note 13a)	581,208	-
Impairment in value of an associate (note 13a)	(295,920)	-
Share of foreign currency translation reserve	(102,320)	78,206
	<b>13,947,672</b>	<b>23,935,460</b>

\*Classification of associates where the Group holds less than 20% of the voting power of the investee is based on the existence of significant influence exercised by the Group. This is evidenced by the Group's representation on the board of directors and participation in policy and decision-making process of the investee with sufficient degree for the Group to demonstrate that it has significant influence over the respective associates.

- a) The carrying value of investment in associates is tested for impairment by estimating the recoverable amount using fair value approach. The fair value calculation uses adjusted net assets values of investees and market observable data which includes price to book value multiples and price to earnings multiples of comparable companies. As a result, during the year, the Parent Company has reversed part of the impairment provision amounting KD581,208, made in the previous years for Mada'in Properties P.J.S.C. (an unquoted associate, domiciled in UAE), based on the indications that the previously recorded impairment has decreased during the current period. Further, during the year, one of the subsidiaries has made an impairment provision of KD295,920 for one of its associates, based on the impairment assessment carried out.
- b) During the year, the Group has fully disposed its 16.71% holding in the associate, Future Kid, for a total consideration of KD1,615,258 realising a gain of KD568,305. The Group has recognized share of loss of KD412,769 from this associate, till the disposal of this associate.

Furthermore, the Group has fully disposed its 13.82% holding in Amar, for a total consideration of KD2,449,822 realising a gain of KD21,718. The Group has recognized share of profit of KD68,064 from this associate, till the disposal of this associate.



## Notes to the consolidated financial statements (continued)

### 13 Investment in associates (continued)

- c) During the year, the Group partially disposed 6.84% of its holding out of 14.57% in one of its foreign associates (Gulf Real Estate Co. S.S.C - KSA) for a net consideration of KD4,000,000 resulting in a net gain of KD1,195,545.

Consequently, the Group's management decided to reclassify the remaining ownership of this investment as financial assets at fair value through profit or loss since the Group has lost the significant influence over the associate, due the dilution of the board representation in the associate, during the third quarter of 2021. Consequently, the deemed gain from the fair valuation of the previously held equity interest on de-recognition date amounted to KD1,732,690 (being the difference between the fair value of the previously held equity interest KD4,628,938 and the carrying value based on the equity method KD3,166,890, including the foreign currency translation reserve of KD270,642) and has been shown as deemed gain on reclassifying of investment in associate to financial assets at fair value through profit or loss, in the profit or loss for year ended 31 December 2021.

- d) Group's share of associate's contingent liabilities amounted to KD93,095 (31 December 2020: KD317,805) as of the reporting date.

## Notes to the consolidated financial statements (continued)

### 13 Investment in associates (continued)

Summarised financial information in respect of Group's associates is set out below. The summarised financial information below represents the amounts presented in the financial statements of each associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

	Inovest KD	Mada'in KD	Majan KD	GID KD	Hayat KD	Total KD
<b>31 December 2021</b>						
Non-current assets	55,599,989	38,512,190	14,960,713	12,083,032	2,516,238	123,672,162
Current assets	17,959,763	5,020,818	1,444,997	1,567,708	3,313,192	29,306,498
Non-current liabilities	(9,428,879)	(27,511,519)	(2,442,338)	-	(1,909,997)	(41,292,733)
Current liabilities	(21,582,403)	(3,595,987)	(602,319)	(462,787)	(2,982,960)	(29,226,456)
Equity	42,548,490	12,425,502	13,361,053	13,187,953	936,473	82,459,471
Proportion of the Group's ownership	14.27%	15.89%	21.33%	28%	15%	
Group's share in the equity	6,071,874	1,816,729	2,850,180	3,692,627	140,471	14,571,881
Impairment in value of investment in associates	(579,766)	(531,709)	(196,146)	-	(295,920)	(1,603,541)
Other adjustment	-	-	-	-	(183,771)	(183,771)
Goodwill	-	-	-	319,525	843,578	1,163,103
<b>Total carrying value</b>	<b>5,492,108</b>	<b>1,285,020</b>	<b>2,654,034</b>	<b>4,012,152</b>	<b>504,358</b>	<b>13,947,672</b>
<b>Dividends received during the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income/(loss)	2,147,093	(342,211)	797,079	38,834	964,654	3,605,449
Group's share of income	306,400	(54,368)	170,033	10,873	144,698	577,636
Profit/(loss) for the year	(556,810)	(7,314,906)	(870,155)	4,021	(509,079)	(9,246,929)
Group's share in profit/(loss) for the year	(62,452)	(887,658)	(185,621)	1,126	(76,362)	(1,210,967)
Market value of the quoted associate	4,894,096	-	-	-	-	4,894,096

The market value of the quoted associates is determined based on the bid price of the investment on the relevant stock exchange, as at the reporting date, and is accordingly classified under Level 1 hierarchy.

## Notes to the consolidated financial statements (continued)

### 13 Investment in associates (continued)

	Invest KD	Future Kid KD	Amar KD	GREC KD	Mada'in KD	Majan KD	GID KD	(Restated) Hayat KD	(Restated) Total KD
<b>31 December 2020</b>									
Non-current assets	59,023,944	16,258,311	11,500,686	62,857,970	45,418,030	15,910,408	14,064,279	2,375,868	227,409,496
Current assets	15,973,789	5,273,610	6,863,809	2,373,284	4,667,337	4,537,454	185,802	3,921,941	43,797,026
Non-current liabilities	(9,265,186)	(7,874,182)	(2,049)	(10,900,976)	(26,911,882)	(4,862,416)	-	(2,595,586)	(62,412,277)
Current liabilities	(22,647,152)	(4,914,162)	(1,285,457)	(4,257,958)	(3,383,671)	(1,320,782)	(482,174)	(1,880,654)	(40,172,010)
Equity	43,085,395	8,743,577	17,076,989	50,072,320	19,789,814	14,264,664	13,767,907	1,821,569	168,622,235
Proportion of the Group's ownership	14.27%	16.71%	13.82%	13.48%	12.16%	21.33%	28.00%	15.00%	
Group's share in the equity	6,148,492	1,461,049	2,360,040	6,751,572	2,406,442	3,042,938	3,855,014	273,235	26,298,782
Impairment in value of investment in associates	(579,766)	-	-	(1,284,077)	(1,112,917)	(196,146)	-	-	(3,172,906)
Effect of restatement (note 24)	-	-	-	-	-	-	-	(353,518)	(353,518)
Goodwill	-	-	-	-	-	-	319,524	843,578	1,163,102
<b>Total carrying value</b>	<b>5,568,726</b>	<b>1,461,049</b>	<b>2,360,040</b>	<b>5,467,495</b>	<b>1,293,525</b>	<b>2,846,792</b>	<b>4,174,538</b>	<b>763,295</b>	<b>23,935,460</b>
<b>Dividends received during the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income/(loss)	4,208,416	(1,348,567)	414,628	2,966,321	1,346,478	5,182,113	275,688	1,037,687	14,082,764
Group's share of income	600,561	(225,345)	57,302	399,968	163,732	1,105,448	77,193	155,653	2,334,512
<b>Profit/(loss) for the year</b>	<b>2,227,610</b>	<b>(4,048,326)</b>	<b>(303,812)</b>	<b>(419,145)</b>	<b>(648,364)</b>	<b>359,526</b>	<b>96,230</b>	<b>(394,355)</b>	<b>(3,130,636)</b>
Group's share in profit/(loss) for the year	400,765	(676,474)	(41,987)	(56,516)	(78,841)	76,694	26,944	(59,153)	(408,568)
Market value of the quoted associate	2,811,959	1,651,102	1,346,068	-	-	-	-	-	5,809,129

## Notes to the consolidated financial statements (continued)

### 14 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Fair value as at 1 January	862,254	983,345
Changes in fair value	(13,395)	(51,650)
Disposal during the year	-	(45,922)
Foreign currency translation adjustment	(18,451)	(23,519)
	830,408	862,254

Investment properties comprise of commercial and retail properties located in India.

The fair value of investment properties as at 31 December 2021 and 31 December 2020 are determined by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach that reflects recent transaction prices for similar properties. In estimating the fair values of the properties, the highest and the best use of the properties is used on their current use. There has been no change to the valuation techniques during the year. The fair value of investment properties is measured under the Level 2 fair value hierarchy.

### 15 Accounts payable and other liabilities

	31 Dec. 2021 KD	31 Dec. 2020 KD
Trade Payables	793,610	451,666
Dividend payable	128,944	129,121
Employees' end of service benefits	404,580	457,122
Lease Liabilities	5,891	36,523
Payable to the former partner of the subsidiary	18,641	127,678
Other payables and accrued expenses	929,249	634,449
	2,280,915	1,836,559

### 16 Share Capital, statutory reserve and dividend

#### Share capital

The authorised, issued and paid up capital of the Parent Company amounts to KD40,649,566 (31 December 2020: KD40,649,566) distributed over 406,495,660 shares (31 December 2020: 406,495,660 shares) with 100 Fils par value each as of 31 December 2021.

#### Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Articles of Association, a minimum of 10% of the profit for the year shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

## Notes to the consolidated financial statements (continued)

### 17 Segment analysis

The Group activities are concentrated in three main segments: Investments, Real Estate and Manufacturing. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. Segment results include revenue and expense directly attributable to each reporting segment as the Group does not have any inter segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

Segmental information for the years ended 31 December 2021 and 31 December 2020 are as follows:

	Investments KD	Real estate KD	Manufacturing KD	Unallocated KD	Total KD
<b>As at 31 December 2021</b>					
Segment income	6,490,411	(13,395)	1,566,781	150,221	8,194,018
<b>Segment income</b>	<b>6,481,230</b>	<b>(13,395)</b>	<b>1,011,434</b>	<b>(1,356,532)</b>	<b>6,122,737</b>
Total assets	46,489,396	830,408	1,484,048	3,455,087	52,258,939
Total liabilities	-	-	-	2,280,915	2,280,915
<b>Net assets</b>	<b>46,489,396</b>	<b>830,408</b>	<b>1,484,048</b>	<b>1,174,172</b>	<b>49,978,024</b>
<b>Other disclosures</b>					
Investment in associates	13,947,672	-	-	-	13,947,672
Share of results of associates	(1,331,602)	-	-	-	(1,331,602)
Unrealised loss on financial assets at fair value through profit or loss	(412,959)	-	-	-	(412,959)
Change in fair value of investment properties	-	(13,395)	-	-	(13,395)
Depreciation	-	-	(119,994)	(7,481)	(127,475)
<b>As at 31 December 2020</b>					
Segment income	(220,373)	157,619	1,391,210	128,021	1,456,477
<b>Segment income</b>	<b>(268,181)</b>	<b>157,619</b>	<b>806,963</b>	<b>(507,599)</b>	<b>188,802</b>
Total assets	39,887,890	862,254	2,869,759	1,785,860	45,405,763
Total liabilities	-	-	964,089	872,470	1,836,559
<b>Net assets</b>	<b>39,887,890</b>	<b>862,254</b>	<b>1,905,670</b>	<b>913,390</b>	<b>43,569,204</b>
<b>Other disclosures</b>					
Investment in associates	23,935,460	-	-	-	23,935,460
Share of results of associates	(408,568)	-	-	-	(408,568)
Unrealised loss on financial assets at fair value through profit or loss	(102,920)	-	-	-	(102,920)
Change in fair value of investment properties	-	(51,650)	-	-	(51,650)
Depreciation	-	-	(117,274)	(7,987)	(125,261)

The geographical segments are as follows:

	Profit after taxes		Assets		Liabilities	
	31 Dec 2021 KD	31 Dec 2020 KD	31 Dec 2021 KD	31 Dec 2020 KD	31 Dec 2021 KD	31 Dec 2020 KD
Kuwait	3,635,584	(267,302)	28,843,643	26,705,430	1,519,085	1,680,705
Gulf and Middle East	2,017,259	342,094	22,221,177	17,481,363	-	-
Others	469,894	114,010	1,194,119	1,218,970	761,830	155,854
	<b>6,122,737</b>	<b>188,802</b>	<b>52,258,939</b>	<b>45,405,763</b>	<b>2,280,915</b>	<b>1,836,559</b>



## Notes to the consolidated financial statements (continued)

### 18 Related party transactions

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

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
<b>Balance included in the consolidated statement of finance position:</b>		
Due from related parties (included in accounts receivables and other assets)		
Dividends distribution from associate	296,288	296,288
Due from disposal of an associate	194,830	259,628
<b>Compensation of key management personnel of the Group</b>		
Salaries and other short-term benefits	195,379	145,707
Terminal benefits	104,879	8,810
	<b>300,258</b>	<b>154,517</b>

### 19 Summary of financial assets and liabilities by category and fair value measurement

#### 19.1 Categories of financial assets and liabilities

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
<b>At amortised cost:</b>		
• Bank balances and short-term deposits	20,509,029	10,475,648
• Accounts receivables and other assets	2,783,409	3,196,467
	<b>23,292,438</b>	<b>13,672,115</b>
<b>Financial assets at fair value through profit or loss:</b>		
• Quoted securities	4,881,341	2,076,718
• Unquoted securities	5,774,390	98,084
• Unquoted funds managed by external fund managers	51,663	70,276
	<b>10,707,394</b>	<b>2,245,078</b>
<b>Financial assets at fair value through other comprehensive income</b>		
• Quoted securities	189,151	317,427
• Unquoted equity securities	963,268	1,890,875
• Managed Funds	172,882	257,628
	<b>1,325,301</b>	<b>2,465,930</b>
<b>Total financial assets</b>	<b>35,325,133</b>	<b>18,383,123</b>
<b>Financial liabilities (at amortised costs):</b>		
• Other liabilities	2,280,915	1,836,559
	<b>2,280,915</b>	<b>1,836,559</b>

## Notes to the consolidated financial statements (continued)

### 19 Summary of financial assets and liabilities by category and fair value measurement (continued)

#### 19.1 Categories of financial assets and liabilities (continued)

##### Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures financial instruments such as transaction amount at fair value through profit or loss and financial asset at fair value through other comprehensive income at fair value and measurement details are disclosed in Note 19.2 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date, which is measured under level 2 of the fair value hierarchy.

#### 19.2 Fair value hierarchy for financial instruments measured at fair value

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

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

31 December 2021	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
• Quoted securities	4,881,341	-	-	4,881,341
• Unquoted securities	-	-	5,774,390	5,774,390
• Unquoted funds managed by external fund managers	-	-	51,663	51,663
Financial assets at fair value through other comprehensive income				
• Quoted securities	189,151	-	-	189,151
• Unquoted equity securities	-	-	963,268	963,268
• Managed funds	-	-	172,882	172,882
<b>Total financial assets at fair value</b>	<b>5,070,492</b>	<b>-</b>	<b>6,962,203</b>	<b>12,032,695</b>

## Notes to the consolidated financial statements (continued)

### 19 Summary of financial assets and liabilities by category and fair value measurement (continued)

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

31 December 2020	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
• Quoted securities	2,076,718	-	-	2,076,718
• Unquoted securities	-	-	98,084	98,084
• Unquoted funds managed by external fund managers	-	-	70,276	70,276
Financial assets at fair value through other comprehensive income				
• Quoted securities	317,427	-	-	317,427
• Unquoted equity securities	-	-	1,890,875	1,890,875
• Managed funds	-	-	257,628	257,628
<b>Total financial assets at fair value</b>	<b>2,394,145</b>	<b>-</b>	<b>2,316,863</b>	<b>4,711,008</b>

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

#### Measurement at fair value

The Group's finance team performs valuations of financial instruments for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

##### a) Quoted shares

Quoted equity securities have been fair valued based on their latest price quotations on the respective stock exchange at the reporting date.

##### b) Unquoted shares

Fair values of unquoted equity securities are derived through a market approach which utilises price multiples of comparable quoted companies. A lack of marketability discount is applied on the fair values derived through this approach which ranges from 10% to 15% (2020: 10% to 15%) and is based on the management's judgment. A 5% increase in the lack of marketability discount will result in a decrease in fair values of these securities by KD336,883 (31 December 2020: KD 99,448).

##### c) Unquoted funds

Fair values of unquoted funds are measured based on their latest net asset values provided by the respective fund managers.

#### Level 3 Fair value measurements

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

## Notes to the consolidated financial statements (continued)

### 19 Summary of financial assets and liabilities by category and fair value measurement (continued)

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

##### Level 3 Fair value measurements (continued)

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balance at the beginning of the year	2,316,864	3,686,408
Net change in fair value recognised in profit or loss	(462,438)	23,450
Net change in fair value recognised in other comprehensive income	(18,759)	53,208
Transferred from investment in associate	3,166,890	-
Addition/(disposal/redeemed) during the year	1,959,646	(1,221,521)
Due to consolidation	-	(224,682)
Balance at the end of the year	<b>6,962,203</b>	<b>2,316,863</b>

### 20 Risk management objectives and policies

#### 20.1 Risk management

Risk is an inherent part of the Group's business activities. It is managed through a process of ongoing identification, assessment, measurement and monitoring of the business activities, 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, investment risk and market risk. Market risk is subdivided into profit rate risk, foreign currency risk and equity price risk. The Group 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 and managed through the Group's Strategic Risk Management Framework.

#### Risk management structure

The Board of Directors is ultimately responsible for the overall risk management process and for approving the risk strategies and principles.

#### Board of Directors

The Board of Directors provides risk oversight and has the overall responsibility for determining the strategic direction of the organisation and for creating the environment and the framework for risk management to operate effectively.

#### Asset liability committee

The Asset Liability Committee (the "ALCO") has been established to assist the members of Board of Directors in fulfilling their responsibilities with regard to asset and liability management and liquidity adequacy. Its objectives are to:

- Propose asset and liability management policies that are compatible with the Group's risk philosophy and risk preferences;
- Determine the strategy for the Group in terms of mix of assets and liabilities given its expectations of future events;
- Regularly monitor and assess the financing cost risk to earnings and capital under different financing cost environments;
- Manage liquidity to ensure obligations are met on an ongoing basis;
- Support the maintenance of the Group's desired risk preferences and statement of financial position profile;
- Create and build a group-wide resource base for asset and liability management.

## Notes to the consolidated financial statements (continued)

### 20 Risk management objectives and policies (continued)

#### 20.1 Risk management (continued)

##### Investment committee

The Investment Committee is responsible of reviewing and recommending strategies, policies and limits for the management of investment risk and market risk.

For the investment risk, the committee reviews and recommends limits, or changes to established limits, related to investment activity, monitoring of exposures against limits and approval of excess above those limits.

For the market risk, the committee reviews and recommends limits, or changes to established limits, related to investment activity in terms of equity trading.

##### Credit committee

The Credit Committee is responsible for credit risk management. The committee ensures adequate risk capital against credit exposures, identifies external factors that may have an impact on equity and determines appropriate strategies.

##### Audit committee

The risk management responsibility for the Audit Committee is mainly towards Operational Risk. The committee identifies and presents operational risks in the course of regular internal audits with recommendations for corrective actions. It also focuses the internal audit work on significant risks and auditing the risk management processes across the Group.

#### 20.2 Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

##### Gross maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements (if any).

	Gross maximum exposure 31 December 2021 KD	Gross maximum exposure 31 December 2020 KD
Bank balances and short-term deposits	20,509,029	10,475,648
Accounts receivables and other assets	2,783,409	3,196,467
<b>Total credit risk exposure</b>	<b>23,292,438</b>	<b>13,672,115</b>

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.



## Notes to the consolidated financial statements (continued)

### 20 Risk management objectives and policies (continued)

#### 20.2 Credit Risk (continued)

##### Gross maximum exposure to credit risk (continued)

The credit risk for bank balance and short-term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality and no history of default. Based on management assessment, the expected credit loss arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly.

##### Collateral

The Group did not hold any collateral as at 31 December 2021 and 2020.

##### Risk concentrations of the maximum exposure to credit risk

The Group's financial assets, before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions and industrial sectors:

	<i>Banking and financial services KD</i>	<i>Others KD</i>	<i>Total KD</i>
<b>31 December 2021</b>			
Kuwait	19,586,443	922,586	20,509,029
Others	-	2,783,409	2,783,409
	<b>19,586,443</b>	<b>3,705,995</b>	<b>23,292,438</b>
<b>31 December 2020</b>			
Kuwait	8,558,446	1,917,202	10,475,648
Others	-	3,196,467	3,196,467
	<b>8,558,446</b>	<b>5,113,669</b>	<b>13,672,115</b>

##### Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for related consolidated statement of financial position lines, based on the Group's internal credit rating system.

	<i>Neither past due nor impaired</i>		
	<i>High Grade KD</i>	<i>Standard grade KD</i>	<i>Total KD</i>
<b>31 December 2021:</b>			
Bank balances and short-term deposits	20,509,029	-	20,509,029
Accounts receivables and other assets	-	2,783,409	2,783,409
	<b>20,509,029</b>	<b>2,783,409</b>	<b>23,292,438</b>
<b>31 December 2020:</b>			
Bank balances and short-term deposits	10,475,648	-	10,475,648
Accounts receivables and other assets	-	3,196,467	3,196,467
	<b>10,475,648</b>	<b>3,196,467</b>	<b>13,672,115</b>

#### 20.3 Liquidity risk

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

## Notes to the consolidated financial statements (continued)

### 20 Risk management objectives and policies (continued)

#### 20.3 Liquidity risk (continued)

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

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

Maturity profile of assets and liabilities are as follows:

	1 year KD	Over 1 year KD	Total KD
<b>At 31 December 2021</b>			
<b>ASSETS</b>			
Bank balances and short-term deposits	20,509,029	-	20,509,029
Financial assets at fair value through profit or loss	10,707,394	-	10,707,394
Financial assets at fair value through other comprehensive income	-	1,325,301	1,325,301
Investment in associates	-	13,947,672	13,947,672
Investment properties	-	830,408	830,408
Inventory	506,148	-	506,148
Goodwill	-	356,017	356,017
Intangible assets	-	621,883	621,883
Accounts receivables and other assets	1,783,409	1,000,000	2,783,409
Property and equipment	-	671,678	671,678
	<b>33,505,980</b>	<b>18,752,959</b>	<b>52,258,939</b>
<b>LIABILITIES</b>			
Other liabilities	1,876,335	404,580	2,280,915
	<b>1,876,335</b>	<b>404,580</b>	<b>2,280,915</b>
<b>At 31 December 2020</b>			
<b>ASSETS</b>			
Bank balances and short-term deposits	10,475,648	-	10,475,648
Financial assets at fair value through profit or loss	2,245,078	-	2,245,078
Financial assets at fair value through other comprehensive income	-	2,465,930	2,465,930
Investment in associates	-	23,935,460	23,935,460
Investment properties	-	862,254	862,254
Inventory	533,119	-	533,119
Goodwill	-	356,017	356,017
Intangible assets	-	590,770	590,770
Accounts receivables and other assets	2,196,467	1,000,000	3,196,467
Property and equipment	-	745,020	745,020
	<b>15,450,312</b>	<b>29,955,451</b>	<b>45,405,763</b>
<b>LIABILITIES</b>			
Other liabilities	1,614,692	221,867	1,836,559
	<b>1,614,692</b>	<b>221,867</b>	<b>1,836,559</b>

## Notes to the consolidated financial statements (continued)

### 20 Risk management objectives and policies (continued)

#### 20.3 Liquidity risk (continued)

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

31 December 2021	Up to 1 month KD	1-3 Months KD	3-12 Months KD	1-5 Years KD	Total KD
<b>Financial liabilities</b>					
Other liabilities	1,876,335	-	-	404,580	2,280,915
	<b>1,876,335</b>	<b>-</b>	<b>-</b>	<b>404,580</b>	<b>2,280,915</b>
<b>31 December 2020</b>					
<b>Financial liabilities</b>					
Other liabilities	1,614,692	-	-	221,867	1,836,559
	<b>1,614,692</b>	<b>-</b>	<b>-</b>	<b>221,867</b>	<b>1,836,559</b>

#### 20.4 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates, and equity 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.

##### 20.4.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of the financial instruments. The Group is not exposed to significant profit rate risk on its profit bearing assets and liabilities (short-term deposits) as a result of reasonably possible changes in profit rates since the Group is not exposed to any floating rate profit bearing assets and liabilities.

##### 20.4.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed by the treasury department of the Parent Company on the basis of limits determined by the Group's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

As of reporting date, the Group does not exposed to significant foreign currency risk.

##### 20.4.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments are listed on the Kuwait Stock Exchange.

## Notes to the consolidated financial statements (continued)

### 20 Risk management objectives and policies (continued)

#### 20.4 Market risk (continued)

##### 20.4.3 Equity price risk (continued)

*Quoted securities:*

The effect on total comprehensive loss due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	31 December 2021		31 December 2020	
	Change in equity price %	Effect on total comprehensive income for the year KD	Change in equity price %	Effect on total comprehensive income for the year KD
Market indices				
Kuwait	+10%	507,049	+10%	239,414

#### 20.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

### 21 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 maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic borrowings less bank balances and short-term deposits excluding restricted bank balances. Capital represents total equity.

	31 Dec. 2021 KD	31 Dec. 2020 KD
Net debt	-	-
Less: Bank balances and short-term deposits (excluding restricted balances)	(20,509,029)	(10,475,648)
Total equity	49,978,024	43,569,204
Capital and net debt	49,978,024	43,569,204
Gearing ratio	-	-

## Notes to the consolidated financial statements (continued)

### 22 Comparative amounts

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

### 23 Dividend distribution

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose not to make any distributions for the year 31 December 2021 (31 December 2020: Nil).

The shareholders of the Parent Company at the Annual General Meeting held on 24 May 2021 approved the consolidated financial statements of the Group for the year ended 31 December 2020.

### 24 Effect of restatement

The Group had adjusted an error correction amounting to KD353,518 related to one of its indirect associates of a subsidiary during the year ended 31 December 2020. The adjustment in the associate relates to years prior to 1 January 2020. Accordingly, the Group restated the carrying value of investment in associates, the accumulated losses and non-controlling interest as at 31 December 2020 in accordance with IAS 8: Accounting policies, changes in accounting estimates and errors in the consolidated financial statements. The impact of restatement in the consolidated statement of financial position as of 31 December 2020 is shown as below:

As at 31 December 2020	As previously reported as at 31 December 2020 KD	Effect of restatement KD	Restated balance as at 31 December 2020 KD
<b>Consolidated statement of financial position</b>			
Investment in associates	24,288,978	(353,518)	23,935,460
Accumulated losses	(5,042,626)	(183,771)	(5,226,397)
Non-controlling interest	7,927,510	(169,747)	7,757,763

### 25 Effect of COVID 19

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

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

### 26 Subsequent event

Subsequent to the reporting date, the Parent Company has acquired additional 8% of shares in Afkar Holding Company K.S.C.C ("the subsidiary") for a consideration of KD1,000,000.



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