

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

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

30 June 2021





Ernst & Young
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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL SAFAT INVESTMENT COMPANY K.S.C. (CLOSED)

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 30 June 2021, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the six-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 not modified is respect to 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 six-months period ended 30 June 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 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 six-months period ended 30 June 2021 that might have had material effect on the business of the Parent Company or on its financial position.



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

15 August 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

	Notes	30 June 2021 KD	(Audited) 31 December 2020 KD	30 June 2020 KD
ASSETS				
Cash and bank balances	3	1,602,057	2,556,345	2,097,046
Term deposits		1,356,688	1,360,488	1,345,942
Account receivables and other assets		2,287,638	2,150,956	5,170,272
Inventories		459,687	534,329	1,199,507
Investment securities	4	3,062,210	3,267,584	13,592,079
Investment in associates and joint venture	5	4,554,061	3,666,893	4,637,580
Goodwill and other intangible assets		3,614	4,622	1,275,839
Investment properties	6	18,555,270	17,937,478	15,846,790
Property, plant and equipment		8,901,360	9,041,317	12,302,825
Wakala receivables		32,767	-	-
TOTAL ASSETS		40,815,352	40,520,012	57,467,880
LIABILITIES AND EQUITY				
Liabilities				
Wakala payable		-	-	21,420,434
Bank overdrafts	3	256,682	236,868	166,885
Notes payable		15,663	55,087	33,643
Other liabilities		7,394,285	8,075,774	3,934,376
Lease liabilities		3,491,051	3,575,692	3,718,684
Total liabilities		11,157,681	11,943,421	29,274,022
Equity				
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		(10,467,052)	(10,517,317)	(9,083,706)
Foreign currency translation reserve		(446,754)	(472,938)	(498,447)
Other reserves		376,538	376,538	-
Retained earnings		4,803,110	3,840,460	2,231,992
Equity attributable to equity holders of the Parent Company		23,428,333	22,389,2	20,289,253
Non-controlling interests		6,229,338	6,187,357	7,904,605
Total equity		29,657,671	28,576,591	28,193,858
TOTAL LIABILITIES AND EQUITY		40,815,352	40,520,012	57,467,880

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 30 June 2021

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		KD	KD	KD	KD
Revenue					
Revenue from contracts with customers		698,324	523,023	1,552,595	1,372,560
Cost of sales		(512,666)	(387,280)	(1,096,161)	(1,187,254)
Gross profit		185,658	135,743	456,434	185,306
Net investment income (losses) on financial assets	8	225,681	345,557	266,326	(169,974)
Share of results of associates and joint venture		859,336	57,237	819,376	(912,598)
Valuation (losses) gains from investment properties		(256,367)	26,161	(256,367)	(332,921)
Net rental income		481,345	211,015	785,316	491,597
Net of impairment losses and other provisions		(19,421)	-	273,574	-
Net foreign exchange differences		689	9,424	(24,440)	(227,216)
General and administrative expenses		(726,469)	(482,374)	(1,401,163)	(1,091,099)
Operating profit (loss)		750,452	302,763	919,056	(2,056,905)
Other income		115,161	33,417	192,121	79,410
Finance costs		(81,136)	(60,472)	(142,019)	(119,196)
Profit (losses) before tax		784,477	275,708	969,158	(2,096,691)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		(6,751)	-	(8,481)	-
Zakat		(4,539)	-	(4,539)	-
PROFIT (LOSSES) FOR THE PERIOD		773,187	275,708	956,138	(2,096,691)
Attributable to:					
Equity holders of the Parent Company		738,802	273,909	929,296	(1,987,111)
Non-controlling interests		34,385	1,799	26,842	(109,580)
		773,187	275,708	956,138	(2,096,691)

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 30 June 2021

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2021	2020	2021	2020
	KD	KD	KD	KD
Profit (loss) for the period	773,187	275,708	956,138	(2,096,691)
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Share of associates other comprehensive (loss) income	27,324	(63,027)	30,218	(63,753)
Exchange differences on translation of foreign operations	9,194	(260)	16,375	(58,613)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	36,518	(63,287)	46,593	(122,366)
<i>Other comprehensive (losses) income that will not be reclassified to profit or loss in subsequent periods:</i>				
Net changes in fair value of equity instruments designated at fair value through other comprehensive (losses) income	(163,053)	1,404,227	40,771	1,500,331
Net other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods	(163,053)	1,404,227	40,771	1,500,331
Other comprehensive (loss) income	(126,535)	1,340,940	87,364	1,377,965
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	646,652	1,616,648	1,043,502	(718,726)
Attributable to:				
Equity holders of the Parent Company	604,303	1,864,514	1,005,745	(331,796)
Non-controlling interests	42,349	(247,866)	37,757	(386,930)
	646,652	1,616,648	1,043,502	(718,726)

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 30 June 2021

	<i>Equity attributable to equity holders of the Parent Company</i>													<i>Non-controlling interests</i> KD	<i>Total equity</i> KD
	<i>Share capital</i> KD	<i>Share premium</i> KD	<i>Statutory reserve</i> KD	<i>Voluntary reserve</i> KD	<i>Treasury shares</i> KD	<i>Treasury shares reserve</i> KD	<i>Asset revaluation surplus</i> KD	<i>Fair value reserve</i> KD	<i>Foreign currency translation reserve</i> KD	<i>Other reserves</i> KD	<i>Retained earnings</i> KD	<i>Sub-total</i> KD			
As at 1 January 2021	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 for the period	-	-	-	-	-	-	-	-	-	-	929,296	929,296	26,842	956,138	
Other comprehensive income for the period	-	-	-	-	-	-	-	50,265	26,184	-	-	76,449	10,915	87,364	
Total comprehensive income for the period	-	-	-	-	-	-	-	50,265	26,184	-	929,296	1,005,745	37,757	1,043,502	
Share of associate's income from realized gain on disposal of equity securities at FVOCI	-	-	-	-	-	-	-	-	-	-	33,354	33,354	4,224	37,578	
At 30 June 2021	25,693,940	259,677	1,334,805	1,334,805	(307,393)	615,002	231,655	(10,467,052)	(446,754)	376,538	4,803,110	23,428,333	6,229,338	29,657,671	

	<i>Equity attributable to equity holders of the Parent Company</i>													<i>Non-controlling interests</i> KD	<i>Total equity</i> KD
	<i>Share capital</i> KD	<i>Share premium</i> KD	<i>Statutory reserve</i> KD	<i>Voluntary reserve</i> KD	<i>Treasury shares</i> KD	<i>Treasury shares reserve</i> KD	<i>Asset revaluation surplus</i> KD	<i>Fair value reserve</i> KD	<i>Foreign currency translation reserve</i> KD	<i>Other reserves</i> KD	<i>Retained earnings</i> KD	<i>Sub-total</i> KD			
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	-	-	-	-	-	-	-	-	-	-	(1,987,111)	(1,987,111)	(109,580)	(2,096,691)	
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	1,675,965	(20,650)	-	-	1,655,315	(277,350)	1,377,965	
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	1,675,965	(20,650)	-	(1,987,111)	(331,796)	(386,930)	(718,726)	
At 30 June 2020	25,693,940	259,677	591,965	591,965	(307,393)	615,002	194,258	(9,083,706)	(498,447)	2,231,992	20,289,253	7,904,605	28,193,858		

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 30 June 2021

	Notes	30 June 2021 KD	30 June 2020 KD
OPERATING ACTIVITIES			
Profit (loss) after tax		956,138	(2,096,691)
<i>Adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		234,262	226,758
Amortisation of intangible assets		1,008	594
Impairment of intangible assets		-	8,707
Income from term deposits	8	(45,324)	(60,290)
Dividend income	8	(195,264)	(21,074)
Realised (gain) loss on financial assets at fair value through profit or loss	8	(24,417)	33,969
Unrealised loss on financial assets at fair value through profit or loss	8	(1,321)	217,369
Change in fair value of investment properties	6	256,367	332,921
Share of results of associates		(819,376)	912,598
Net reversal of provisions no longer required		(273,574)	-
Provision for employees' end of service benefits		78,875	62,230
Finance costs		142,019	119,196
		309,393	(263,713)
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss		270,979	(134,660)
Accounts receivables and other assets		136,892	(597,701)
Inventories		74,642	(57,260)
Other liabilities		(664,072)	786,781
<i>Cashflows from (used in) in operations</i>		127,834	(266,553)
Employees' end of service benefits paid		(96,292)	(21,487)
Net cash flows from (used in) operating activities		31,542	(288,040)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(94,272)	(375,798)
Capital expenditure on investment properties		(874,159)	-
Net sale of financial assets at fair value through other comprehensive income		905	-
Income received from term deposits		45,324	60,290
Dividend income received		195,264	21,074
Investment in a joint venture	5	-	(1,000,000)
Net cash flows used in investing activities		(726,938)	(1,294,434)
FINANCING ACTIVITIES			
Payment of lease liabilities		(226,660)	(241,440)
Net movement in wakala receivables		(32,767)	-
Net movement in notes payable		(39,424)	(131,859)
Net cash flows used in financing activities		(298,851)	(373,299)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(994,247)	(1,955,773)
Cash and cash equivalents at 1 January		2,319,477	3,935,960
Net foreign exchange differences		20,145	(50,026)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	3	1,345,375	1,930,161

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 30 June 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 six months ended 30 June 2021 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 15 August 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, 14th 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 six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* except as noted below.

The interim condensed consolidated financial information for the six months ended 30 June 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 30 June 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>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Cash on hand	47,849	40,333	48,810
Cash at banks and financial institutions	1,554,208	2,516,012	2,048,236
Total cash and bank balances	1,602,057	2,556,345	2,097,046
Less: bank overdrafts	(256,682)	(236,868)	(166,885)
Total cash and cash equivalents	1,345,375	2,319,477	1,930,161

4. INVESTMENT SECURITIES

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
<i>Financial assets at FVTPL</i>			
Quoted equity securities	41,314	286,554	1,640,868
Unquoted equity securities	11,512	11,512	108,191
	52,826	298,066	1,749,059
<i>Financial assets at FVOCI</i>			
Quoted equity securities	1,304,469	1,263,698	7,440,561
Unquoted equity securities	1,704,915	1,705,820	4,402,459
	3,009,384	2,969,518	11,843,020
Investment securities (at fair value)	3,062,210	3,267,584	13,592,079

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 30 June 2021

4. INVESTMENT SECURITIES (continued)

Financial assets at FVTPL include investments in related parties of KD 40,241 (31 December 2020: KD 39,472 and 30 June 2020: KD 61,764). Financial assets at FVOCI include investments in related parties of KD 1,325,476 (31 December 2020: KD 1,325,470 and 30 June 2020: KD 3,253,848) (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>30 June</i>	<i>31 December</i>	<i>30 June</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	17,937,478	16,179,711	16,179,711
Capital expenditure	874,159	440,052	-
Change in fair value	(256,367)	(2,416,276)	(332,921)
Exchange differences	-	(4,496)	-
Property under development	-	3,738,487	-
	18,555,270	17,937,478	15,846,790

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 in the current period, there is an impact on rent collections and subsequent months are tracking below-normal and the deterioration of credit quality of tenants lead to a revision in assumptions relating to the Group's cash flows based on best available information. Based on these valuations, the fair value of investment properties witnessed a decrease of KD 256,367 (31 December 2020: decrease of KD 2,416,276 and 30 June 2020: decrease of 332,921). The Group will continue to assess further the impact on cash flows as well as valuation inputs in the upcoming quarters as and when there will be new information available 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 99,254. This analysis assumes that all other variables, remain constant.

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 30 June 2021

7. TREASURY SHARES

	30 June 2021	<i>(Audited)</i> 31 December 2020	30 June 2020
Number of treasury shares	803,011	803,011	803,011
Percentage of share capital	0.31%	0.31%	0.31%
Cost of treasury shares (KD)	307,393	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 30 June</i>		<i>Six months ended 30 June</i>	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	KD	KD	KD	KD
Income from term deposits	22,881	26,720	45,324	60,290
Dividend income	192,067	15,511	195,264	21,074
Realised gain (loss) on sale of financial assets at FVTPL	4,813	-	24,417	(33,969)
Unrealised gain (loss) on financial assets at FVTPL	5920	303,326	1,321	(217,369)
	225,681	345,557	266,326	(169,974)

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 six months 30 June 2021 and 2020, as well as balances with related parties as at 30 June 2021, 31 December 2020 and 30 June 2020.

	30 June 2021	<i>(Audited)</i> 31 December 2020	30 June 2020
	KD	KD	KD
Statement of financial position:			
Other assets - <i>Other related parties</i>	318,609	312,714	144,770
Financial assets at FVTPL - <i>Other related parties</i>	40,241	39,472	61,764
Financial assets at FVOCI - <i>Other related parties</i>	1,325,476	1,325,470	3,253,848
Other liabilities - <i>Associate companies</i>	-	-	685,000
		<i>Six months ended 30 June</i>	
		2021	2020
		KD	KD
Statement of profit or loss:			
Management fees - <i>Associate companies</i>		1,951	7,507
Management fees - <i>Other related parties</i>		273	1,535

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 9,673,703 (31 December 2020: KD 9,831,449 and 30 June 2020: KD 11,508,708).

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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 30 June</i>		<i>Six months ended 30 June</i>	
	2021	2020	2021	2020
	KD	<i>KD</i>	KD	<i>KD</i>
Salaries and short-term benefits	25,024	25,024	53,048	54,827
Employees' end of service benefits	3,245	3,245	6,490	6,490
	28,269	28,269	59,538	61,317

10. COMMITMENTS AND CONTINGENCIES

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	2021	<i>31 December</i>	<i>30 June</i>
	KD	<i>2020</i>	<i>2020</i>
	KD	<i>KD</i>	<i>KD</i>
Letters of guarantee	172,991	225,976	252,137
Letter of credit	-	-	45,371

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 30 June 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 365,811 (31 December 2020: KD 1,118,800 and 30 June 2020: KD 814,349).

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 1,417,702) 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 5,826,926) 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 30 June 2021.

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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 30 June 2021, 31 December 2020 and 30 June 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>
30 June 2021				
<i>Financial assets</i>				
Cash and bank balances	1,602,057	-	-	1,602,057
Term deposits	-	11,138	1,490,026	1,501,164
Account receivables and other assets	326,324	1,961,314	-	2,287,638
Investment securities	500,999	1,315,976	1,245,235	3,062,210
	<u>2,429,380</u>	<u>3,288,428</u>	<u>2,735,261</u>	<u>8,453,069</u>
<i>Financial liabilities</i>				
Bank overdrafts	269,516	-	-	269,516
Notes payable	-	16,446	-	16,446
Lease liabilities	122,324	366,972	3,957,655	4,446,951
Other liabilities	2,258,042	4,234,291	901,952	7,394,285
	<u>2,649,882</u>	<u>4,617,709</u>	<u>4,859,607</u>	<u>12,127,198</u>
NET LIQUIDTY GAP	<u>(220,502)</u>	<u>(1,329,281)</u>	<u>(2,124,346)</u>	<u>(3,674,129)</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>
31 December 2020				
<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>
NET LIQUIDTY GAP	<u>(94,734)</u>	<u>(1,682,149)</u>	<u>(2,015,735)</u>	<u>(3,792,618)</u>

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As at and for the period ended 30 June 2021

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

<i>30 June 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 balance	2,097,046	-	-	2,097,046
Term deposits	-	11,138	1,617,804	1,628,942
Account receivables and other assets	1,821,485	3,348,787	-	5,170,272
Investment securities	1,749,059	7,440,561	4,402,459	13,592,079
	<u>5,667,590</u>	<u>10,800,486</u>	<u>6,020,263</u>	<u>22,488,339</u>
<i>Financial liabilities</i>				
Bank overdrafts	175,229	-	-	175,229
Notes payable	-	35,327	-	35,327
Lease liabilities	108,012	416,047	4,040,353	4,564,412
Other liabilities	1,818,850	1,192,432	923,094	3,934,376
Wakala payable	21,420,434	-	-	21,420,434
	<u>23,522,525</u>	<u>1,643,806</u>	<u>4,963,447</u>	<u>30,129,778</u>
NET LIQUIDTY GAP	<u>(17,854,935)</u>	<u>9,156,680</u>	<u>1,056,816</u>	<u>(7,641,439)</u>

Set out below, is an overview of financial assets, other than cash and term deposits, held by the Group as at 30 June 2021, 31 December 2020 and 30 June 2020:

	<i>30 June 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>30 June 2020 KD</i>
Debt instruments at amortised cost:			
Account receivables and other assets	<u>2,287,638</u>	<u>2,150,956</u>	<u>5,170,272</u>
Financial assets at FVTPL:			
Quoted equity securities	<u>41,314</u>	<u>286,554</u>	<u>1,640,868</u>
Unquoted equity securities	<u>11,512</u>	<u>11,512</u>	<u>108,191</u>
	<u>52,826</u>	<u>298,066</u>	<u>1,749,059</u>
Financial assets at FVOCI:			
Quoted equity securities	<u>1,304,469</u>	<u>1,263,698</u>	<u>7,440,561</u>
Unquoted equity securities	<u>1,704,915</u>	<u>1,705,820</u>	<u>4,402,459</u>
	<u>3,009,384</u>	<u>2,969,518</u>	<u>11,843,020</u>
Total	<u>5,349,848</u>	<u>5,418,540</u>	<u>18,762,351</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 30 June 2021, 31 December 2020 and 30 June 2020:

	<i>Fair value measurement using</i>		
	<i>Quoted prices in active markets</i>	<i>Significant unobservable inputs</i>	<i>Total</i>
	<i>(Level 1)</i>	<i>(Level 3)</i>	
<i>As at 30 June 2021</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at FVTPL:			
Quoted equity securities	41,314	-	41,314
Unquoted equity securities	-	11,512	11,512
	<u>41,314</u>	<u>11,512</u>	<u>52,826</u>
Financial assets at FVOCI:			
Quoted equity securities	1,304,469	-	1,304,469
Unquoted equity securities	-	1,704,915	1,704,915
	<u>1,304,469</u>	<u>1,704,915</u>	<u>3,009,384</u>
	<i>Fair value measurement using</i>		
	<i>Quoted prices in active markets</i>	<i>Significant unobservable inputs</i>	<i>Total</i>
	<i>(Level 1)</i>	<i>(Level 3)</i>	
<i>31 December 2020</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at FVTPL:			
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>
Financial assets at FVOCI			
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</i>	<i>Significant unobservable inputs</i>	<i>Total</i>
	<i>(Level 1)</i>	<i>(Level 3)</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>As at 30 June 2020</i>			
Financial assets at FVTPL:			
Quoted equity securities	1,640,868	-	1,640,868
Unquoted equity securities	-	108,191	108,191
	<u>1,640,868</u>	<u>108,191</u>	<u>1,749,059</u>
Financial assets at FVOCI:			
Quoted equity securities	7,440,561	-	7,440,561
Unquoted equity securities	-	4,402,459	4,402,459
	<u>7,440,561</u>	<u>4,402,459</u>	<u>11,843,020</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>KD</i>	<i>KD</i>	
30 June 2021			
As at 1 January 2021	1,705,820	11,512	1,717,332
Net disposals	(905)	-	(905)
As at 30 June 2021	<u>1,704,915</u>	<u>11,512</u>	<u>1,716,427</u>
31 December 2020			
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>

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 30 June 2021

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>30 June 2020</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 January 2020	4,717,232	108,191	4,825,423
Remeasurement recognised in OCI	(314,767)	-	(314,767)
As at 30 June 2020	<u>4,402,465</u>	<u>108,191</u>	<u>4,510,656</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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