

**AL SAFAT INVESTMENT COMPANY K.S.C.  
(CLOSED) AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)**

**31 March 2021**





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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL SAFAT INVESTMENT COMPANY K.S.C. (CLOSED)**

### **Report on Review of Interim Condensed Consolidated Financial Information**

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Safat Investment Company (the “Parent Company”) and its subsidiaries (collectively the “Group”) as at 31 March 2021, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three-months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of Review*

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

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with basis of presentation as set out in Note 2.

#### *Emphasis of Matter*

We draw attention to Note 10 to the interim condensed consolidated financial information which describes that during the period, Evolvance Capital Ltd (the ‘custodian’), filed a lawsuit against the Parent Company in response to the legal formalities initiated by the Parent Company. On the other hand, the Parent Company filed a counter claim before the court of law against the custodian. The ultimate outcome of this matter cannot presently be determined.

Our conclusion is not modified in respect of this matter.

#### **Report on review of other legal and regulatory requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the three-months period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL SAFAT INVESTMENT COMPANY K.S.C. (CLOSED) (continued)**

**Report on review of other legal and regulatory requirements (continued)**

We further report that, during the course of our review, to the best of our knowledge and belief, 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 three-months period ended 31 March 2021 that might have had material effect on the business of the Parent Company or on its financial position.



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BADER A. AL-ABDULJADER  
LICENCE NO. 207 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

11 May 2021  
Kuwait

# Al Safat Investment Company K.S.C. (Closed) and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2021

	Notes	31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
<b>ASSETS</b>				
Cash and bank balances	3	1,597,829	2,556,345	2,662,383
Term deposits		1,357,562	1,360,488	1,380,158
Account receivables and other assets		2,495,575	2,150,956	4,465,474
Inventories		455,541	534,329	1,139,445
Investment securities	4	3,485,101	3,267,584	11,885,264
Investment in associates and joint venture	5	3,629,827	3,666,893	4,643,444
Goodwill and other intangible assets		4,121	4,622	1,276,302
Investment properties	6	18,490,787	17,937,478	15,820,629
Property, plant and equipment		8,926,794	9,041,317	12,368,901
<b>TOTAL ASSETS</b>		<b>40,443,137</b>	<b>40,520,012</b>	<b>55,642,000</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Wakala payable		-	-	21,472,642
Bank overdrafts	3	206,758	236,868	71,242
Notes payable		22,953	55,087	158,998
Other liabilities		7,737,013	8,075,774	3,577,974
Lease liabilities		3,502,972	3,575,692	3,783,934
<b>Total liabilities</b>		<b>11,469,696</b>	<b>11,943,421</b>	<b>29,064,790</b>
<b>Equity</b>				
Share capital		25,693,940	25,693,940	25,693,940
Share premium		259,677	259,677	259,677
Statutory reserve		1,334,805	1,334,805	591,965
Voluntary reserve		1,334,805	1,334,805	591,965
Treasury shares	7	(307,393)	(307,393)	(307,393)
Treasury shares reserve		615,002	615,002	615,002
Asset revaluation surplus		231,655	231,655	194,258
Fair value reserve		(10,315,540)	(10,517,317)	(10,674,310)
Foreign currency translation reserve		(463,767)	(472,938)	(498,448)
Other reserves		376,538	376,538	-
Retained earnings		4,030,954	3,840,460	1,958,083
<b>Equity attributable to equity holders of the Parent Company</b>		<b>22,790,676</b>	<b>22,389,234</b>	<b>18,424,739</b>
Non-controlling interests		6,182,765	6,187,357	8,152,471
<b>Total equity</b>		<b>28,973,441</b>	<b>28,576,591</b>	<b>26,577,210</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>40,443,137</b>	<b>40,520,012</b>	<b>55,642,000</b>

Abdullah Hamad Al-Terkait  
Chairman

Fahad Abdulrahman Al-Mukhaizim  
Vice Chairman

The attached notes 1 to 12 form a part of this interim condensed consolidated financial information.

Al Safat Investment Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(UNAUDITED)

For the period ended 31 March 2021

	Note	Three months ended	
		31 March	
		2021	2020
		KD	KD
Revenue from contracts with customers		854,271	849,537
Cost of sales		(583,495)	(799,974)
<b>GROSS PROFIT</b>		<b>270,776</b>	<b>49,563</b>
Net investment income (loss) on financial assets	8	40,645	(515,531)
Share of results of associates		(39,960)	(969,835)
Valuation losses from investment properties	5	-	(359,082)
Net rental income		303,971	280,582
Reversal of ECL provision		292,995	-
Net foreign exchange differences		(25,129)	(236,640)
General and administrative expenses		(674,694)	(608,725)
<b>Operating profit (loss)</b>		<b>168,604</b>	<b>(2,359,668)</b>
Other income		76,960	45,993
Finance costs		(60,883)	(58,724)
<b>Profit (loss) before tax</b>		<b>184,681</b>	<b>(2,372,399)</b>
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		(1,730)	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>182,951</b>	<b>(2,372,399)</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		190,494	(2,261,020)
Non-controlling interests		(7,543)	(111,379)
		<b>182,951</b>	<b>(2,372,399)</b>

The attached notes 1 to 12 form a part of this interim condensed consolidated financial information.

Al Safat Investment Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 31 March 2021

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>
<b>Profit (loss) for the period</b>	<b>182,951</b>	<b>(2,372,399)</b>
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income (loss) of associates	<b>2,894</b>	<b>(726)</b>
Exchange differences on translation of foreign operations	<b>7,181</b>	<b>(58,353)</b>
<b>Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>10,075</b>	<b>(59,079)</b>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Net change in fair value of equity instruments designated at fair value through other comprehensive income	<b>203,824</b>	<b>96,104</b>
<b>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>	<b>203,824</b>	<b>96,104</b>
<b>Other comprehensive income</b>	<b>213,899</b>	<b>37,025</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>396,850</b>	<b>(2,335,374)</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>401,442</b>	<b>(2,196,310)</b>
Non-controlling interests	<b>(4,592)</b>	<b>(139,064)</b>
	<b>396,850</b>	<b>(2,335,374)</b>

The attached notes 1 to 12 form a part of this interim condensed consolidated financial information.

# Al Safat Investment Company K.S.C. (Closed) and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2021

	<i>Equity attributable to equity holders of the Parent Company</i>													
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Asset revaluation surplus KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Other reserves KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
<b>As at 1 January 2021</b>	25,693,940	259,677	1,334,805	1,334,805	(307,393)	615,002	231,655	(10,517,317)	(472,938)	376,538	3,840,460	22,389,234	6,187,357	28,576,591
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	190,494	190,494	(7,543)	182,951
Other comprehensive income for the period	-	-	-	-	-	-	-	201,777	9,171	-	-	210,948	2,951	213,899
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	201,777	9,171	-	190,494	401,442	(4,592)	396,850
<b>At 31 March 2021</b>	<b>25,693,940</b>	<b>259,677</b>	<b>1,334,805</b>	<b>1,334,805</b>	<b>(307,393)</b>	<b>615,002</b>	<b>231,655</b>	<b>(10,315,540)</b>	<b>(463,767)</b>	<b>376,538</b>	<b>4,030,954</b>	<b>22,790,676</b>	<b>6,182,765</b>	<b>28,973,441</b>

	<i>Equity attributable to equity holders of the Parent Company</i>												
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Asset revaluation surplus KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2020	25,693,940	259,677	591,965	591,965	(307,393)	615,002	194,258	(10,759,671)	(477,797)	4,219,103	20,621,049	8,291,535	28,912,584
Loss for the period	-	-	-	-	-	-	-	-	-	(2,261,020)	(2,261,020)	(111,379)	(2,372,399)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	85,361	(20,651)	-	64,710	(27,685)	37,025
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	85,361	(20,651)	(2,261,020)	(2,196,310)	(139,064)	(2,335,374)
<b>At 31 March 2020</b>	<b>25,693,940</b>	<b>259,677</b>	<b>591,965</b>	<b>591,965</b>	<b>(307,393)</b>	<b>615,002</b>	<b>194,258</b>	<b>(10,674,310)</b>	<b>(498,448)</b>	<b>1,958,083</b>	<b>18,424,739</b>	<b>8,152,471</b>	<b>26,577,210</b>

The attached notes 1 to 12 form a part of this interim condensed consolidated financial information.

Al Safat Investment Company K.S.C. (Closed) and its Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

For the period ended 31 March 2021

	<i>Notes</i>	<b>31 March 2021 KD</b>	<b>31 March 2020 KD</b>
<b>OPERATING ACTIVITIES</b>			
Profit (loss) before tax		<b>184,681</b>	(2,372,399)
<i>Adjustments to reconcile profit (loss) before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		<b>122,388</b>	113,388
Amortisation of intangible assets		<b>501</b>	131
Impairment of intangible assets		-	8,707
Income from term deposits	8	<b>(22,443)</b>	(33,570)
Dividend income	8	<b>(3,197)</b>	(5,563)
Realised gain on financial assets at fair value through profit or loss	8	<b>(19,604)</b>	33,969
Unrealised gain on financial assets at fair value through profit or loss	8	<b>4,599</b>	520,695
Change in fair value of Investment properties	6	-	359,082
Share of results of associates		<b>39,960</b>	969,835
Reversal of ECL provision		<b>(292,995)</b>	-
Provision for employees' end of service benefits		<b>30,978</b>	31,496
Finance costs		<b>63,904</b>	57,510
		<b>108,772</b>	(316,719)
<i>Changes in operating assets and liabilities</i>			
Financial assets at fair value through profit or loss		<b>854</b>	(134,662)
Accounts receivable and other assets		<b>(51,624)</b>	142,675
Inventories		<b>78,788</b>	2,802
Other liabilities		<b>(325,863)</b>	505,846
		<b>(189,073)</b>	199,942
<i>Cash flows (used in) from operations</i>		<b>(43,880)</b>	(11,370)
Employees' end of service benefits paid		<b>(43,880)</b>	(11,370)
<b>Net cash flows (used in) from operating activities</b>		<b>(232,953)</b>	188,572
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(7,443)</b>	(323,115)
Income received from term deposits		<b>22,443</b>	33,570
Dividend income received		<b>3,197</b>	5,563
Capital expenditure on investment properties	6	<b>(553,309)</b>	-
Net sale of financial assets at fair value through other comprehensive income		<b>458</b>	-
Investment in a joint venture	5	-	(1,000,000)
<b>Net cash flows used in investing activities</b>		<b>(534,654)</b>	(1,283,982)
<b>FINANCING ACTIVITIES</b>			
Payment of lease liabilities		<b>(136,624)</b>	(117,145)
Net movement in notes payable		<b>(32,134)</b>	(6,504)
<b>Net cash flows used in financing activities</b>		<b>(168,758)</b>	(123,649)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(936,365)</b>	(1,219,059)
Cash and cash equivalents at 1 January		<b>2,319,477</b>	3,935,960
Net foreign exchange differences		<b>7,959</b>	(125,760)
<b>CASH AND CASH EQUIVALENTS AS AT 31 MARCH</b>	<b>3</b>	<b>1,391,071</b>	2,591,141

The attached notes 1 to 12 form a part of this interim condensed consolidated financial information.



# Al Safat Investment Company K.S.C. (Closed) and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 1. CORPORATE INFORMATION

The interim condensed consolidated financial information of Al Safat Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2021 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 11 May 2021

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares were publicly traded in Kuwait Stock Exchange ("KSE"). On 13 March 2013, the Parent Company was delisted from KSE. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") as an investment and finance company and is subject to the supervision of Capital Markets Authority ("CMA").

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Shari'a principles as approved by the Group's Shari'a Committee. The Parent Company's head office is located at Al-Safat Tower, 14<sup>th</sup> floor, Hawalli, Beirut Street, State of Kuwait and its registered postal address is P.O. Box 20133, Safat 13062, Kuwait.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 04 May 2021 approved the consolidated financial statements for the year ended 31 December 2020 and approved no cash dividend (31 December 2019: Nil) for the year ended 31 December 2020. Further at the extraordinary general meeting ("EGM") held on 11 May 2021, the shareholders of the Parent Company approved distribution of 5% bonus shares (31 December 2019: Nil).

Information on other related party relationships of the Group is provided in Note 9.

### 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial information for the three months ended 31 March 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* except as noted below.

The interim condensed consolidated financial information for the three months ended 31 March 2021 were 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 financing facilities computed under IFRS 9: Financial Instruments ("IFRS 9") in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

#### 2.2 New standards and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have a material impact on the interim condensed consolidated financial information of the Group.

Al Safat Investment Company K.S.C. (Closed) and its Subsidiaries  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
 INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES  
 (continued)**

**2.2 New standards and amendments adopted by the Group (continued)**

***Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16***

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

**3. CASH AND CASH EQUIVALENTS**

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>31 March 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>31 March 2020 KD</i>
Cash on hand	<b>45,085</b>	40,333	49,696
Cash at banks and financial institutions	<b>1,552,744</b>	2,516,012	2,612,687
<b>Total cash and bank balances</b>	<b>1,597,829</b>	2,556,345	2,662,383
Less: bank overdrafts	<b>(206,758)</b>	(236,868)	(71,242)
<b>Total cash and cash equivalents</b>	<b>1,391,071</b>	2,319,477	2,591,141

**4. INVESTMENT SECURITIES**

	<i>31 March 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>31 March 2020 KD</i>
<i>Financial assets at FVTPL</i>			
Quoted equity securities	<b>300,705</b>	286,554	1,337,540
Unquoted equity securities	<b>11,512</b>	11,512	108,191
	<b>312,217</b>	298,066	1,445,731
<i>Financial assets at FVOCI</i>			
Quoted equity securities	<b>1,467,522</b>	1,263,698	5,970,204
Unquoted equity securities	<b>1,705,362</b>	1,705,820	4,469,329
	<b>3,172,884</b>	2,969,518	10,439,533
<b>Investment securities (at fair value)</b>	<b>3,485,101</b>	3,267,584	11,885,264

# Al Safat Investment Company K.S.C. (Closed) and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 4. INVESTMENT SECURITIES (continued)

Financial assets at FVTPL include investments in related parties of KD 39,281 (31 December 2020: KD 39,472 and 31 March 2020: KD 59,690). Financial assets at FVOCI include investments in related parties of KD 1,325,476 (31 December 2020: KD 1,325,470 and 31 March 2020: KD 3,513,049) (Note 9).

The hierarchy for determining and disclosing the fair value of investment securities by valuation techniques are presented in Note 11.

### 5. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

On 11 Feb 2020, the Group invested in a 50% equity interest in The Liquid Capital Company W.L.L. ('jointly controlled entity'). The jointly controlled entity is a limited liability company incorporated and domiciled in Kuwait with a paid-up capital of KD 2,000,000 and for which the Group contributed KD 1,000,000.

### 6. INVESTMENT PROPERTIES

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period / year	<b>17,937,478</b>	16,179,711	16,179,711
Capital expenditure	<b>553,309</b>	440,052	-
Change in fair value	-	(2,416,276)	(359,082)
Exchange differences	-	(4,496)	-
Property under development	-	3,738,487	-
	<b>18,490,787</b>	17,937,478	15,820,629

The fair value of investment properties was independently determined at 31 December 2020 by accredited independent valuers who are specialised in valuing such type of properties using a mix of income capitalisation method and the market comparison approach considering the nature usage of each property.

Management believes that, the current period was not materially impacted by COVID-19, as rent collections for subsequent months are tracking near-normal and the credit quality of tenants indicate the current assumptions in the Group's cash flows are accurate based on best available information. Based on these valuations, the fair value of investment properties witnessed a decrease of KD Nil (31 December 2020: decrease of KD 2,416,276 and 31 March 2020: decrease of 359,082). The Group will continue to assess further the impact on cash flows as well as valuation inputs in the upcoming quarters as there is new information to consider.

There has been no change in the valuation methodology used for investment properties as a result of COVID-19. Investment properties are classified in Level 2 and Level 3 of the fair value hierarchy.

#### *Fair value sensitivity*

Whilst the valuation of investment properties reflects the management's best assessment of the impact of COVID-19 at the reporting date, management considered 25 basis point movement in discount rates to capture the increased uncertainty in this key valuation assumptions. An equal change in the opposite direction would lead to a decrease in the valuation by KD 208,334. This analysis assumes that all other variables, remain constant.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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### 7. TREASURY SHARES

	<i>31 March</i> <i>2021</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i>	<i>31 March</i> <i>2020</i>
Number of treasury shares	<b>803,011</b>	803,011	803,011
Percentage of share capital	<b>0.31%</b>	0.31%	0.31%
Cost of treasury shares (KD)	<b>307,393</b>	307,393	307,393

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

### 8. NET INVESTMENT INCOME (LOSS) ON FINANCIAL ASSETS

	<i>Three months ended</i> <i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Income from deposits	<b>22,443</b>	33,570
Dividend income	<b>3,197</b>	5,563
Realised gain (loss) on sale of financial assets at FVTPL	<b>19,604</b>	(33,969)
Unrealised loss on financial assets at FVTPL	<b>(4,599)</b>	(520,695)
	<b>40,645</b>	(515,531)

### 9. RELATED PARTY DISCLOSURES

Related parties represent the major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and are subject to the approval of the shareholders at the annual general assembly meeting (AGM).

The following table provides the total amount of transactions that have been entered into with related parties during the three months 31 March 2021 and 2020, as well as balances with related parties as at 31 March 2021, 31 December 2020 and 31 March 2020.

	<i>31 March</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>31 March</i> <i>2020</i> <i>KD</i>
<b>Statement of financial position:</b>			
Other assets - <i>Other related parties</i>	<b>315,547</b>	312,714	136,749
Financial assets at FVTPL - <i>Other related parties</i>	<b>39,281</b>	39,472	59,690
Financial assets at FVOCI - <i>Other related parties</i>	<b>1,325,476</b>	1,325,470	3,513,049
Other liabilities - <i>Associate companies</i>	-	-	685,000

	<i>Three months ended</i> <i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
<b>Statement of profit or loss:</b>		
Management fees - <i>Associate companies</i>	<b>1,037</b>	3,972
Management fees - <i>Other related parties</i>	<b>136</b>	756

#### Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 9,805,594 (31 December 2020: KD 9,831,449 and 31 March 2020: KD 11,209,746).

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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### 9. RELATED PARTY DISCLOSURES (continued)

#### Key management personnel

Key management personnel comprise the Board of Directors, Executive Committees and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	2020
	<b>KD</b>	<b>KD</b>
Salaries and short-term benefits	<b>28,024</b>	29,803
Employees' end of service benefits	<b>3,245</b>	3,245
	<b>31,269</b>	33,048

### 10. COMMITMENTS AND CONTINGENCIES

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Letters of guarantee	<b>289,966</b>	225,976	255,309
Letter of credit	<b>39,333</b>	-	148,479

The Group has provided bank guarantees and letters of credit in the ordinary course of business. No material liabilities are expected to arise.

#### Capital commitments

As at 31 March 2021, the Group had ongoing construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment properties of KD 636,356 (31 December 2020: KD 1,118,800 and 31 March 2020: KD 1,294,557).

#### Legal case

During last year, the Court of Cassation ruled in favour of the Parent Company on its disputes with the bank. As result of this ruling, the Parent Company initiated legal formalities for transferring 25,295,591 shares of Qudra to the bank and also claiming other related assets (i.e. its non-mortgaged holding of Qudra shares amounting to KD 3,250,521 and related dividends receivable of KD 1,771,819) from Evolvance Capital Ltd (the 'custodian'). However, the Parent Company encountered difficulties in confirming and reclaiming the aforementioned assets from the custodian. Further, during last year, the custodian filed a lawsuit against the Parent Company claiming an amount of AED 71,082,525 (equivalent KD 5,853,056) in lieu of management fees for the years 2007 to 2020.

The Parent Company intends to contest the custodian's claim in the court of law. Based on the Parent Company's legal counsel, the amount claimed by the custodian is unrealistic and does not have any merit since the custodian does not have any right to claim management fees according to the mutual contractual agreements. Further, on 25 April 2021, the Parent Company filed a counter claim before the court of law against the custodian.

Notwithstanding the above, the custodian has confirmed asset positions in the past without claiming such fees. The Parent Company has been advised by its legal counsel that it is only possible, but not probable, that the action against the Parent Company will succeed. Accordingly, the Group has not recognised any provision for any liability in the interim condensed consolidated financial information for the period ended 31 March 2021.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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### 11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 March 2021, 31 December 2020 and 31 March 2020:

	<i>Less than 3 months KD</i>	<i>3 to 12 months KD</i>	<i>More than 1 Years KD</i>	<i>Total KD</i>
<b>31 March 2021</b>				
<i>Financial assets</i>				
Cash and bank balances	1,597,829	-	-	1,597,829
Term deposits	-	11,317	1,537,706	1,549,023
Account receivables and other assets	196,978	2,298,597	-	2,495,575
Investment securities	300,705	1,479,034	1,705,362	3,485,101
	<u>2,095,512</u>	<u>3,788,948</u>	<u>3,243,068</u>	<u>9,127,528</u>
<i>Financial liabilities</i>				
Bank overdrafts	217,096	-	-	217,096
Notes payable	-	24,101	-	24,101
Lease liabilities	118,625	475,719	4,266,342	4,860,686
Other liabilities	2,645,751	4,184,792	906,470	7,737,013
	<u>2,981,472</u>	<u>4,684,612</u>	<u>5,172,812</u>	<u>12,838,896</u>
<b>NET LIQUIDTY GAP</b>	<u>(885,960)</u>	<u>(895,664)</u>	<u>(1,929,744)</u>	<u>(3,711,368)</u>
	<i>Less than 3 months KD</i>	<i>3 to 12 months KD</i>	<i>More than 1 years KD</i>	<i>Total KD</i>
<b>31 December 2020</b>				
<i>Financial assets</i>				
Cash and bank balances	2,556,345	-	-	2,556,345
Term deposits	-	11,275	1,580,860	1,592,135
Account receivables and other assets	474,694	1,676,262	-	2,150,956
Investment securities	286,554	1,275,210	1,705,820	3,267,584
	<u>3,317,593</u>	<u>2,962,747</u>	<u>3,286,680</u>	<u>9,567,020</u>
<i>Financial liabilities</i>				
Bank overdrafts	248,711	-	-	248,711
Notes payable	-	57,841	-	57,841
Lease liabilities	116,625	477,641	4,383,046	4,977,312
Other liabilities	3,046,991	4,109,414	919,369	8,075,774
	<u>3,412,327</u>	<u>4,644,896</u>	<u>5,302,415</u>	<u>13,359,638</u>
<b>NET LIQUIDTY GAP</b>	<u>(94,734)</u>	<u>(1,682,149)</u>	<u>(2,015,735)</u>	<u>(3,792,618)</u>

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**11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

<i>31 March 2020</i>	<i>Less than 3 months KD</i>	<i>3 to 12 months KD</i>	<i>More than 1 years KD</i>	<i>Total KD</i>
<i>Financial assets</i>				
Cash and bank balances	2,662,383	-	-	2,662,383
Term deposits		11,175	1,695,742	1,706,917
Account receivables and other assets	1,647,715	2,817,759	-	4,465,474
Investment securities	1,445,731	5,970,204	4,469,329	11,885,264
	<u>5,755,829</u>	<u>8,799,138</u>	<u>6,165,071</u>	<u>20,720,038</u>
<i>Financial liabilities</i>				
Wakala payable	21,472,642	-	-	21,472,642
Bank overdrafts	74,804	-	-	74,804
Notes payable	-	166,948	-	166,948
Lease liabilities	146,519	335,139	4,828,596	5,310,254
Other liabilities	1,562,373	1,113,123	902,478	3,577,974
	<u>23,256,338</u>	<u>1,615,210</u>	<u>5,731,074</u>	<u>30,602,622</u>
<b>NET LIQUIDTY GAP</b>	<u>(17,500,509)</u>	<u>7,183,928</u>	<u>433,997</u>	<u>(9,882,584)</u>

Set out below, is an overview of financial assets, other than cash and term deposits, held by the Group as at 31 March 2021, 31 December 2020 and 31 March 2020:

	<i>31 March 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>31 March 2020 KD</i>
<b>Debt instruments at amortised cost:</b>			
Account receivables and other assets	<u>2,495,575</u>	<u>2,150,956</u>	<u>4,465,474</u>
<b>Financial assets at FVTPL:</b>			
Quoted equity securities	<u>300,705</u>	<u>286,554</u>	<u>1,337,540</u>
Unquoted equity securities	<u>11,512</u>	<u>11,512</u>	<u>108,191</u>
	<u>312,217</u>	<u>298,066</u>	<u>1,445,731</u>
<b>Financial assets at FVOCI:</b>			
Quoted equity securities	<u>1,467,522</u>	<u>1,263,698</u>	<u>5,970,204</u>
Unquoted equity securities	<u>1,705,362</u>	<u>1,705,820</u>	<u>4,469,329</u>
	<u>3,172,884</u>	<u>2,969,518</u>	<u>10,439,533</u>
<b>Total</b>	<u>5,980,676</u>	<u>5,418,540</u>	<u>16,350,738</u>

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11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

**Fair values**

The following table provides the fair value measurement hierarchy of the Group's financial instruments measured at fair value on a recurring basis as at 31 March 2021, 31 December 2020 and 31 March 2020:

	<i>Fair value measurement using</i>		
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total KD</i>
<i>As at 31 March 2021</i>			
<b>Financial assets at FVTPL:</b>			
Quoted equity securities	300,705	-	300,705
Unquoted equity securities	-	11,512	11,512
	<u>300,705</u>	<u>11,512</u>	<u>312,217</u>
<b>Financial assets at FVOCI:</b>			
Quoted equity securities	1,467,522	-	1,467,522
Unquoted equity securities	-	1,705,362	1,705,362
	<u>1,467,522</u>	<u>1,705,362</u>	<u>3,172,884</u>
	<i>Fair value measurement using</i>		
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total KD</i>
<i>31 December 2020</i>			
<b>Financial assets at FVTPL:</b>			
Quoted equity securities	286,554	-	286,554
Unquoted equity securities	-	11,512	11,512
	<u>286,554</u>	<u>11,512</u>	<u>298,066</u>
<b>Financial assets at FVOCI</b>			
Quoted equity securities	1,263,698	-	1,263,698
Unquoted equity securities	-	1,705,820	1,705,820
	<u>1,263,698</u>	<u>1,705,820</u>	<u>2,969,518</u>



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11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Fair values (continued)

	<i>Fair value measurement using</i>		
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
<i>As at 31 March 2020</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at FVTPL:			
Quoted equity securities	1,337,540	-	1,337,540
Unquoted equity securities	-	108,191	108,191
	<u>1,337,540</u>	<u>108,191</u>	<u>1,445,731</u>
Financial assets at FVOCI:			
Quoted equity securities	5,970,204	-	5,970,204
Unquoted equity securities	-	4,469,329	4,469,329
	<u>5,970,204</u>	<u>4,469,329</u>	<u>10,439,533</u>

The management assessed that the fair values of other financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments.

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVTPL</i>	<i>Total</i>
<i>31 March 2021</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 January 2021	1,705,820	11,512	1,717,332
Net disposals	(458)	-	(458)
As at 31 March 2021	<u>1,705,362</u>	<u>11,512</u>	<u>1,716,874</u>
<i>31 December 2020</i>			
As at 1 January 2020	4,717,232	108,191	4,825,423
Net disposals	(1,396,862)	-	(1,396,862)
Remeasurement recognised in OCI	(1,614,550)	-	(1,614,550)
Remeasurement recognised in profit or loss	-	(96,679)	(96,679)
As at 31 December 2020	<u>1,705,820</u>	<u>11,512</u>	<u>1,717,332</u>

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### 11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

#### Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy: (continued)

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVTPL</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>31 March 2020</i>			
As at 1 January 2020	4,717,232	108,191	4,825,423
Remeasurement recognised in OCI	(247,903)	-	(247,903)
As at 31 March 2020	<u>4,469,329</u>	<u>108,191</u>	<u>4,577,520</u>

#### *Fair value hierarchy*

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The Group has performed a sensitivity analysis to the range of significant unobservable inputs used in the fair value measurements during the period. Based on such analysis, there is no material impact on the interim condensed consolidated financial information.

### 12. IMPACT OF COVID-19

The COVID-19 pandemic continues to spread across global geographies causing disruption to business and economic activities and bringing significant uncertainties to the global economic environment. Fiscal and monetary authorities worldwide launched extensive responses designed to mitigate the severe consequences of the pandemic.

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group's financial and non-financial assets. 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. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.

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