

ANNUAL REPORT

For The Year Ended 31 December, 2021

الصفوة
AL SAFAT

شركة الصفوة للاستثمار
AL SAFAT INVESTMENT COMPANY

www.alsafatinvest.com

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



H.H.Sheikh
Meshal Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait



H.H.Sheikh
Nawwaf Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

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Al-Safat Investment Company Profile

Al-Safat Investment Co. was founded on September 15, 1983 as a Kuwaiti shareholding company, working in accordance with provisions and requirements of the Islamic Shari'a, with a total capital of 26,978,637 Kuwaiti Dinars. The company was founded to be one of the leading companies in the field of wealth management and investment with a strategy that depends on diversification of income sources through acquiring the best investment opportunities available in various fields.

The company is working under the control and supervision of Kuwaiti regulating

entities such as the Kuwait Capital Market Authority, Central Bank of Kuwait and Kuwait Ministry of Commerce and Industry. The company is taking into account the commands, laws and instructions that are issued from these authorities by being compliant to all regulations.

The main goal of Al-Safat Investment Company is to obtain successful and fruitful investments utilizing its expertise & professional vision towards selecting active investment opportunities and products which satisfy a wide segment of investors.

Summary of Main Company Activities:

- 1- Invest in real estate, financial, healthcare, industrial, energy, agricultural, food and other economic sectors through participating in the establishment of specialized companies or purchase of stocks and bonds in these companies, or manage projects in various sectors.
- 2- Manage funds of private and public institutions funds and investing such funds in the various economic sectors.
- 3- Conduct and provide technical, economic and evaluation consultancy, study investment projects and prepare the necessary studies through a professional integrated team.
- 4- Act as an intermediary in lending and borrowing transactions and extend loans to others in accordance with the generally recognized conventions and rules and regulations laid down by the Central Bank of Kuwait.
- 5- Perform the functions of lead manager of bonds issued by companies and institutions as well as the functions of investment trustee.
- 6- Carry out stock trading including sale and purchase of shares and bonds of local and international governmental institutions.
- 7- Provide all services that assist in development and reinforcement of the market's financial and monetary capabilities in Kuwait and satisfying its needs.
- 8- Form and manage all kinds of investment funds in accordance with the applicable law.
- 9- Manage and oversee the activities of Collective Investment Scheme acting as an "Investment Controller".

Subsidiaries, Associates & Key Investments of Al-Safat Investment Company



Al-Assriya Printing Press Publishing & Distribution Co.



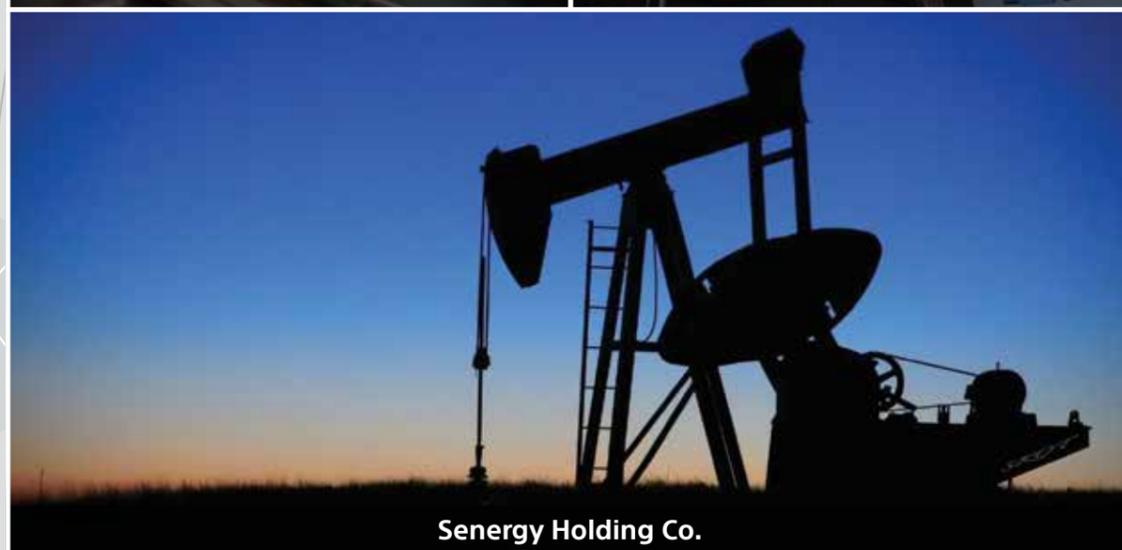
Carpets Industry Co.



Middle East Chemical Manufacturing Co.



Dar Al-Safat General Trading Co.



Senergy Holding Co.

Key Subsidiaries of Al-Safat Investment Company:

Name of the Subsidiary	Ownership Percentage
	2021
Al Safat Holding Company (Closed) KSCC	99%
Al Safat Consultant Company K.S.C. (Closed)	96%
Dar Al-Safat for General Trading Company W.L.L	99%
The Roots Brokerage - Egypt	60%
Nakhlal Al-Safat Real-Estate company	100%
Al-Assriya Printing Press	90%



Associates of Al-Safat Investment Company:

Name of the Associate	Ownership Percentage
	2021
Asia Holding Company	21.7%
Senergy Holding Company K.S.C.P.	20.9%
The Liquid Capital Co. for General Trading	50%



Key Investments of Al-Safat Investment Company:

Name of the Company
Q Holding Company P.J.S.C. - United Arab Emirates
Al Shuaiba Industrial Company K.P.S.C.
Kuwait Medical Center Holding Company K.S.C.



Board of Directors



Abdullah Hamad AlTerkait
Chairman



Abdul Muhsen Suliman Al Meshan
Board Member



Naser Bader Al Sharhan
Board Member



Mishaal Ahmed Al Jareki
Board Member



Fahad Abdul Rahman Al Mukhaizim
Vice Chairman



Dr. Anwar Ali Al Naqi
Board Member



Abdul Razzaq Zaid Al Dhubayan
Board Member

Board of Directors' Report for the year 2021

In the Name of Allah, Most Gracious Most Merciful

Esteemed shareholders,

Peace and Allah's Mercy and Blessings be Upon You,

It pleases me to present to you the annual report of Al-Safat Investment Co. KSCC, for the financial year ending 31 December 2021, as we are about to celebrate the 40th anniversary of the establishment of the Company and after a year of challenges at all local, regional and global levels. We beseech the Almighty Lord to grant us success and rightness, hoping that 2022 would witness a move in the Company's march towards new horizons through which we look forward to raising the level of its business administratively, operationally and financially, in line with the current global changes and fast developments.

Sustainability and Confronting Challenges

The Group succeeded in maintaining constant liquidity resulting from leasing operations despite the impacts of the pandemic, mitigating its negative effects as well as adding a new boost to sustainable cash with the completion of Al-Ahmadi project by the end of 2021. We expect this project to have a financial and sustainable impact on the company cash flows, together with the current real estate projects of the company, mainly the Hawally BOT project which we continue to develop in order to compete in the real estate market and, therefore, help the company getting involved in new projects.

We are optimistic about our ability to achieve our customers and shareholders' expectations, and confident with the Group's varied, resilient and robust business model. We would like to point out the success of the Group in maintaining lower operational and administrative costs through the company's policy of achieving a balanced and sustainable ratio of operational costs in order to boost its profitability and raise the ratios of its revenues.

2021: An Overview

We are pleased with our ability to fulfil our obligations to achieve our strategy and boost market trust in the Group as evidenced by the company's success in relisting in Bursa Kuwait, the fruit of the continuous efforts of the Company Board of Directors and Executive management

in the last few years and as a testament to the trust in our performance and the positive future expectations.

In this regard, we point to the success of the Company share in creating a momentum and reviving trading in Bursa Kuwait. The company share has the third highest rate of trading in the financial sector in 2022, let alone its being popular and in demand by most traders in the short term as a result of high liquidity and demand.

At the same time, Bursa Kuwait announced recently the addition of Al-Safat share to the Bursa Kuwait Main Market 50 (BK Main 50) index which is a new index of market value which is a weight index of 50 companies with the highest liquidity value in the main market.

We look forward to becoming qualified to listing in the Premier Market when the company's market value reaches around KD 78 million.

We focused on the market strategic movements which enabled us to attract investments and business activities with exceptional returns. This growth was possible through the continuous success of the Group's lines of business and our pursuit of active investments that bring steady income. An example of this was our acquisition of The Liquid Capital company which brought the Group KD 900 thousand from a new investment in an associate company. We expect this acquisition to provide a strategic access to the company's future business and enhance its growth.

In addition, we recorded sustainable returns and strong results in 2021 which brought the net profits of the main company to KD 1.4 million with higher projections for the future. That was due to the successful execution of the Group strategy by our dedicated team, through its acute vision and careful evaluation of the market in 2021, which enabled it to find new income generating opportunities while enhancing and extracting value from existing assets.

We are pleased to bring to your notice our activation of the assets under management sector and bringing it to strong growth levels. The total AUMs increased by 378%, from KD 14 million to more than KD 66.5 million by the end of 2021, with more expected. We look forward to offering more services in the investment sector, providing innovative investment solutions and boosting current activities such as offering the



Abdullah Hamad AlTerkait - Chairman

services of acquisition and merger deals and joining the high rated institutions in the region.

Resilience and focusing on the future

The Group set resilient strategies for 2019 until 2023 through which it seeks to execute effective exiting strategies from unprofitable assets and replacing them with high potential assets, carefully chosen to bring the company good and sustainable income, allowing it to offer shareholders sustainable dividends in the future.

We are seeking to diversify the investments of the company direct portfolio, along with supporting and financing small and medium enterprises, and nurturing the ideas of Kuwaiti young entrepreneurs, particularly in the delicate state of this small enterprises segment. For this purpose, we allocated a whole floor of the company Tower in Hawally to small and medium enterprises, with small spaces for leasing, in addition to providing business administration services to leaseholders at competitive fees. The space can be a nucleus for small enterprises and for supporting their future growth.

We are also utilizing the fact that the company is free from bank loans to seek new bank long-term facilities with a view to entering new partnerships and carefully chosen investments.

We are considering offering more services next year under the assets management sector, so that the resulting revenues would be among the sustainable and main tributaries to the company. Among these services will be the Market Maker service which would provide fixed revenues as a result of contracting with listed companies, in addition to financial gains stemming from selling and buying operations and distributions of dividends.

There are also hopes for future listings which we are preparing their entities in line with standards and terms. As for the idea of listing Al-Safat in another financial market, such as Dubai Financial Market, it is under consideration and will be realized in due time.

In light of the changes in the investment companies market, which attaches increasing importance to business relations with customers, we are attracting more new ideas for achieving sustainable growth of the investment and asset management sector. This also calls for investment in the technology infrastructure. Given the company strategy we expect to be in a good position in the investment companies customers services market which has become

more developed and sophisticated. We will also continue enhancing our digital capabilities to offer better service to our customers.

Our company enjoys a good position to keep up with the changes in the financial services market and in the economic environment in general. Our company's work culture helps us meet our customers' needs, therefore making us more prepared to serve them at all times.

Financial indicators and a summary of financial statements for the financial year ending 31 December 2021

The Group realized KD 7 million in total operating and investment income. The operating income amounted to KD 3.3 million compared to KD 3 million in the previous year, an increase of 11%.

In line of a prudent policy of hedging and early recognition of distressed investments, Al-Safat reported a net profit of KD 1.4 million in 2021, equivalent to 5.34 fils per share, compared to a net profit of about KD 7 million in 2020, equivalent to 26.87 fils per share.

The Group boasts strong assets amounting in value to KD 40 million by the end of 2021. Shareholder's equity increased by 4% to KD 23 million by the end of December 2021 compared to KD 22 million during the same period of 2020. While this annual increase might be relatively small compared to previous years, we, nevertheless, see it as a clear proof of the Group's strong stand in the face of unusual market circumstances.

We also point out the decrease in the Group's total debt and liabilities by 6% amounting to KD 11 million in 2021 compared to KD 12 million in the same period of the previous year.

Al-Safat Investment Co. vision and goals of Social Responsibility

Corporate Social Responsibility is a free choice by the company or institution of social development through providing financial or in-kind contributions to carry out projects and economic, social and environmental programs, etc. in the state.

In this regard the Group pays great attention to social responsibility and seeks to play an effective role in giving back to society and the state, out of its firm belief that the role of companies should not be confined to gaining profits but extended to giving back to society and spreading environmental culture and health

awareness which aim ultimately to social revival, along with philanthropic deeds and restoring and embellishing various amenities. Al-Safat Co, social responsibility program is distinguished by its varied social initiatives and contributions which drive us to set for our responsibility towards our society and country plans and initiatives in the interests of the public and in support of national policy.

The company's social efforts culminated in launching several qualitative initiatives, events and activities covering many sectors and aspects. As well as donating thousands of litres of detergents and disinfectants to ministries and government amenities at the pandemic peak in 2020, the activities continued as follows:

1. Health

Health awareness: the Company organised in 2021 an awareness lecture to company employees about the importance of vaccination, in cooperation with Dr. Fatma Khajah who detailed the medical benefits of vaccination and allayed employees fears about it, answering all questions and queries. The company also organized a huge awareness campaign about vaccines in Al-Safat Tower in cooperation with the Ministry of Health. The campaign involved all Tower employees and employees of subsidiaries with the aim of raising the ratio of vaccination in the country.

During the Breast Cancer awareness month, the company distributed to its female employee's free mammogram coupons, in cooperation with Dar Al-Shifa Hospital. The aim was to spread the culture of self-examination and early tests to protect them against the disease.

In keeping with the month of November for awareness of the physical and mental disorders in men, the company launched an awareness campaign offering essential advice on how to maintain their health. The campaign covered the entire Al-Safat Tower, our subsidiaries and associates. We also cooperated with Eureka to distribute the awareness brochure with all their sales.

2. Training

The youth occupied a big part of the Group's attention. We, therefore, took an initiative to train freshly graduated young people and qualify them for practical work. We received two female trainees from the Investment Public Authority for 30 days during which they learned practical work in the investment field.

3. Environment

Al-Safat company believes that a clean and protected environment is essential to quality living and that cars are the worst polluters on our planet. So, we provided free electric charging stations for hybrid cars in Al-Safat Tower parking lots.

The aesthetic aspect: we embellished the pedestrian bridge opposite our headquarters, restored, repainted and cleaned parts of it, making it the first beautification project in the surrounding areas carried out by the company in preparation for similar projects that would bring back to the area its original splendor.

We, at Al-Safat Investment co. and the Group seek to raise the concept of social responsibility to a new level of innovation, inclusion and sustainability to help serve all sections and aspects of society and strive to develop the structure of the social institutional work.

Conclusion

I am greatly proud of the work team at Al-Safat Investment Co. and laud their efforts over the previous years with the Executive Management team to confirm the status of our company among the established investment companies. I also express the company's appreciation to its shareholders for their continuous support of the company and its customers and for giving us the opportunity to serve them. We will continue our efforts to maintain your support and trust. I must not forget to extend my thanks to all regulatory entities, and to CMA for the continuous support of investment companies.

Finally, I extend, on behalf of myself and members of the Board and employees of Al Safat Investment Co. our great appreciation and gratitude to His Highness the Amir Sheikh Nawaf Al Ahmad Al Jaber Al Sabah, may Allah protect him and to the Crown Prince His Highness Sheikh Mishal Al Ahmad Al Jaber Al Sabah, May Allah protect him, asking Almighty Allah to guide their steps on the road to Kuwait's ascent and renaissance.



Abdullah Hamad Al-Terkait
Chairman - Al Safat Investment Company

Corporate Governance Report of Al Safat Investment Co. for the Year Ended 31 December 2021

Overview of Governance Principles

Al Safat Investment Co. strongly believes that an efficient corporate governance framework is a major factor in the success of its business, given its importance for boosting trust in it and providing opportunities to enact comprehensive and sustainable changes in line with the values of the company. That is why one primary goal of the company, and its management is to set a robust and practical governance framework that takes into account the rights of stakeholders, investors and related requirements as defined by the regulatory authorities. It should also recognize the environmental, social, health and economic targets which we strive to achieve under the world-wide corona pandemic and its repercussions which call for efforts to confront it and contain its present and future risks. Al Safat Investment Co. relies on our effective risk management capabilities in continuing to realize the main governance targets, take advantage of new opportunities and meet the increasing demands so that we can continue our compliance with the requirements of the regulatory authorities in the State of Kuwait.

Al Safat Investment Co. believes that its long-term success depends on good governance in addition to effective, leading and forward-looking management that would strengthen the rules of this governance.

Rule One

Building a Balanced Structure of the Board of Directors

With the fast developments in the business environment, diversifying the structure of the Board of Directors is the major success factor in today's world. That is why Al Safat Investment Co. Board of Directors is comprised of experienced and skilled individuals. This makes for a balanced and positive Board structure in the best possible manner while taking into consideration the renewed business requirements.

The role of Al Safat Investment Co. Board of Director represents the balance point in achieving the company's strategic goals and therefore those of the shareholders. The Board has taken upon itself the responsibility of complying with the good governance standards through activating and implementing the governance rules by following the best practices and a package of policies, procedures and mechanisms and by defining the responsibilities and duties of the Board of Directors and the Executive Management. All this while taking into consideration the rights of shareholders, stakeholders, clients, administration, staff and society.

Al Safat Investment Co. Board of Directors comprises seven members elected by the company general meeting for a 3-year term. The Board is formulated in a balanced way to be compatible with the company's size and activities. The majority of the members are non-executive (5 members) with two independent members, all of whom possess diverse experiences and specialized skills which contribute to strengthening efficiencies in decision making.

The members of board of directors have academic qualifications, experiences and required skills that are needed for the company's activities according to the following schedule:

Director	Capacity	Qualifications and experience	Date of election/ appointing secretary
Abdullah Hamad Al-Terkait	Chairman/ Non-Executive	- MBA Degree from the UK - Bachelor's degree in Public Administration and Political Science. - 16 year-experience	5 May 2019
Fahad Abdul Rahman Al Mukhaizim	Vice Chairman/ Non-Executive	- Master of Business Administration. - bachelor's degree in finance. - 26 year- experience.	5 May 2019
Abdul Muhsen Sulaiman Al Meshan	Member/ Non-Executive	- Bachelor's degree in international Finance and Marketing. - 42 year-experience.	5 May 2019
Nasser Bader Al Sharhan	Member/ Non-Executive	-bachelor's degree in political science and Marketing. - 24 year-experience	5 May 2019
Mishal Ahmad Al Jareki	Member/ Independent	- Master of Business Administration with specialization in General and Strategic Management. - bachelor's degree in accounting. - 16 year- experience.	5 May 2019
Dr. Anwar Ali Al Naqi	Member/ Independent	- Ph.D., Master and bachelor's degree in civil engineering. - bachelor's degree in architecture. - 44 year- experience.	5 May 2019
Abdul Razzaq Zaid Al Dhubayan	Member/ Non-Executive	- bachelor's degree in civil engineering. - 17 year-experience	5 May 2019
Khawla Mohammad Awad Kandeel	Secretary of the Board	- Technical Certificate in Business Administration. 24 year experience	23 Feb 2014

Members of the Board of Directors dedicate sufficient time to review all tasks & responsibilities assigned to them; they meet at the invitation of the chairman.

Summary of the Board's Meetings:

The Board of Directors held six meetings in 2021 as shown below:

Director	Meeting (1) 24/02/2021	Meeting (2) 21/03/2021	Meeting (3) 11/05/2021	Meeting (4) 12/08/2021	Meeting (5) 10/11/2021	Meeting (6) 30/12/2021
Abdullah Hamad Al-Terkait	√	√	√	√	√	√
Fahad Abdul Rahman Al Mukhaizim	√	√	√	√	√	√
Abdul Muhsen Sulaiman Al Meshan	√	√	√	√	√	√
Nasser Bader Al Sharhan	√	√	√	√	√	√
Mishal Ahmad Al Jareki	√	√	√	√	√	√
Dr. Anwar Ali Al Naqi	√	√	√	√	√	√
Abdul Razzaq Zaid Al Dhubayan	√	√	√	√	√	√

One resolution was signed in 2021 by passing.

The manner of applying the requirements of registration, coordination and keeping minutes of Board meetings

The Board Secretary manages and coordinates various Board activities in accordance with governance rules. The Board Secretary is appointed or dismissed by a decision of the Board. Under supervision by Chairman of the Board, the Secretary checks the adherence to the procedures approved by the Board relating to exchange of information between Board members, associated Committees and the Executive Management, as well as setting Board meetings schedules, sending invitations at least 3 working days prior to the meetings, excluding emergency meetings. The Secretary is tasked with transcribing the minutes of Board meetings as well as attendance of members, and ensuring that information is delivered and distributed properly, and coordinating between Board members and stakeholders including shareholders, various company departments and concerned employees.

Rule Two

Properly defining tasks and responsibilities

Brief note on how the company sets the policy, tasks, responsibilities and duties of each member of the Board and the Executive Management, as well as the powers and terms of reference delegated to the Executive Management:

Al Safat Investment Co. Board of Directors is responsible for supervising the overall performance

and defining the company strategic orientation, setting its goals, approving the overall strategy and reviewing it periodically, as well as setting the organizational and administrative structure and the supervisory regulations of the company. In addition, the Board monitors the performance of the Executive Management and its implementation of the approved strategy. It also monitors any conflict of interest and deters the misuse of influence by concerned parties. The Board also shoulders the responsibility of approving consolidated and fair financial statements which reflect the true financial position of the company in accordance with the IFRS, as well as the responsibility for defining the internal supervision framework as the Board deems necessary in order to prepare the consolidated financial statements without substantial errors.

Al Safat Investment Co. has defined in detail the tasks, responsibilities and duties of each of the members of the Board and the Executive Management, as well as the powers and terms of reference mandated to the Executive Management through the policies and regulations approved by the Board.

Following are the main tasks and responsibilities of the Board:

- 1- Approval of the principal goals, strategies, plans and policies of the company.
- 2- Approval of the annual interim budgets and the quarterly and annual financial statements.
- 3- Supervising the company's main capital spending and its ownership of assets and investments.
- 4- Ensuring the company departments adherence to policies and procedures.
- 5- Ensuring the accuracy and correctness of the data required for disclosure.
- 6- Establishing effective communication channels to provide shareholders with access to periodic and continuous information about the activities of the company and any relevant major developments.
- 7- Structuring the corporate governance system, supervising it and following it up in general.
- 8- Monitoring the performance of the Board, committees, and Executive Management by using main performance indicators.
- 9- Preparing the annual report to be presented to the General Assembly and formation of specialized committees in accordance with regulatory authorities' requirements and defining responsibilities, rights and obligations.
- 10- Defining powers of the Executive Management and the decision-making process.
- 11- Following up the performance of the Executive Management members and ensuring their completion of all tasks assigned to them.
- 12- Defining the policy of regulating the relationship with stakeholders in order to protect their rights.
- 13- Preparing a mechanism for regulating the transactions with the related parties in order to avoid conflict of interest.
- 14- Approval of the main risk indicators and their measurements and being prepared to take risks at the company in order to deal with them.

Achievements of the Executive Management in 2021:

- 1- Working towards carrying out all the company policies and internal regulations as approved by the BoD.
- 2- Preparing periodic reports on the progress of the company activity in light of its strategic plans and goals and submitting these reports to the BoD.
- 3- Establishing an integrated accounting system for keeping books, records and accounts that reflects in accurate detail the financial statements and income accounts in order to maintain the company assets and prepare financial lists in accordance with the international accounting standards approved by the Capital Markets Authority.
- 4- Optimizing the management of the company daily operations and activities and its revenues, as well as seeking to increase profits and reduce expenditure on the basis of the company goals and strategy.
- 5- Participating actively in establishing culture of ethics in the company.
- 6- Setting systems of internal oversight and risk management and ensuring their efficiency, comprehensiveness and adequacy, and adherence to risk avoidance as approved by BoD.

Following are the main tasks and responsibilities of the Executive Management:

Achievements of the Board in 2021:

In line with the Boards` responsibilities in achieving the best financial and operational results and the completion of the company strategic plan in the best manner, the Board made in 2021 several achievements, such as:

1. Approved the audited and consolidated annual financial statements for the year ended 2020.
2. Approved the capital adequacy policies and procedures.
3. Approved the recommendation of the remunerations and nominations committee.
4. Approval of the re-appointment of the company's external auditor Mr. Bader Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young).
5. Approved appointing a new external Sharia auditor (Osol for Sharia Consulting).
6. Approval of the agenda of the ordinary General Assembly for 2020.
7. Approval of the agenda of the non-General Assembly.
8. Approval of the anti-money laundering and anti-terrorism report prepared by the Compliance Dep for 2020.
9. Approved the semi-annual risk report for the period 31/07-2020-31/12/2020.
10. Approved the draft condensed consolidated interim financial statements (unaudited) for the Q1, Q2 and Q3 of 2021
11. Approval of the annual estimated budget for the year 2022.
12. Assessment of Board members performance for 2021 and reviewing the assessment of members of committees emanating from the Board (Audit Committee, Risks Committee, Remunerations, and Nominations Committee) in addition to assessing the CEO performance in 2021.
13. Provision of a training course entitled combating money laundering and terrorism.

Brief on implementation of requirements for the Board formation of specialized independent committees, taking into account the mention of the following information about each committee:

In the process of the Board carrying out its tasks and duties, the Board has formed sub-committees and approved their charters which define their responsibilities and terms of reference with the aim of strengthening supervision of company operations. Members of the committees possess technical and practical experiences and skills that would help them carry out the tasks assigned to them as best as possible.

1. Audit Committee

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Fahad Abdul Rahman Al Mukhaizim- Chairman

Mr. Anwar Ali Al Naqi- Vice Chairman

Mr. Naser Bader Al Sharhan – Member

The number of meetings held during 2021: five meetings.

Responsibilities and achievements of the committee in 2021

- Reviewed the draft annual audited and consolidated annual financial statements for the fiscal year 2020 and submitted a recommendation to the Board of Directors for approval and for taking the necessary measures to request holding an ordinary General Assembly meeting.
- Approved the proposal to reappoint the external auditor Mr. Bader Adel Abduljader, Al Aiban and Al-Osaimi (Ernst & Young).
- Submitted a recommendation to appoint a new external Sharia auditor (Osol for Sharia Consulting).
- Approved the internal audit plan for 2021
- Reviewed the internal Sharia audit reports for the fourth quarter of 2020 and the first, second and third quarters of 2021 to ensure that the Sharia Audit Unit reviewed the compliance of the company's activities and operations with Sharia provisions.
- Evaluated the performance of the Head of the Internal Audit Department of the company in addition to the consulting body that the company has contracted with (Ernst & Young Al Aiban, Al Osaimi & Partners).
- Reviewed the draft condensed consolidated interim financial statements (unaudited) for Q1, Q2 and Q3 of 2021 and submitted a recommendation to the Board of Directors for approval.
- Reviewed the assessment report of the company's internal control systems for the year 2020 and mandated the Head of Internal Audit to follow up and address the observations in the report with the relevant departments.

- Reviewed the internal audit reports that were carried out on all company departments and mandated the Internal Audit Head to follow up and address the observations along with the company's managers.
- Carried out annual appraisal of Committee members for 2021.

2. Risk Committee:

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Anwar Ali Al Naqi- Chairman

Mr. Abdul Muhsen Sulaiman Al Meshan- Vice Chairman

Mr. Abdulrazzaq Zaid Al Dhubayan – Member

The number of meetings held during 2021: Five meetings

Responsibilities and achievements of the committee in 2021:

- Approved the semi-annual risk report submitted to the Capital Markets Authority (CMA) for the period June- December 2020 and recommended that the report be presented to the Board of Directors and mandated the Risk Management Representative to follow up and address the observations in coordination with the relevant departments of the company and the top management.
- Approved the semi-annual risk report submitted to the Capital Markets Authority (CMA) for the period January- June 2021 and recommended that the reports shall be presented to the BoD and mandated the Risk Management Representative to follow up and address the observations.
- Filled out the appraisal forms of the committee and its members during 2021 and submitted the results to the Board of Directors for approval.

3. Remuneration and Nomination Committee:

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Abdullah Hamad Al-Terkait- Chairman

Mr. Mishaal Ahmed Al Jareki- Vice Chairman

Mr. Abdulrazzaq Zaid AlDhubayan – Member

The number of meetings held during 2021: two meetings

Responsibilities and achievements of the committee during 2021

- Approved the annual allowances of the committees emanating from the Board of Directors and approved the allowances of members of the committees.

- Approved the recommendation to the Board of Directors to pay the CEO's remuneration for the year 2020 according to the annual appraisal set by the Board of Directors.
- Approved paying bonuses to the company's employees for the year 2020 according to the annual appraisal scheme set by the Directors of Departments and the recommendation of the Board of Directors for approval.
- Prepared and sent the annual appraisal forms for the year 2021 to the Board of Directors and its committees, in addition to submitting the appraisal form of the CEO for 2021 to the Board of Directors.
- Appraisal of the members of the Nomination and Remuneration Committee for 2021 and submitted it to the Board of Directors for approval.

4. Provisions Committee:

Formation of the committee: 6 May 2019

Term of the committee: dependent on the decision of the current Board of Directors

Members of the committee:

Mr. Abdul Razzaq Zaid Al Dhubayan -Chairman

Mr. Hasan Mahmoud Qaqish -Member and Reporter of committee

Mr. Herarld Leo Fernandes -Member

The number of meetings held during 2021: three meetings

Responsibilities and achievements of the committee in 2021:

- Approved new provisions
- Writing-off provisions from Company's books
- Affirmed additional provision

5. Credit Committee:

Formation of the committee: 13 November 2019

Term of the committee: dependent on the decision of the Board of Directors

Members of the committee:

Mr. Abdullah Hamad Al-Terkait- Chairman

Mr. Ahmed Fathy Abouzeid- Vice Chairman

Mr. Saheb Saleh Khajah- Member

The number of meetings held during 2021: Four meetings

Responsibilities and achievements of the committee in 2021:

- Approved the draft consumer financing policy
- Reviewing customers' requests for financing
- Approved to grant financing to the company's customers

Brief on how to implement the requirements that allow Board members to obtain information and data accurately and in timely manner:

The company has an effective mechanism that allows members of Board of Directors in general and non-executive and independent Board members in particular to obtain all the basic data and information that enable them to carry out and implement their duties through coordination with the Secretary of the Board of Directors, and in accordance with relevant laws and legislations.

Rule Three

Selecting qualified persons for Board membership and Executive Management

Brief on implementation of requirements for formation of nomination and remuneration committee:

The nomination and remuneration committee assists the Board of Directors in performing supervisory responsibilities, including: effectiveness, integrity and adherence to the Company's nomination and remuneration policies and procedures, reviewing and approving selection criteria and appointment procedures for members of the Board of Directors and top management, and ensuring that the policy and methodology of nominations and remuneration as a whole is in line with the strategic objectives of the company. Also, the committee shall meet on regular basis, at least once a year, as needed.

The nomination mechanism in place within the company ensures the continuity of selecting and attracting competencies either to run for membership of the Board of Directors or of the Executive Management. Board of Directors has formed a nomination and remuneration committee in accordance with the governance rules, with the committee having to include an independent member. The committee's work charter approved by Board includes the following:

- Recommendation to accept the nomination and re-nomination of members of the Board and the Executive Management.
- Setting a clear policy for the remuneration of the members of Board of Directors and the Executive Management.
- Determine the required skill requirements appropriate to the membership of Board and review these requirements annually.
- Attract applications for those wishing to occupy executive positions as needed, and study and review these requests.
- Define the different tiers of rewards that will be awarded to employees.
- Prepare job description for the Executive Board members, non-executive members, and independent members.
- Propose the nomination and re-nomination of members for elections by the General Assembly and ensuring that the independence status of independent members is not eliminated.
- Defining the mechanisms of evaluating the performance of the Board and the performance of each member and the Executive Management.
- Define the indicators for measuring the performance of the Board and review these indicators annually.
- Review and suggest training programs and workshops for members of the Board of Directors.

- Reviewing the payroll and job grades periodically.
- Prepare a detailed annual report on all bonuses granted to members of Board of Directors and the Executive Management, whether they are amounts, benefits, or advantages, whatever their nature and name, provided that this report is presented to the company's General Assembly for approval.

The report of remunerations granted to members of Board of Directors and Executive Management:

First: Board of Directors Remuneration Policy

- Al-Safat Investment Co. adopts a transparent policy relating to the remuneration of BoD members whether for charging their duties and attendance of Board meetings or meetings of its committees. The company complies with the corporate law terms relating to the BoD members' remunerations.
- Members of the Board of Al-Safat Investment Co. did not receive any remuneration or benefits for their attendance and efforts during the six (6) BoD meetings in 2021.

In 2021, The Board of Directors discharged its tasks and responsibilities, with the help of its committees. The Board submitted a recommendation to shareholders to remunerate members of the committees only. In May 4, 2021, the Ordinary General Assembly approved the committees' members remunerations.

The remunerations granted to members of Board of Directors

Remunerations and benefits of Board members							
Remunerations and benefits through subsidiaries				Remunerations and benefits through the Mother Company			Total number of members
Variable remunerations and benefits (KD)		Fixed remunerations and benefits (KD)		Variable remunerations and benefits (KD)		Fixed remunerations and benefits (KD)	
Committees' remuneration	Annual remuneration	Total monthly salaries	Health insurance	Committees' remuneration	Annual remuneration	Health insurance	
-	-	-	-	-	80,000 KD	-	7

Second: Remuneration policy for the Executive Management

Remunerations of the Executive Management

Al-Safat Investment Co. grants remunerations and incentives to its executive staff and employees as per the employees' annual evaluation and according to specific technical and professional criteria. Several targets have been set through which the employee's performance is evaluated, namely defining the goal, its capability of being measured and achieved and how it relates to the employee's task, as well as time frame for realizing the required goals. The employees' performance was carried out under the supervision of the Human Resources Department.

The Company's remunerations principles are based on the following:

1. Attracting capable, talented, skilful and highly knowledgeable human applying resources and retaining them to ensure quality.
2. Balancing the employees' remunerations with the Company profitability during the year.
3. Applying an incentives system that encourages the employees to deliver a continuously growing quality performance at all times.

The Remunerations and Nominations Committee lays out, in coordination with the Executive Management, the remunerations policy of the Executive Management with the aim of creating a balance with the competitive market remunerations with a view to keeping the talents, increasing shareholders present and future returns and recommending the remunerations to the BoD for approval.

The Remunerations and Nominations Committee lays out the remuneration's segments for the Executive Management employees through evaluating the performance of the Company employees in various departments, making use of analytical tools, quantitative and qualitative processes and comparative studies in the process of deciding remunerations and benefits. In addition, the Company has a system of monitoring and evaluating the performance of the Executive Management and employees. It also has a fair and transparent system for measuring responsibilities and performance which is used in rewarding the employees for their achievements throughout the year.

Total remunerations and benefits granted to five senior executives who have received the highest remunerations. This is in addition to the Chief Executive Officer and the financial manager or their deputy, if not included*														
Remunerations and Benefits through the parent company							Remunerations and Benefits through the subsidiaries							
Total executive positions	Fixed remuneration and benefits (Kuwaiti Dinar)						Variable remuneration and benefits (Kuwaiti Dinar)	Fixed remuneration and benefits (Kuwaiti Dinar)					Variable remuneration and benefits (Kuwaiti Dinar)	
	Monthly Salaries (Total of the year)	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration	Monthly Salaries (Total of the year)	Health insurance	Annual tickets	Housing allowance	Transportation allowance	Children's education allowance	Annual remuneration
7	231,050	10,092	1,000	6,000	0	2,000	89,700	---	---	---	---	---	---	---

* Details of the segments and types of remuneration and benefits mentioned are examples without limitation.

The members of the Board of Directors and the Executive Management have not been granted any other remuneration, either directly or indirectly, neither by Al-Safat Investment Company nor its subsidiaries.

During 2021, there were no significant deviations from the remuneration policy approved by the Board of Directors.

Rule Four

Ensuring the integrity of financial reports

Board of Directors and the Executive Management pledge in writing the integrity of the prepared financial reports.

The company's annual report includes written pledges to both the Board and Executive Management of the integrity of the prepared financial reports.

Brief on implementation of the requirements for the formation of the Audit Committee:

The primary role of the Audit Committee is to supervise all audit matters and ensure the integrity of financial reports and internal control systems. The Audit Committee performs the following tasks, for example and not limited to:

Review all periodic and annual financial statements prior to submitting and recommending them to the Board of Directors.

Recommend to Board of Directors appointing external auditors.

- Study and review the notes on the financial statements and request the Executive Management to work to amend them, if necessary.
- Recommend to Board of Directors appointing the director of internal audit, reviewing, and approving the internal audit plans.
- Review the results of the internal reports and ensure that all necessary corrective actions are taken.
- Review the results of the inspection of the regulatory authorities on the company and taking the necessary measures to rectify the observations.
- Review matters related to the nomination of the external auditor and recommend that to the Board of Directors.
- Recommend assigning an independent audit office to evaluate, review internal control systems and prepare a report in this regard (Internal Control Report).

During 2021, there was no inconsistency between the recommendations of the Audit Committee and the decisions of the Board of Directors.

Independence & Impartiality of the External Auditor

- Following the recommendation of the Board of Directors, the General Assembly approved appointing the statutory auditor. The nomination of the external auditor should be based on the Audit Committee recommendation submitted to the Board of Directors. The auditor should be listed in the CMA's external auditors register, i.e., fulfilling all the required provisions stated in the CMA's resolution concerning the mechanism of listing external auditors.
- On 4 May 2021, the Ordinary General Assembly approved the re-appointment of the company's external auditor, Mr. Bader Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young) for the year 2021.

- The external auditor carries out an independent annual audit and a quarterly review with the aim of confirming that the financial statements are prepared in accordance with IFRS approved by the regulatory authorities in the State of Kuwait.

Rule Five

Establish Appropriate Systems for Risk Management & Internal Control

Requirements for the formation of an independent Risk Management:

- The Company has set up risk management regulations and effective measures, in order to define, evaluate, gauge and manage major risks facing the company. Risk management is the joint responsibility of the Company administration and employees. Risk management Department is charged with ensuring that employees are aware of the importance of risk management, and that they carry out their tasks accordingly. The Head of Risk Management measures, monitors and limits various potential risks facing the Company.

Requirements for the formation of a Risk Management Committee:

The Risk Committee is an independent unit that specializes in risk management, while its primary role is to set policies and regulations to manage the risks according to what is consistent with the company's tendency to bear the risks facing the company, provided that its membership period is three years unless board of directors decides otherwise. The committee is comprised of a Chairman and three non-executive members, excluding the Chairman of Board of Directors. The Risk Committee performs the tasks and responsibilities to be adhered to as stipulated in the rules of corporate governance, while it holds at least four meetings during the year and has minutes of its meetings transcribed.

The Risk Committee identifies, measures, and monitors risks the company is exposed to in collaboration with the Executive Management and the company's Risk Management Officer. The committee provides the Board with advice on the current and future risk strategy and policy and supervises the company's strategy approved by the Board of Directors. The Risk Committee also reviews the company's Risk Management policies and procedures in accordance with the submitted reports by the Risk Management Officer prior to approval by the Board. In addition, the committee develops the policies and procedures of managing various types of risks. It is also responsible for identifying, measuring, monitoring and supervising the system of risks the company is exposed to and preparing reports thereon. The committee also follows up the results of the assessment reports and monitors the company's risk exposure.

Overall, the committee verifies the consistency of the company's business strategy and its business activities with the risk appetite approved by the Board. It also follows up the preparation of risk policies, procedures and methodologies in a manner that is consistent with the risk appetite and supervises the development and implementation of an appropriate structure and systems for risk management in addition to ensuring the provision of an adequate level of risk control and regulations related to the company's business.

Internal Control System:

The company is keen on establishing an internal control system to cover all the company's activities

in order to maintain the company's overall financial soundness, accuracy of its data, and its operation efficiency. The principles of internal control of the dual control process in the organizational structure of the company have been taken into account through:

- Establishing appropriate roles and responsibilities.
- Complete separation of duties and no conflict of interest through the continuous updating of the organizational structure of the company
- Dual inspection and control (Internal Audit Department and Audit Committee)
- Dual signature (all checks, and contracts are signed or certified by more than one person according to the table of powers approved by the Board of Directors.
- Appointing an external auditor to audit internal control systems and preparing an annual report to be submitted to CMA per annum within a maximum of 90 days from the end date of the financial year.

The company also has a Conformity and Compliance Management that includes many distinct skills and expertise to ensure compliance with all rules and bylaws. This management is considered one of the most important tools of internal control and regulation in the company and it cooperates with the Audit Management and Risk Management to ensure implementing the inspection procedures and dual control while the Board of Directors ensures activating the role of the managements continuously.

Requirements of formation of an independent internal audit department:

The Internal Audit Department determines the policies and procedures of audit to assist the company in implementing the governance system through ongoing evaluation of the performance of the Executive Management with respect to application of the systems, means and procedures of internal audit. This aims at providing necessary recommendations for developing the system to increase the efficiency and effectiveness of the internal system. Accordingly, the Board of Directors assigned the internal Audit Department, through the Audit Committee, its tasks and responsibilities. Therefore, the company's internal audit department enjoys complete technical independence and reports to the Board Audit Committee.

One of the most important responsibilities of the Internal Audit department at Al-Safat Investment Company is to provide the Board of Directors and Executive Management with an independent and objective opinion on the availability of controls, and adequate and appropriate guarantees to support the company's activities, improve the effectiveness of controls, risk management and governance processes.

The independence of the internal audit department is a determinant of audit tasks success. Therefore, the internal audit department submits its reports to the Board Audit Committee and approves the following: organizational structure, internal audit charter and policy, internal audit plans, risk assessment methodology, and assessment of achievements and job performance of the department. The committee meets independently with the Director of Internal Auditing on a quarterly basis.

Rule Six

Promoting professional behavior and ethical values:

Standards and determinants of Code of Ethics and Business Conduct:

The Code of Ethics and Business Conduct includes standards of behavior that all company employees must follow and consider daily in all transactions in the workplace. If any concerns or doubts about non-compliance with the code of ethics are raised, the company seeks to motivate and create a culture of immediate reporting to the competent unit through several channels, including line manager, human resources, legal affairs, and conformity and compliance management. Meanwhile, no accountability measures or legal consequences of any kind should be taken against any person reporting concerns or doubts related to legal or statutory violations.

Policies and mechanisms for limiting conflicts of interest:

The company follows procedures and mechanisms for limiting conflict of interest cases, whereby members of the Board of Directors are keen on protecting the interest of shareholders, avoiding conflicts of interests with their personal interests as well as carrying out the tasks assigned to them.

These mechanisms aim to prevent conflicts of interest and the use of insider information to achieve personal gains. These mechanisms are also part of the company's commitment to integrity in dealing with related parties. Al Safat Investment Co. has been keen to prepare a set of policies and procedures that ensure that the company's assets and resources are not used to achieve personal interests, including the policies of dealing with related parties, confidentiality and security of information and reporting illegal practices.

Rule Seven:

Timely and Accurate Disclosure and Transparency

Accurate and transparent presentation and disclosure mechanisms that define the aspects, areas and characteristics of disclosure:

Al Safat Investment Co. discloses continuously and in an accurate and timely manner about all transactions and properties carried out by it or by clients of its investment portfolios. It also discloses all the quarterly and annual financial statements upon their completion and without delay, in order to ensure the reassurance of shareholders and investors of the company's conditions. The company is keen that all its disclosures are consistent with the standards imposed by CMA in this regard.

Requirements of Disclosure Record for Board Members and Executive Management:

Board of Directors set transparent, accurate and timely presentation and disclosure mechanisms as follows:

- Board of Directors put in place presentation and disclosure mechanisms in line with corporate governance rules.
- The company established a record of disclosures for Board members and Executive Management.
- The company established the Investor Affairs Unit responsible for providing the necessary data, information and reports to its potential investors. As it reports to the Board of Directors, the Investor Affairs Unit enjoys appropriate independence in a way that enables it to provide data, information

and reports in a timely and accurate manner. This should be achieved through common channels of disclosures, including the company's website.

- The company has also developed IT infrastructure on which it relies heavily for disclosures, while the company's website displays a corporate governance section.

Requirements of formation of Investor Affairs Unit:

On 30 August 2021, the BOD appointed Mrs. Sara Al Mukaimi as Investor Affairs and Social Responsibility Officer in an effort to implement and complete what BOD achieved when it established the investor relations unit in compliance with corporate governance rules. Al Safat Investment Co. also conducted policies and procedures to regulate the process of dealing with investors and provide necessary data, information and reports to shareholders and investors through common disclosure channels.

Developing the basic structure of Information technology

Al-Safat Investment Co. is keen to update its website to include all data and information integral to disclosure of information of interest to shareholders and investors and to add all necessary data in accordance with governance rules. During this year, the company has also updated and developed its website to include the latest data and information of concern to prospective shareholders and investors.

Rule Eight

Respecting shareholders rights:

Requirements for defining and protecting the general rights of shareholders:

As Al-Safat Investment Co. followed some rules to ensure fairness, equality, and transparency for all shareholders, the BOD formulated a policy for shareholders that would enable them to exercise their rights in a conscious manner. This policy provides all information related to the company in a fair, regular and easy manner, including the company's financial performance, its strategic goals and plans, corporate governance and risk profile.

Establishing private record to be kept with the clearing agency:

The agreement concluded between Al Safat Investment Co. and the Kuwait Clearing Company stipulates that the latter shall keep a record of the shareholders of Al-Safat Investment Company and update it according to the completed transactions. The company also maintains an e-register for the shareholders that includes any changes to the completed transactions, with any concerned party being entitled to view that record.

Encouraging shareholders to participate and vote in the meetings of the company's assemblies:

Al-Safat Investment Company encourages its shareholders to participate actively in the General Assembly meetings, sending them the necessary invitations, the agenda, the necessary attachments, time and place of the meeting, and the statement of shareholders rights to exercise their voting rights with no barriers.

Some of the shareholder rights include, but are not limited to, the following:

- Right to receive their share of dividend distribution.
- Right to receive their share of Company's assets, in case of liquidation in accordance with the Companies Law.
- Right to receive information and data related to the Company's activities and its strategies on a regular basis.
- Right to participate in the General Assembly meetings of shareholders and vote on decisions in accordance with laws and regulations.
- Right to elect members to the Board of Directors.
- Right to monitor the Company's performance in general and that of the Board of Directors in particular.
- Right to hold the Board of Directors and the Executive Management of the Company accountable in accordance with the Companies Law.
- Right to record the value of shares owned.
- Right to register and transfer the ownership of shares.
- Right to review the shareholders' register.

Rule Nine:

Identifying Stakeholders' role

Regulations and policies of ensuring protection and recognition of stakeholders' rights

Al Safat Investment Co. conducted stakeholders' protection policy that has been tailored for ensuring respect and protection of related applicable laws in State of Kuwait such as labor law, companies law and executive bylaws in addition to the signed contracts between both sides. This also includes any additional obligations of the company towards stakeholders in an effort to limit the potential conflict of interest considering that none of the stakeholders gains any advantage through the deals and contracts of the company's usual business.

The company also took the initiative of protecting all stakeholders' rights while maintaining stability and career sustainability through its sound financial performance. The stakeholders-like parties in the company have been identified in the conducted policy where guidelines for protecting these rights have been set.

Encouraging stakeholders to take part and follow up the various activities of the company

The company takes into account that none of the stakeholders gains any advantage from contracts and deals within the usual business of the company in an attempt to avoid conflict of interest between stakeholders and shareholders. The company also designs internal policies and bylaws with clear mechanism for tendering various contracts and deals.

Al Safat Investment Co. sets mechanisms to maximize benefits of the stakeholder's contributions towards the company while urging them to take part in following up its activities in line with achieving the best interest in an optimal manner. The company allows stakeholders to obtain all business-related information and data, so that they depend on them in timely manner and on a regular basis. The company facilitated the process of reporting by stakeholders to the Board of Directors about any improper practices by the company and ensured appropriate protection for the reporting parties.

Rule Ten

Fostering and improving performance

Mechanisms for providing members of Board of Directors and Executive Management with ongoing training programs and workshops.

The ongoing training and qualifying of members of Board of Directors and Executive Management are crucial pillars of the governance rules. This immensely contributes to improving the performance of the company which led to paying utmost attention to training members of Board of Directors and Executive Management. This can be achieved by setting training programs tailored to the business of the company and its strategy in addition to the operational and financial fields for all the activities of the company and its control and legal obligations.

Overall appraisal of the Board of Directors' performance and appraisal of every member of board of directors and Executive Management

Al Safat Investment Co. tailored policies and procedures as approved by the Board of Directors to implement an official process for review of the annual performance of the Board of Directors and Board committees, while measuring the efficiency of their performance and their contribution to the company affairs.

The objective of appraisal process is to create consistent regular and official methodology for assessing the performance of the Board of Directors and subcommittees, which contributes to the measures for improving their performance. This process also helps in presenting the recommendations of the Board of Directors to the shareholders during the reelection of members.

It is worth noting that the assessment of the Executive Management performance is deemed as a key tool for translating the company's business plan into procedures while developing the company culture for achieving its strategic goals.

During Q4 of 2021, the company conducted appraisals of the members of Board of Directors, the Board committees, and the CEO. It provided appraisal templates prepared by nomination and remuneration committee. The Board approved the appraisal outcome in accordance with the corporate governance and internal policies in this regard.

Board of Directors' efforts in creating corporate ethics for employees

Al Safat Investment Co. represented by the Board of Directors and Executive Management is keen on continuously stressing the importance of creating corporate ethics for all employees. This can be done through achieving the strategic goals of the company while improving the performance ratios, not to mention the compliance with regulatory authorities' laws and the governance rules. In accordance with this, the company issues a number of periodic reports (annual report, annual governance report, audit committee report) that include the holistic information on efforts to assess the members of the Board of Directors, Executive Management, shareholders and stakeholders and their ability to take sound and professional decisions.

Rule Eleven

Focus on the importance of social responsibility

Al-Safat Investment Co. attaches great importance to social responsibility and plays a vital role in

giving back to the society and state in line with our firm belief that the role of companies is not confined to the practical and the profitable but should extend to spreading environmental culture and health awareness that contribute to the progress of societies, in addition to philanthropic activities and beautification of various amenities. At Al-Safat, we view social responsibility as a big part of our professional constitution. That is why we undertake our responsibilities towards our society and country with plans and initiatives the serve the public interests and support the national policies.

At Al-Safat we continued on the path of giving back. As well as donating thousands of litres of detergents and disinfectants to ministries and government amenities at the peak of the pandemic in 2020, we undertook the following activities:

1. **Health Awareness:** we followed up in 2021 with an awareness lecture to the employees about the importance of vaccination, delivered by Dr. Fatma Khajah. She shared the medical details about the vaccine and reassured the employees about its safety. She also addressed all questions and queries. This was followed by a comprehensive vaccination campaign in cooperation with the Ministry of Health for all employees of Al-Safat Tower and the subsidiaries, in order to raise the rate of vaccinations in the country.
 - During the Breast Cancer awareness month, we distributed coupons for mammograms to our female employees in cooperation with Dar Al-Shifa Hospital. We also promoted the culture of self-examination and early testing to protect against this disease.
 - Males were not left out. In November, the awareness month of physical and mental disorders in men, we launched an awareness campaign offering advice to maintain their health. The campaign covered the entire Al-Safat Tower, our subsidiaries and associates as well as cooperating with Eureka to distribute the awareness brochure with all their sales during the month.
2. **Training:** We, at Al-Safat, took it upon ourselves to contribute to the training of the youth and qualifying them to work in the field. In this context we received two female trainees from the Investment Public Authority. They spent 30 days with our company acquainting themselves with actual work in the investment field.
3. **Environmental Contribution:** At Al-Safat, we believe that maintaining a clean environment is essential for quality living and that cars are among the worst polluters on our planet. We, therefore, provided free electric charging stations for hybrid cars in Al-Safat Tower parking lots.
4. **The Aesthetic Aspect:** the pedestrian bridge opposite our Company headquarters was fully embellished and parts of it were restored, repainted and cleaned, making it the first beautification project of the surrounding environment undertaken by the Company as part of a future plan for similar projects that would bring back to the area its original splendor.

The social responsibility efforts of our Company are made in all fields that we consider essential and important to our close society. Giving back and acting responsibly towards our homeland are a vital part of the vision and goals of Al-Safat Investment Co.

Thanks and Gratitude:

In conclusion I would like to extend the greatest thanks and gratitude to members of the Board of Directors for their support and trust. Their constructive cooperation and continuous understanding of our ambitions have brought our Company to this advanced level. I must also thank the Executive Management and all employees who contributed largely, through their dedication, enlightened ideas and extensive culture, each in their field, to the growth of the Company.

Al-Safat Investment Co., thanks to the dedication of its leadership, supervision and execution, is advancing towards a bright future of ongoing development of performance and results. Thanks are also due to the various regulatory entities and investors on their continuous cooperation and constructive support.

Abdullah Hamad AlTerkait
Chairman

Annual Audit Committee report for the year ended 31 December 2021

The Audit Committee at Al Safat Investment Company assists the Board of Directors in assuming its supervisory responsibilities of preparing the financial reports, the internal control systems, the audit process, and the company's procedures of ensuring compliance with laws, regulations and professional codes of conduct. The committee also assists the Board of Directors in assuming its supervisory responsibilities of current and emerging risk issues of the company's activities such as COVID-19 repercussions, and the measures taken to curb them, while identifying the pain points and taking necessary corrective measures in this regard. The committee assists in setting the needed regulations to address such pain points, to determine the benefits of them and to submit the relevant recommendations to the Board of Directors, while determining the application of the governance principles that ensure that both shareholders' and the company's management objectives are aligned in an effort to enhance investor's confidence in the efficiency of the internal control systems that protect their rights. The committee works to create a culture of compliance within the company by ensuring the safety and integrity of financial reports, as well as ensuring the adequacy and effectiveness of the internal control systems applied in the company.

The Audit Committee assumes its role in reviewing and supervising the reports of the external auditors regarding the quarterly and annual financial statements of the company. This takes place before presenting them to the Board of Directors. The committee holds meetings with the auditors if required in order to ensure the soundness of the company's financial statements and the independence and integrity of the external auditors whose advice remains independent and is included in the company's annual report.

Moreover, the Audit Committee has taken the necessary measures to implement corporate governance. These measures encompassed updating the existing auditing procedures and preparing the committee's minutes, decisions, and agendas. It was also recommended to the Board of Directors and to the General Assembly to contract with an independent external auditor from the registered auditors that are licensed by the Capital Markets Authority. The auditor is Mr. Bader Adel Abduljader, Al Aiban and Al-Osaimi (Ernst & Young).

The Audit Committee also emphasized the commitment of the Board of Directors and the Executive Management to submit clear written pledges of the integrity of the annual financial statements and the financial reports related to the company's activity for the fiscal year ended 31 December 2021. The pledges also include all the financial aspects of the company along with the operational results, and state that they are prepared in accordance with the international financial reporting standards.

Formation of the Committee:

Name	BoD Membership	Committee Membership
Fahad Abdul Rahman Al Mukhaizim	Vice Chairman/ Non-Executive	Chairman
Dr. Anwar Ali Al Naqi	Member/ Independent	Vice Chairman
Nasser Bader Al Sharhan	Member/ Non-Executive	Member

Committee's Meetings:

The Audit Committee held five meetings in 2021 as shown below:

Name	Meeting 18/03/2021	Meeting 09/05/2021	Meeting 11/08/2021	Meeting 09/11/2021	Meeting 16/12/2021
Fahad Abdul Rahman Al Mukhaizim	√	√	√	√	√
Dr. Anwar Ali Al Naqi	√	√	√	√	√
Nasser Bader Al Sharhan	√	√	√	√	√

Responsibilities and achievements of the committee

1. Reviewed the draft annual audited and consolidated annual financial statements for the fiscal year 2021 and submitted a recommendation to the Board of Directors for approval and for taking the necessary measures to request holding an ordinary General Assembly meeting.
2. Approved the proposal to reappoint the external auditor Mr. Bader Adel Abduljader, Al Aiban and Al-Osaimi (Ernst & Young).
3. Submitted a recommendation to appoint a new external Sharia auditor (Osol for Sharia Consulting).
4. Approved the internal audit plan for 2021
5. Reviewed the internal Sharia audit reports for the fourth quarter of 2020 and the first, second and third quarters of 2021 to ensure that the Sharia Audit Unit reviewed the compliance of the company's activities and operations with Sharia provisions.
6. Evaluated the performance of the Head of the Internal Audit Department of the company in addition to the consulting body that the company has contracted with (Ernst & Young Al Aiban, Al Osaimi & Partners).
7. Reviewed the draft condensed consolidated interim financial statements (unaudited) for the first and second quarters of 2021 and submitted a recommendation to the Board of Directors for approval.
8. Reviewed the assessment report of the company's internal control systems for the year 2020 and mandated the Head of Internal Audit to follow up and address the observations in the report with the relevant departments.
9. Reviewed the internal audit reports that were carried out on all company departments and mandated the Internal Audit Head to follow up and address the observations along with the company's managers.
10. Carried out annual appraisal of Committee members for 2021.

The Audit Committee believes that Al Safat Investment Company applies a sound control environment for its activities, while facilitating achieving its objectives and making progress in the effectiveness of the monitoring system in compliance with the laws and regulations issued by the regulatory authorities in the State of Kuwait.

Reports and investigations: None



Fahd Abdul Rahman Al Mukhaizim
Chairman of the Audit Committee

State of Kuwait
Date: 09/03/2022

Board of Directors Undertaking

We, the chairman and members of the Board of Directors of Al-Safat Investment Company KSC, hereby assure the accuracy and integrity of the financial statements as of 31 December 2021 except omission and error, and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait according to such information and reports as have been received by us from the Executive management, auditors and that due care has been made to verify the integrity and accuracy of those reports.

Chairman

Abdullah Hamad Al-Terkait



Vice Chairman
Fahad Abdul Rahman
Al Mukhaizim



Member of the Board of Directors
Abdul Muhsen Sulaiman
Al Meshan



Member of the Board of Directors
Nasser Bader
Al Sharhan



Member of the Board of Directors
Dr. Anwar Ali
Al Naqi



Member of the Board of Directors
Mishal Ahmad
Al Jareki



Member of the Board of Directors
Abdul Razzaq Zaid
Al Dhubayn



Executive Management Undertaking

To Chairman and Members of the Board of Directors,

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwait Capital Markets Authority, we assure that the consolidated financial statements of Al-Safat Investment Company KSC, the parent company and its subsidiary companies for the financial year ended 31 December 2021, are presented in a sound and fair manner except omission and error, that they show all the Financial aspects of the company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.

The Executive Manager
Ahmed Fathy Abouzeid



Acting/ Finance Manager
Rabea Kaakaty



Shariah Audit Committee Report for the year 2021



التاريخ: 13 / 08 / 1443

الموافق: 16 / 03 / 2022

تقرير هيئة الرقابة الشرعية
عن الفترة المالية 2021/01/01-2021/12/31

السادة / شركة الصفاة للاستثمار المحترمين

السلام عليكم ورحمة الله وبركاته، وبعد:

وفقاً للسلطات المخولة لنا من قبل أعضاء الجمعية العمومية لشركة الصفاة للاستثمار وبموجب النظام الأساسي للشركة وتعليمات الجهات الرقابية ذات الصلة فإن هيئة الرقابة الشرعية تقدم تقريرها النهائي عن الفترة 2021/01/01 – 2021/12/31 وهو يتضمن أربعة بنود على النحو الآتي:-

أولاً: أعمال هيئة الرقابة الشرعية :

قامت هيئة الرقابة الشرعية بأعمالها والتي اشتملت على فحص الهياكل الإستثمارية وصيغ العقود والمنتجات والسياسات والإجراءات، سواء بشكل مباشر أو بالتنسيق مع إدارة التدقيق الشرعي الداخلي من أجل الحصول على جميع المعلومات والتفسيرات التي اعتبرتها ضرورية لتزويدها بأدلة تكفي لإعطاء تأكيدات معقولة بأن الشركة لم تخالف أحكام الشريعة الإسلامية في ضوء قرارات هيئة الرقابة الشرعية والمعايير الشرعية المعتمدة للشركة وقرارات الجهات الرقابية ذات الصلة.

Shariah Audit Committee Report for the year 2021 (continued)



ثانياً : قرارات هيئة الرقابة الشرعية :

قامت هيئة الرقابة الشرعية للشركة بالرد على جميع استفسارات الشركة وأصدرت عدد (15) قراراً خلال الفترة.

ثالثاً : السياسات والإجراءات المعتمدة من قبل هيئة الرقابة الشرعية:

لم تقم هيئة الرقابة الشرعية للشركة بإعتماد أية سياسات وإجراءات لمنتجات وأنشطة للشركة خلال الفترة.

رابعاً: الرأي النهائي :

في رأينا وبعد دراسة جميع الإيضاحات والتأكدات التي حصلنا عليها فإننا نعتقد:

1. أن العقود والعمليات والمعاملات التي أبرمتها الشركة خلال الفترة من 2021/01/01 إلى 2021/12/31 تمت وفقاً لأحكام الشريعة الإسلامية ما عدا:

- 1- بعض الشركات التابعة للتابعة والتي تعاملت بالسحب على المكشوف، وتوصي هيئة الرقابة الشرعية إدارة الشركة بمعالجة هذه المخالفة بأسرع وقت.
- 2- عدد (4) عقود تم تنفيذها دون عرضها على هيئة الرقابة الشرعية وبعد المراجعة تبين وجود ملاحظات تحسينية وتوصي هيئة الرقابة الشرعية بضرورة معالجة هذه الملاحظات بأسرع وقت ممكن.

والحمد لله رب العالمين،،

رئيس هيئة الرقابة الشرعية
د. عبداللطيف حاجي العوضي

عضو هيئة الرقابة الشرعية
أ.د. محمد خالد منصور

عضو هيئة الرقابة الشرعية
د. محمد علي الهدية

Shariah External Audit Report for the year 2021

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أصول للاستشارات الشرعية
Osol For Sharia Consulting

تقرير المدقق الشرعي الخارجي المستقل لعام 2021

الحمد لله وحده، والصلاة والسلام على من لا نبي بعده، وعلى آله وصحبه.

إلى السادة / مساهمي شركة الصفاة للاستثمار
دولة الكويت

هدف ونطاق التدقيق

قمنا بتدقيق العقود والمعاملات التي نفذتها شركة الصفاة للاستثمار (الشركة) خلال السنة المنتهية في 2021/12/31 لإبداء الرأي في مدى التزام الشركة بأحكام الشريعة الإسلامية كما هي في قرارات هيئة الرقابة الشرعية للشركة، وقرارات الجامع الفقهي ذات الصلة، والمعايير الشرعية للمؤسسات المالية الإسلامية الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية (أيوبي) وقرارات هيئة أسواق المال ذات الصلة.

مسؤولية الإدارة عن الالتزام الشرعي

تقع مسؤولية الالتزام بتنفيذ العقود والمعاملات طبقاً لأحكام الشريعة الإسلامية على إدارة الشركة، كما أن الإدارة مسؤولة عن الرقابة الشرعية الداخلية التي تراها ضرورية لضمان تنفيذ العقود والمعاملات طبقاً لأحكام الشريعة الإسلامية. وتمثل الجهات المسؤولة في الشركة عن إجراء التعاملات التي تم فحصها ومراحل إنجازها في إدارات الشركة المختلفة.

الاستقلالية والمتطلبات الأخلاقية الأخرى ورقابة الجودة

لقد التزمنا بالاستقلالية والمتطلبات الأخلاقية الأخرى كما هي في "مدونة الأخلاقيات للمهنيين في مجال التمويل الإسلامي" الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية، لقد التزمنا بمتطلبات المعيار الدولي لإدارة الجودة رقم 1 "إدارة الجودة للمكاتب التي تنفذ ارتباطات مراجعة أو فحص للقوائم المالية أو ارتباطات التأكيد الأخرى أو ارتباطات الخدمات ذات العلاقة"، مع مراعاة للوائح والقوانين التنظيمية لهيئة أسواق المال بدولة الكويت.

Shariah External Audit Report for the year 2021 (continued)

مسؤولية المدقق الشرعي الخارجي ووصف العمل المنجز

تتمثل مسؤوليتنا في إبداء الرأي في مدى التزام الشركة بأحكام الشريعة الإسلامية بناءً على تدقيقنا. وقد تم تدقيقنا وفقاً لمعايير الحوكمة ومعايير التدقيق الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية وبالأخص معيار التدقيق للمؤسسات المالية الإسلامية رقم (6) بشأن "التدقيق الشرعي الخارجي (عمليات التأكيد المستقل على التزام المؤسسة المالية الإسلامية بأحكام الشريعة الإسلامية)" ووفقاً لمعيار التأكيد رقم (3000) بشأن "ارتباطات التأكيد الأخرى بخلاف عمليات مراجعة أو فحص المعلومات المالية التاريخية" ومبدأ الأهمية النسبية والذي يختلف بحسب حجم عميل التدقيق وطبيعة عملياته ومخاطره الشرعية وبناءً على بنود الأصول والخصوم والإيرادات والمصروفات، وما يترتب على ذلك من آثار على منهجية التدقيق وإظهار الملاحظات - إن وجدت - في هذا التقرير. وتتطلب هذه المعايير أن نمتثل لمتطلبات السلوك الأخلاقي للمهنة وأن نقوم بتخطيط وأداء التدقيق للحصول على تأكيد معقول بأن الشركة ملتزم بأحكام الشريعة الإسلامية. إن التأكيد المعقول هو مستوى عالٍ من التأكيد، لكنه لا يضمن بأن عملية التدقيق الشرعي سوف تكشف دائماً عن المخالفات الشرعية عند وجودها.

وتتضمن أعمال التدقيق أداء إجراءات للحصول على أدلة تدقيق حول مدى الالتزام بأحكام الشريعة الإسلامية، لقد قمنا بتدقيقنا بناءً على عينة منهجية مختارة، ونعتقد بأن أدلة التدقيق التي حصلنا عليها كافية ومناسبة كأساس لإبداء رأي التدقيق الخاص بنا. وكجزء من عملية التدقيق الشرعي فإننا نمارس التقدير المهني ونحافظ على الشك المهني طوال فترة التدقيق، بحيث نقوم بأعمالنا على النحو التالي:

- تحديد المرجعية الشرعية.
- تحديد وتقييم مخاطر عدم الالتزام الشرعي.
- تكوين فهم حول نظام الرقابة الشرعية الداخلية ذي الصلة بالتدقيق من أجل تصميم إجراءات تدقيق مناسبة.
- تصميم إجراءات التدقيق بما ينسجم مع مخاطر عدم الالتزام الشرعي.
- القيام بعملية التدقيق الشرعي الميداني والحصول على المستندات المؤيدة.
- الحصول على أدلة تدقيق كافية ومناسبة توفر أساساً لإبداء رأينا.
- التواصل مع الإدارة فيما يخص التخطيط لعملية التدقيق ونتائج التدقيق المهمة.
- إرسال نسخة من تقرير نتائج التدقيق الشرعي والتوصيات والحصول على رد الإدارة بشأن كل ملاحظة - إن وجدت -.
- تقييم الملاحظات المثبتة في تقرير نتائج التدقيق الشرعي والتوصيات في ضوء مبدأ الأهمية النسبية.
- اعتماد مبالغ التطهير.

وفي سبيل إتمام أعمالنا فقد قمنا بالتواصل مع إدارة الشركة والقيام ببعض الزيارات الميدانية في التواريخ التالية 5-5-2021، 17-9-2021، 6-12-2021، 3-1-2022، 6-1-2022، 1-3-2022 إضافة إلى استكمال بعض أعمال التدقيق عن بعد بسبب الاحترازات الصحية المتبعة لمواجهة جائحة كورونا.

Shariah External Audit Report for the year 2021 (continued)

ولتحقيق الأهداف من عملية التدقيق الشرعي فإننا قمنا بالاطلاع وفحص البيانات التالية:

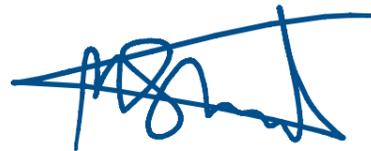
- نظام الرقابة الشرعية الداخلية للشركة.
- تقارير وحدة التدقيق الشرعي الداخلي للشركة.
- البيانات المالية للشركة ومرفقاتها.
- العقود الموقعة خلال العام.
- عمليات الاستثمار والحركة عليها خلال العام.
- عمليات المحافظ الاستثمارية والحركة عليها خلال العام.
- الأحكام القضائية النهائية الصادرة.
- التقارير المقدمة للجهات الإشرافية وتقارير التدقيق الداخلي.
- صندوق الخيرات (حساب التطهير).

الرأي

قامت الشركة بصفتها مدير محفظة استثمارية لأحد العملاء وبناء على تعليمات العميل بشراء كمية من الأسهم في إحدى الشركات لحسابه وإيداعها في المحفظة التي يدارتها، وخلال تنفيذ الشركة لتعليمات العميل تبين لها أن الأسهم المطلوب شراؤها غير مدرجة في قائمة الشركات المتوافقة مع الشريعة الإسلامية، وفور العلم بذلك، تم تصحيح الملاحظة وذلك بإيقاف تنفيذ تعليمات العميل وصرف أتعاب الإدارة الناتجة عن العملية في الأوجه التي تتفق مع الشريعة الإسلامية.

باستثناء ما ورد أعلاه، والملاحظة رقم (2) في تقرير هيئة الرقابة الشرعية السنوي للشركة، فإن العقود والمعاملات التي أبرمتها شركة الصفاء للاستثمار (الشركة) خلال السنة المنتهية في 2021/12/31 تمت وفقاً لأحكام الشريعة الإسلامية.

والسلام عليكم ورحمة الله وبركاته.



د. محمد عبدالرحمن الشرفا

المدقق الشرعي الخارجي

الكويت في 2022/3/16

Independent auditor's report & Consolidated Financial Statements For the year 2021



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SAFAT INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Safat Investment Company K.S.C.P. (the "Parent Company") and its 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 comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 by the Central Bank of Kuwait (CBK) 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Emphasis of Matter

We draw attention to Note 30 to the consolidated financial statements 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. During the year, the Court ruled to assign an expert committee to verify the elements of the lawsuit and submit their findings accordingly. The ultimate outcome of this matter cannot presently be determined.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

Fair valuation of investment properties

Investment properties represent a significant part of the total assets of the Group and are measured at fair value of KD 19,566,551 as at 31 December 2021.

The fair value of Group's investment properties have been determined by external real estate appraiser. The determination of fair value of investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. The methodology applied in determining the valuations is set out in Note 10 of the consolidated financial statements.

Given the size and significances of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

Our audit procedures included, among others, the following:

- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraiser's valuations.
- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis.

- Further, we have considered the objectivity, independence and competence of the external real estate appraiser.
- We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 10 to the consolidated financial statements.

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 Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this 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 by CBK 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.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs

will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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

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.

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

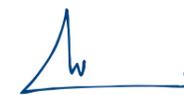
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken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

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 year and are therefore the key audit matters. We describe these matters in our auditors' 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, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021, that might have had a material effect on the business of the Parent Company or on its financial position.

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 organization 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 of the Parent Company or on its financial position.



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

23 February 2022

Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 KD	2020 KD
ASSETS			
Cash and bank balances	4	1,487,464	2,556,345
Term deposits	5	1,358,871	1,360,488
Murabaha receivables		30,974	-
Accounts receivable and other assets	6	2,304,689	2,150,956
Inventories	7	462,912	534,329
Investment securities	8	1,953,121	3,267,584
Investment in associates and joint venture	9	4,326,597	3,666,893
Intangible assets		2,593	4,622
Investment properties	10	19,566,551	17,937,478
Property, plant and equipment	11	8,561,653	9,041,317
TOTAL ASSETS		40,055,425	40,520,012
LIABILITIES AND EQUITY			
Liabilities			
Bank overdrafts	4	267,083	236,868
Notes payable		123,583	55,087
Other liabilities	12	7,471,539	8,075,774
Lease liabilities	13	3,365,650	3,575,692
Total liabilities		11,227,855	11,943,421
Equity			
Share capital	14	26,978,637	25,693,940
Share premium	14	259,677	259,677
Statutory reserve	14	1,492,077	1,334,805
Voluntary reserve	14	1,492,077	1,334,805
Treasury shares	15	(307,393)	(307,393)
Treasury shares reserve		615,002	615,002
Asset revaluation surplus		231,655	231,655
Other reserves		376,538	376,538
Fair value reserve		(10,796,434)	(10,517,317)
Foreign currency translation reserve		(474,830)	(472,938)
Retained earnings		3,366,928	3,840,460
Equity attributable to equity holders of the Parent Company		23,233,934	22,389,234
Non-controlling interests		5,593,636	6,187,357
Total equity		28,827,570	28,576,591
TOTAL LIABILITIES AND EQUITY		40,055,425	40,520,012

Abdullah Hamad Al-Terkait
Chairman

Fahad Abdulrahman Al-Mukhaizim
Vice Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS For the year ended 31 December 2021

	Notes	2021 KD	2020 KD
Revenue			
Revenue from contracts with customers	16	3,356,638	3,016,583
Cost of sales	20	(2,462,043)	(2,578,664)
Gross profit		894,595	437,919
Fee and commission income	16	236,973	208,351
Net investment income (loss) on financial assets	17	326,392	(24,060)
Share of results of associates and joint venture	9	892,584	(1,000,208)
Gain on settlement of wakala payable		-	20,664,471
Net rental income	18	1,416,250	1,208,907
Change in fair value of investment properties	10	70,825	(2,416,276)
Net reversal (allowance) for impairment losses and other provisions	19	24,445	(8,819,501)
Net foreign exchange differences		(22,121)	(159,708)
Other income		701,870	153,433
Net operating income		4,541,813	10,253,328
General and administrative expenses	20	(2,844,110)	(4,278,241)
Total operating expenses		(2,844,110)	(4,278,241)
Operating profit		1,697,703	5,975,087
Finance costs		(264,886)	(255,203)
Profit before tax and directors' remuneration		1,432,817	5,719,884
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		(14,154)	(66,856)
Zakat		(8,228)	(54,012)
National Labour Support Tax (NLST)		(34,436)	-
Board of directors' remuneration		(80,000)	(80,000)
PROFIT FOR THE YEAR		1,295,999	5,519,016
Attributable to:			
Equity holders of the Parent Company		1,435,903	7,227,530
Non-controlling interests		(139,904)	(1,708,514)
		1,295,999	5,519,016
BASIC AND DILUTED EPS (FILS)	21	5.34	26.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	KD	KD
Profit for the year	1,295,999	5,519,016
Other comprehensive (loss) income		
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent years:</i>		
Share of associates other comprehensive loss	(295,999)	(767,660)
Exchange differences on translation of foreign operations	8,551	32,158
Net other comprehensive loss that may be reclassified to profit or loss in subsequent years	(287,448)	(735,502)
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent years:</i>		
Revaluation of property, plant and equipment reclassified to investment properties	-	37,397
Net change in fair value of equity instruments designated at fair value through other comprehensive income	(820,697)	(5,971,220)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent years	(820,697)	(5,933,823)
Other comprehensive loss	(1,108,145)	(6,669,325)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	187,854	(1,150,309)
Attributable to:		
Equity holders of the Parent Company	785,799	1,391,647
Non-controlling interests	(597,945)	(2,541,956)
	187,854	(1,150,309)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Equity attributable to equity holders of the Parent Company													
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Asset revaluation surplus	Other reserves	Fair value reserve	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2021	25,693,940	259,677	1,334,805	1,334,805	(307,393)	615,002	231,655	376,538	(10,517,317)	(472,938)	3,840,460	22,389,234	6,187,357	28,576,591
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	1,435,903	1,435,903	(139,904)	1,295,999
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(648,212)	(1,892)	-	(650,104)	(458,041)	(1,108,145)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(648,212)	(1,892)	1,435,903	785,799	(597,945)	187,854
Transfer to reserves	-	-	157,272	157,272	-	-	-	-	-	-	(314,544)	-	-	-
Realized loss on disposal of equity securities at FVOCI	-	-	-	-	-	-	-	369,095	-	-	(369,095)	-	-	-
Share of associate's income from realized gain on disposal of equity securities at FVOCI	-	-	-	-	-	-	-	-	-	-	58,901	58,901	4,224	63,125
Issue bonus shares (Note 14)	1,284,697	-	-	-	-	-	-	-	-	-	(1,284,697)	-	-	-
At 31 December 2021	26,978,637	259,677	1,492,077	1,492,077	(307,393)	615,002	231,655	376,538	(10,796,434)	(474,830)	3,366,928	23,233,934	5,593,636	28,827,570
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
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	7,227,530	7,227,530	(1,708,514)	5,519,016
Other comprehensive income (loss) for the year	-	-	-	-	-	-	37,397	-	(5,878,139)	4,859	-	(5,835,883)	(833,442)	(6,669,325)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	37,397	-	(5,878,139)	4,859	7,227,530	1,391,647	(2,541,956)	(1,150,309)
Transfer to reserves	-	-	742,840	742,840	-	-	-	-	-	-	(1,485,680)	-	-	-
Realized loss on disposal of equity securities at FVOCI	-	-	-	-	-	-	-	-	6,120,493	-	(6,120,493)	-	-	-
Change in ownership of subsidiary without loss of control	-	-	-	-	-	-	-	376,538	-	-	-	376,538	437,778	814,316
At 31 December 2020	25,693,940	259,677	1,334,805	1,334,805	(307,393)	615,002	231,655	376,538	(10,517,317)	(472,938)	3,840,460	22,389,234	6,187,357	28,576,591

Consolidated statement of cash flows For the year ended 31 December 2021

	Notes	2021 KD	2020 KD
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		1,432,817	5,719,884
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	11	462,168	560,556
Impairment of intangible assets		-	8,707
Amortisation of intangible assets		2,029	1,661
ECL (reversal) allowance for the year	6	(242,130)	1,431,514
Impairment of property, plant and equipment	11	179,687	546,813
Net charge on inventories	7	30,000	262,951
Impairment of goodwill		-	1,270,500
Gain on disposal of property, plant and equipment		-	(19,363)
Change in fair value of investment properties	10	(70,825)	2,416,276
Share of results of associates and joint venture	9	(892,584)	1,000,208
Impairment of investment in associates	9	-	183,853
Income from deposits	17	(95,319)	(110,345)
Dividend income	17	(195,263)	(65,238)
Unrealised (gain) loss on financial assets at fair value through profit or loss	17	(11,394)	97,139
Provision for employees' end of service benefits		129,985	162,007
Reversal of amount no longer payable		(350,000)	-
Gain on settlement of wakala payable		-	(20,664,471)
Finance costs		214,543	255,203
		593,714	(6,942,145)
<i>Changes in operating assets and liabilities</i>			
Changes in financial assets at fair value through profit or loss		246,559	1,470,528
Accounts receivable and other assets		88,397	1,795,387
Inventories		(101,417)	344,967
<i>Other liabilities</i>		(377,595)	3,949,433
<i>Cashflows from operations</i>			
Employees' end of service benefits paid		(143,443)	(124,292)
Receipt of government grant		-	57,482
Net cash flows from operating activities		306,215	551,360
INVESTING ACTIVITIES			
Proceeds from sale of financial assets through other comprehensive income		258,606	1,402,238
Purchase of financial assets through other comprehensive income		-	(5,346)
Purchase of property, plant and equipment	11	(193,403)	(1,771,278)
Proceeds from sale of property, plant and equipment		30,772	99,909
Income received from term deposits		95,319	110,345
Purchase of intangible assets		-	(350)
Dividend income received		195,263	65,238
Capital expenditure on investment properties	10	(1,565,771)	(440,052)
Net movement in term deposits		1,617	483,234
Investment in a joint venture	9	-	(1,000,000)
Net cash flows used in investing activities		(1,177,597)	(1,056,062)
FINANCING ACTIVITIES			
Payment of lease liabilities	13	(509,113)	(495,495)
Additions to lease		84,528	-
Net movement of notes payable		68,496	(110,415)
Additions to murabaha receivable		(30,974)	-
Net cash flows used in financing activities		(387,063)	(605,910)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,258,445)	(1,110,612)
Cash and cash equivalents as at 1 January		2,319,477	3,424,960
Net foreign exchange differences		159,349	5,129
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	4	1,220,381	2,319,477
Non-cash items excluded from the consolidated statement of cash flows:			
Issues of bonus share (Adjusted with share capital)		1,284,697	-
Issues of bonus share (Adjusted with retained earnings)		(1,284,697)	-
Transfer from property, plant and equipment to investment properties		-	3,738,487
Transfer to investment properties from property, plant and equipment		-	(3,738,487)

1. CORPORATE INFORMATION

The consolidated financial statements of Al Safat Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 22 February 2022.

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, however, during the year on 11 October 2021, the Parent Company re-listed on Boursa Kuwait. 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 activities of the Parent Company are as follows:

- Producing various chemical products and marketing them locally and abroad.
- Investing in real estate, industrial, agricultural and other economic sectors through participating the incorporation of specialized companies or acquiring shares or bonds in these companies in various sectors.
- Participating in the incorporation or partially acquiring companies in various sectors.
- Managing funds of private and public institutions and investing these funds in various economic sectors.
- Providing and preparing technical consultations, economic, valuation, feasibility studies for investment project and preparing necessary studies for those establishments and companies.
- Mediation in lending and borrowing operations.
- Acting as bond issuance managers for bonds issued by companies or agencies and investment trustee.
- Financing and mediating international commercial transactions.
- Providing loans to others taking into consideration safe principles in extending loans and the continuation of safety for financial position of the company as per rules and regulation of Central Bank of Kuwait.
- To carry out securities trading transaction including buying and selling stocks and bonds of companies and local and international governmental agencies.
- Performing all services contributing to development and supporting the ability of stock market and cash liquidity in Kuwait and satisfying needs as permitted by law and policies and procedures issued by Central Bank of Kuwait.
- Establishing and managing investment funds in its varied forms as permitted by law. The company is allowed to have interest or to participate, in any form, with agents performing similar activities or cooperate for realizing its purpose in Kuwait or abroad and it can acquire or join these agents.
- Managing activities related to review and supervision of group investment systems "Investment Manager".

The activities of the Parent Company are carried out in accordance with Islamic Sharia principles as approved by the Group's Sharia 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.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 25.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name	Country of incorporation	Effective equity interest		Principal activities
		2021	2020	
Al Safat Holding Company K.S.C.(Closed) ('Safat Holding') *	Kuwait	99%	99%	Holding company
Safat House for General Trading Company W.L.L.	Kuwait	80%	80%	General trading
Al Safat for Consultancy K.S.C. (Closed)	Kuwait	96%	96%	Consultancy
Dar Al Safat General Trading Company W.L.L. *	Kuwait	99%	99%	General trading
The Roots Brokerage	Egypt	60%	60%	Brokerage
Held through Safat Holding				
Al Assriya Printing Press Publishing and Distribution Company W.L.L. ('Al Assriya')	Kuwait	90%	90%	Printing and Distribution
Al-Ezdehar Real Estate Tourism Company K.S.C. (Closed)	Kuwait	71.92%	71.92%	Realestate
Safat Industries Holding Company K.S.C. (Closed) ('Safat Industries')	Kuwait	63.79%	63.79%	Holding company
Held through Safat Industries				
Middle East for Chemical Manufacturing W.L.L. ('MECC')	Kuwait	50%	50%	Chemical products manufacturing
Carpets Industry Company K.S.C. (Closed) ('Carpets')	Kuwait	51.28%	51.28%	Manufacturing carpets

* The Group's effective interest in the above subsidiaries is 100%. The Group directly holds the shares in the subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary. Accordingly, there are no non-controlling interests reported in the consolidated statement of financial position, related to the subsidiaries, as at 31 December 2021.

b) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 9.

Name	Country of incorporation	% equity interest		Principal activities
		2021	2020	
Asia Holding Company K.S.C. (Closed)	Kuwait	21.70%	21.70%	Holding company
Senergy Holding Company K.S.C.P.	Kuwait	20.88%	20.88%	Holding company

c) Joint venture

Set out below is the joint venture of the Group as at 31 December. For more details, refer to Note 9.

Name	Country of incorporation	% equity interest		Principal activities
		2021	2020	
The Liquid Capital Co. for General Trading	Kuwait	50%	50%	Holding company

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by 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 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 Central Bank of Kuwait for use by State of Kuwait").

The consolidated financial statements of the Group have been prepared on a historical cost basis except for investment in equity securities and investment properties, which have been measured at fair value.

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

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 26.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1 New and amended standards and interpretations adopted by the Group

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group.

Profit 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 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 profit rate, equivalent to a movement in a market rate of profit
- 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 consolidated financial statements of the Group as it does not have any profit rate hedge relationships. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group. The Group

has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current accounting policies and whether the Group may wish to re-assess covenants in its existing loan agreements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. 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. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group must apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

2.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4.2 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the capital. For each business combination, the Group elects whether to measure the non-controlling interests in the capital at fair value or at the proportionate share of the capital’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2.4.3 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The factors considered in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate and joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate or joint venture is shown on the face of the profit or loss and represents profit or loss after tax and non-

controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate and joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate and joint venture' in the statement of profit or loss.

Upon loss of "significant influence" and "joint control" over the associate and joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate and joint venture upon loss of significant influence and joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than three months. 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.

2.4.4 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, non-restricted cash at banks, cash held in investment portfolios and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

2.4.5 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

i) Financial assets

Initial recognition and initial measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the

Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and profit (SPPP)' on the principal amount outstanding. This assessment is referred to as the SPPP test and is performed at an instrument level. Financial assets with cash flows that are not SPPP are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective yield method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured

at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any profit or dividend income, are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- 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 the 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 of 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 its 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss

Financial liabilities at amortised cost

Bank overdrafts and notes payables

After initial recognition, profit-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Other liabilities

Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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.

2.4.6 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as follows:

- Trade and other receivables, including contract assets
- Financial assets measured at amortised cost (credit facilities)

Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

i) Impairment of financial assets other than credit facilities

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective profit rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant

increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Impairment of credit facilities

Credit facilities granted by the Group consist of loans and advances. 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.

Provisions for credit losses in accordance with the CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the CBK instructions with respect to credit facilities and the 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 profit 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:

Category	Criteria	Specific provision
Watch list	Irregular for a period up to 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.

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.

2.4.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition are accounted for as follows:

- Finished goods
- Spares and consumables
- Goods in transit
- production cost on a specific identification basis.
- purchase cost on a weighted average basis.
- purchase cost incurred up to the reporting date.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.4.8 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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.

2.4.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The

cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

2.4.10 Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Except for leasehold land stated at revalued amount, property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The estimated useful lives are, as follows:

- Buildings	10 years
- Buildings improvements	10 years
- Machinery and equipment	2 - 25 years
- Furniture, fixtures and computers	3 - 8 years
- Vehicles	3 - 8 years

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

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

Depreciation of these assets commences when the assets are ready for their intended use.

2.4.11 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of

depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.4.12 Employees end of service benefits

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

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

2.4.13 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.14 Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity

(treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.4.15 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.4.16 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of the profit for the year attributable to 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.

Zakat

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

National Labour Support Tax

NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

2.4.17 Revenue recognition

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.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms. Rental income is recorded net of real estate operating expenses.

Fee and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Sale of goods - inventory and spare parts

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

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

Rendering of services

Revenue from rendering of services is recognised at the point in time when the control of the related services is transferred to the customer, generally on completion of the underlying service.

2.4.18 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.4.19 Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.4.20 Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

2.4.21 Contingencies

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 benefit is remote.

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

2.4.22 Leases

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the

lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (2.4.11) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income

arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Significant judgments

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

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Legal cases

In accordance with IFRSs, outcome of legal cases may result in disclosure of contingent assets, contingent liabilities or recognition of a provision. Contingent asset are possible assets that arise from past events and whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control and are disclosed if the inflow of economic benefits is probable.

The Group may also recognise a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements.

Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for disclosures and provision in its consolidated financial statements. Among the factors considered in making decisions on disclosure or provisions are the nature of litigation, claim or assessment, the legal process and potential outcome in the jurisdiction in which the litigation has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when

the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates and joint ventures

Investment in associates and joint ventures are accounted for under the equity method of accounting, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates and joint venture, less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 **Fair Value Measurement**.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 10.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of profit that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating)

4. CASH AND CASH EQUIVALENTS

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

	2021 KD	2020 KD
Cash on hand	27,328	40,333
Cash at banks and financial institutions	1,460,136	2,516,012
Total cash and bank balances	1,487,464	2,556,345
Less: bank overdrafts	(267,083)	(236,868)
Total cash and cash equivalents	1,220,381	2,319,477

5. TERM DEPOSITS

	2021 KD	2020 KD
Term deposits	11,000	11,000
Restricted deposits	1,347,871	1,349,488
	1,358,871	1,360,488

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2021 KD	2020 KD
Trade receivables	8,238,770	8,929,412
Less: Allowance for expected credit losses	(6,949,955)	(7,746,949)
	1,288,815	1,182,463
Prepayments, advances and deposits	172,779	518,096
Receivables from related parties (Note 25)	379,160	312,714
Other assets	463,935	137,683
	2,304,689	2,150,956

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 26.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2021 KD	2020 KD
Opening expected credit losses	7,746,949	6,315,435
ECL (reversal) allowance on trade receivables (Note 19)	(242,130)	1,431,514
Write-off	(554,864)	-
As at 31 December	6,949,955	7,746,949

7. INVENTORIES

	2021 KD	2020 KD
Finished goods and goods for resale (at lower of cost and net realisable value)	76,435	150,402
Raw materials (at cost)	405,259	646,129
Work in process (at cost)	85,984	-
Spare parts and consumables (at lower of cost and net realisable value)	-	113,419
	567,678	909,950
Less: provision for slow moving and obsolete inventories	(107,036)	(377,304)
Goods in transit (at cost)	2,270	1,683
Total inventories at the lower of cost and net realisable value	462,912	534,329

Set out below is the movement in the provision for slow moving and obsolete inventories:

	2021 KD	2020 KD
As at 1 January	377,304	114,353
Charge of provision (Note 19)	30,000	741,347
Write-off	(300,268)	(478,396)
As at 31 December	107,036	377,304

8. INVESTMENT SECURITIES

	2021 KD	2020 KD
Financial assets at FVTPL		
Quoted equity securities	48,139	286,554
Unquoted equity securities	14,762	11,512
	62,901	298,066
Financial assets at FVOCI		
Quoted equity securities	1,834,409	1,263,698
Unquoted equity securities	55,811	1,705,820
	1,890,220	2,969,518
Investment securities (at fair value)	1,953,121	3,267,584

Financial assets at FVTPL include investments in related parties of KD 47,048 (2020: KD 39,472) (Note 25).

Financial assets at FVOCI include investments in related parties of KD 32,285 (2020: KD 1,325,470) (Note 25).

The hierarchy for determining and disclosing the fair value of investment securities by valuation techniques are presented in Note 29.

9. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	2021 KD	2020 KD
Investment in associates	2,395,939	2,684,009
Investment in joint venture	1,930,658	982,884
	<u>4,326,597</u>	<u>3,666,893</u>

Investment in associates

The following table illustrates summarised financial information of the Group's investment in its associates. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Asia Holding Company K.S.C. (Holding)*		Senergy Holding Company K.S.C.P. ("Senergy")**		Total	
	2021 KD	2020 KD	2021 KD	2020 KD	2021 KD	2020 KD
Current assets	426,125	138,496	9,490,302	7,679,542	9,916,427	7,818,038
Non-current assets	1,025,398	2,699,288	5,880,971	8,141,140	6,906,369	10,840,428
Total assets	1,451,523	2,837,784	15,371,273	15,820,682	16,822,796	18,658,466
Current liabilities	10,288	2,950	2,665,750	2,896,997	2,676,038	2,899,947
Non-current liabilities	21,060	-	2,705,240	3,013,983	2,726,300	3,013,983
Total liabilities	31,348	2,950	5,370,990	5,910,980	5,402,338	5,913,930
Equity	1,420,175	2,834,834	10,000,283	9,909,702	11,420,458	12,744,536
Group's share in %	21.7%	21.7%	20.88%	20.88%	-	-
Group's carrying amount of the investment	308,178	615,159	2,087,761	2,068,850	2,395,939	2,684,009
Revenue	(123,480)	15,700	2,985,754	4,170,463	2,862,274	4,186,163
(Loss) profit	(154,794)	(546,429)	(92,122)	(4,141,002)	(246,916)	(4,687,431)
Other comprehensive loss	(1,301,960)	(3,471,244)	(3,331)	(68,975)	(1,305,291)	(3,540,219)
Total comprehensive (loss) income	(1,456,754)	(4,017,673)	(95,453)	(4,209,977)	(1,552,207)	(8,227,650)
Group's share of loss for the year	(33,590)	(118,575)	(19,232)	(864,517)	(52,822)	(983,092)

* Private entity - no quoted price available.

** As at 31 December 2021, the fair value of the Group's investment in Senergy (based on quoted market price in Bursa Kuwait) was KD 2,045,946 and the carrying amount of the net assets of the entity exceeds its market capitalisation. However, the management concluded there is no indication for impairment when considered with other available information.

A reconciliation of the above summarised financial information to the carrying amount of the associates is set out below:

	2021 KD	2020 KD
Reconciliation to carrying amounts		
At 1 January	2,684,009	4,618,614
Share of loss for the year	(52,822)	(983,092)
Share of other comprehensive loss	(227,572)	(767,660)
Share of movement of foreign currency translation reserve	(7,676)	-
Impairment for the year (Note 19)	-	(183,853)
At 31 December	<u>2,395,939</u>	<u>2,684,009</u>

Investment in a joint venture

The following table illustrates summarised financial information of the Group's investment in its joint venture "The Liquid Capital Company W.L.L."

	2021 KD	2020 KD
Current assets	13,549	32,664
Non-current assets	5,713,494	3,695,159
Total assets	5,727,043	3,727,823
Current liabilities	1,265,500	11,972
Non-current liabilities	600,226	1,750,084
Total liabilities	1,865,726	1,762,056
Equity	3,861,317	1,965,767
Group's share in equity %	50%	50%
Group's carrying amount of the investment	1,930,658	982,884
Revenue	1,998,527	674
Profit (loss)	1,890,815	(34,233)
Other comprehensive income	4,736	-
Total comprehensive income (loss)	1,895,551	(34,233)
Group's share of profit (loss) for the year	945,406	(17,116)

The joint venture is a private entity - no quoted price available.

The joint venture had no other contingent liabilities or commitments as at 31 December 2021

A reconciliation of the above summarised financial information to the carrying amount of the joint venture is set out below:

	2021 KD	2020 KD
Reconciliation to carrying amounts		
At 1st January	982,884	-
Additions during the year	-	1,000,000
Share of results for the year	945,406	(17,116)
Share of other comprehensive income	2,368	-
At 31 December	1,930,658	982,884

10. INVESTMENT PROPERTIES

	2021 KD	2020 KD
Completed	13,657,892	14,198,991
Under development	5,908,659	3,738,487
Investments properties	19,566,551	17,937,478

Investment Properties Completed

	2021 KD	2020 KD
As at 1 January	14,198,991	16,179,711
Capital expenditure	26,299	440,052
Change in fair value	(559,875)	(2,416,276)
Exchange differences	(7,523)	(4,496)
As at 31 December	13,657,892	14,198,991

Investment properties comprise of building on a leasehold land amounting to KD 10,623,753 (2020: KD 11,157,329) and other commercial properties amounting to KD 3,034,139 (2020: KD 3,041,662).

The Group's investment properties are located in the following geographical locations:

	2021 KD	2020 KD
Kuwait	10,623,753	11,157,329
Other countries	3,034,139	3,041,662
	13,657,892	14,198,991
	2021 KD	2020 KD
Market value as estimated by the external valuer	10,964,139	11,321,662
Add: lease liabilities recognised separately	2,693,753	2,877,329
Fair value for financial reporting purposes	13,657,892	14,198,991

The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed an increase of KD 70,825 compared to its carrying values as at 31 December 2021 (2020 decrease: KD 2,416,276).

Investment Property Under Development

	2021 KD	2020 KD
As at 1 January	3,738,487	-
Transfer from property, plant and equipment (Note 11)	-	3,701,090
Additions	1,539,472	
Revaluation of investment properties	630,700	37,397
As at 31 December	5,908,659	3,738,487
	2021 KD	2020 KD
Market value as estimated by the external valuer	5,757,000	3,582,000
Add: lease liabilities recognised separately	151,659	156,487
Fair value for financial reporting purposes	5,908,659	3,738,487

Investment property under development is located in Kuwait.

The fair value of investment property under development has been determined using the market comparable approach, due to a high volume of transactions involving comparable properties in the area. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm).

The fair value of investment properties under development is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13.

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets KD	Buildings KD	Building improvements KD	Machinery and equipment KD	Furniture, fixtures and computers KD	Vehicles KD	Total KD
Cost:							
At 1 January 2021	7,070,971	2,119,147	225,233	5,169,505	1,967,665	325,436	16,877,957
Additions	84,527	34,760	-	21,755	18,861	33,500	193,403
Disposals	-	-	-	(69,208)	-	(54,285)	(123,493)
Write off	-	(941,647)	-	(1,808,038)	(382,854)	(57,229)	(3,189,768)
Exchange differences	-	-	-	(350)	(3,668)	-	(4,018)
At 31 December 2021	7,155,498	1,212,260	225,233	3,313,664	1,600,004	247,422	13,754,081
Depreciation and impairment:							
At 1 January 2021	204,681	1,658,240	185,154	3,822,204	1,776,757	189,604	7,836,640
Impairment	-	46,536	-	132,435	716	-	179,687
Depreciation charge for the year	114,375	65,265	10,661	165,211	68,875	37,781	462,168
Disposals	-	-	-	(69,203)	-	(23,519)	(92,722)
Write off	-	(941,647)	-	(1,816,967)	(373,925)	(57,229)	(3,189,768)
Exchange differences	-	-	-	(297)	(3,280)	-	(3,577)
At 31 December 2021	319,056	828,394	195,815	2,233,383	1,469,143	146,637	5,192,428
Net book value:							
At 31 December 2021	6,836,442	383,866	29,418	1,080,281	130,861	100,785	8,561,653

	Right-of-use assets KD	Buildings KD	Building improvements KD	Machinery and equipment KD	Furniture, fixtures and computers KD	Vehicles KD	Total KD
Cost:							
At 1 January 2020	9,241,918	2,055,816	277,145	5,097,172	1,962,935	322,289	18,957,275
Additions	-	63,331	1,597,100	72,267	4,130	34,450	1,771,278
Disposals	(101,971)	-	-	-	-	(31,303)	(133,274)
Write off	-	-	-	-	(188)	-	(188)
Transfer to investment properties (Note 10)	(2,068,976)	-	(1,649,012)	-	-	-	(3,717,988)
Exchange differences	-	-	-	66	788	-	854
At 31 December 2020	7,070,971	2,119,147	225,233	5,169,505	1,967,665	325,436	16,877,957
Depreciation and impairment:							
At 1 January 2020	107,001	1,622,164	174,739	3,022,867	1,710,576	162,326	6,799,673
Impairment	-	-	-	546,813	-	-	546,813
Depreciation charge for the year	151,816	36,076	10,415	252,470	67,011	42,768	560,556
Disposals	(37,238)	-	-	-	-	(15,490)	(52,728)
Transfer to investment properties (Note 10)	(16,898)	-	-	-	-	-	(16,898)
Write off	-	-	-	-	(188)	-	(188)
Exchange differences	-	-	-	54	(642)	-	(588)
At 31 December 2020	204,681	1,658,240	185,154	3,822,204	1,776,757	189,604	7,836,640
Net book value:							
At 31 December 2020	6,866,290	460,907	40,079	1,347,301	190,908	135,832	9,041,317

The depreciation included in the consolidated statement of profit or loss is allocated as follows:

	2021 KD	2020 KD
Cost of sales (Note 20)	269,959	331,750
General and administrative expenses (Note 20)	192,209	228,806
	462,168	560,556

12. OTHER LIABILITIES

	2021 KD	2020 KD
Trade payables	2,164,526	2,128,225
Amounts due to related parties (Note 25)	345,000	-
Accrued staff leave	233,807	256,385
Provision for employees' end of service benefits	905,910	919,368
Accrued expenses	370,063	468,818
Payable on settlement of wakala payable	-	649,689
Provision for transferring Qudra shares to bank (Note 30)	2,297,615	2,297,615
Other provisions related to dispute with custodian (Note 19)	404,170	404,170
NLST Payable	34,436	
KFAS payable	106,811	92,657
ZAKAT payable	88,081	52,858
Board of directors' remuneration	80,000	80,000
Other payables	441,120	725,989
	7,471,539	8,075,774

13. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2021 KD	2020 KD
As at 1 January	3,575,692	3,843,569
Additions	84,528	-
Finance cost	214,543	227,618
Payments	(509,113)	(495,495)
As at 31 December	3,365,650	3,575,692
Current portion	321,599	290,908
Non-current portion	3,044,051	3,284,784
	3,365,650	3,575,692

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position ranges from 4.5% to 6.5%. The maturity analysis of lease liabilities are disclosed in Note 27. The following are the amounts recognised in profit or loss related to right-of-use assets and lease liabilities:

	2021 KD	2020 KD
Depreciation expense of right-of-use assets	114,375	151,816
Finance costs on lease liabilities	214,543	227,618
Total amount recognised in profit or loss	328,918	379,434

14. EQUITY

a) Share capital

	Number of shares		Authorised, issued and fully paid	
	2021	2020	2021 KD	2020 KD
Shares of 100 fils each (paid in cash)	269,786,370	256,939,400	26,978,637	25,693,940

The Annual General Assembly meeting of the shareholders held on 4 May 2021 approved 5% bonus shares for the year ended 31 December 2020. The bonus shares increased the number of issued and fully paid up shares by 12,846,970 shares and increase in share capital by KD 1,284,697.

The Board of Directors have proposed a bonus shares issue of 5% of the authorised, issued, and fully paid share capital for the year ended 31 December 2021 (2020: 5%). No cash dividends were declared for the year ended 31 December 2021 (2020: Nil). This proposal is subject to the approval at the Annual General Meeting of the shareholders of the Parent Company.

b) Share premium

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

c) Statutory reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and Director's remuneration attributable to the equity holders of the Company 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.

d) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association a maximum of 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the annual general assembly of the Parent Company upon a recommendation by the Board of Directors. There are no restrictions on distribution of the voluntary reserve.

15. TREASURY SHARES

	2021	2020
Number of treasury shares	843,705	803,011
Percentage of issued shares (%)	0.31%	0.31%
Cost of treasury shares (KD)	307,393	307,393

Reserves equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

16. DISAGGREGATION OF REVENUE

Contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2021 KD	2020 KD
Types of goods or services:		
Sale of goods	3,343,416	2,994,962
Rendering of services	13,222	21,621
	<u>3,356,638</u>	<u>3,016,583</u>
Timing of revenue recognition:		
Goods and services transferred at a point in time	3,343,416	2,994,962
Goods and services transferred over time	13,222	21,621
	<u>3,356,638</u>	<u>3,016,583</u>

Fee and commission income

Set out below is the disaggregation of the Group's fees and commission income:

	2021 KD	2020 KD
Types of goods or services:		
Rendering of services	236,973	208,351
	<u>236,973</u>	<u>208,351</u>
Timing of revenue recognition:		
Goods and services transferred at a point in time	193,720	176,625
Goods and services transferred over time	43,253	31,726
	<u>236,973</u>	<u>208,351</u>

17. NET INVESTMENT INCOME (LOSS) ON FINANCIAL ASSETS

	2021 KD	2020 KD
Income from deposits	95,319	110,345
Dividend income	195,263	65,238
Realised gain (loss) on sale of financial assets at FVTPL	24,416	(102,504)
Unrealised gain (loss) on financial assets at FVTPL	11,394	(97,139)
	<u>326,392</u>	<u>(24,060)</u>

18. NET RENTAL INCOME

	2021 KD	2020 KD
Rental income	1,622,268	1,413,614
Less: property and maintenance expenses	(206,018)	(204,707)
	<u>1,416,250</u>	<u>1,208,907</u>

19. NET (REVERSAL) ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

	2021 KD	2020 KD
ECL (reversal) allowance on trade receivables (Note 6)	(242,130)	1,431,514
Write-down of inventories (Note 7)	30,000	741,347
Provision for transferring Qudra shares to bank (Note 30)	-	2,297,615
Provision for dividend receivables (Note 30)	-	1,771,819
Impairment of investment in associates	-	183,853
Impairment of goodwill	-	1,270,500
Impairment on property plant and equipment (Note 11)	179,687	546,813
Other provisions related to dispute with custodian (Note 12)	-	404,170
Other provisions	7,998	171,870
	<u>(24,445)</u>	<u>8,819,501</u>

20. PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2021 KD	2020 KD
Included in cost of sales:		
Materials and spare parts	1,367,921	1,267,018
Salaries, wages and other staff costs	620,768	671,369
Repairs and maintenance	21,406	24,728
Depreciation expense (Note 11)	269,959	331,750
Other expenses	181,989	283,799
	2,462,043	2,578,664
Included in general and administrative expenses:		
Staff costs	1,543,057	1,742,092
Selling and distribution expenses	222,062	235,330
Legal and professional fees	411,527	1,678,463
Rent expense for short-term leases	16,982	17,856
Depreciation expense (Note 11)	192,209	228,806
Other expenses	458,273	375,694
	2,844,110	4,278,241

21. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less treasury shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2021	2020
Basic and diluted earnings per share:		
Profit for the year attributable to the equity holders of the Parent Company (KD)	1,435,903	7,227,530
Weighted average number of outstanding shares	268,942,665	268,942,665
Basic and diluted earnings per share (fils)	5.34	26.87

Earnings per share for the year ended 2020 was 28.22 fils per share before retroactive adjustment to the number of shares following the bonus issue (see Note 14a).

22. SEGMENTAL INFORMATION

The Group is organized into four major business segments based on the internal reporting provided to the management. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

- Financial : Managing funds of private and public institution, acquiring companies in various sectors, mediation in lending and borrowing operations, acting as bond issuance managers, providing loans as per CBK guidelines, trading in securities including buying and selling of stocks and bonds of local companies and international governmental agencies.
- Real estate : Investing in real estate, owning movable and real estate properties that are necessary to practice its activities in accordance to the law.
- Industries : Producing various chemical products and marketing them locally and abroad. Owning industrial rights for patents, trade names, designs and leasing the same to other companies for their use inside or outside Kuwait.
- Others : Providing and preparing technical consultations, economic, valuation, feasibility studies and preparing necessary studies for establishments and companies.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments.

The following table presents information regarding the Group's operating segments:

	Financial KD	Real estate KD	Industries KD	Others KD	Total KD
31 December 2021					
Total revenue	3,066,665	195,216	913,077	366,855	4,541,813
Profit (loss) for the year	1,457,710	111,122	(210,758)	(62,075)	1,295,999
Total assets	4,267,440	19,848,497	14,604,345	1,335,143	40,055,425
Total liabilities	4,037,060	3,579,056	2,873,928	737,811	11,227,855

Other disclosures:

Investment in associates and joint venture	2,238,837	-	2,087,760	-	4,326,597
Share of results of associates and joint venture	911,816	-	(19,232)	-	892,584

31 December 2020

Total revenue	14,331,751	(2,760,233)	(1,580,059)	261,869	10,253,328
Profit (loss) for the year	12,755,413	(2,871,339)	(3,598,172)	(766,886)	5,519,016
Total assets	4,806,499	18,507,462	15,931,846	1,274,205	40,520,012
Total liabilities	5,192,377	3,577,633	2,742,167	431,244	11,943,421

Other disclosures:

Investment in associates and joint ventures	1,598,043	-	2,068,850	-	3,666,893
Share of results of associates and joint ventures	(135,691)	-	(864,517)	-	(1,000,208)

The Group's total assets include KD 3,083,944 (2020: KD 3,125,044) as non-current assets located outside Kuwait, which mainly include financial assets at fair value through other comprehensive income, investment in associates, investment properties, intangibles and property and equipment.

23. MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of the subsidiary that has material non-controlling interests is provided below:

Name of subsidiary	Country of incorporation and operation	2021		2020	
Safat Industries Holding Company K.S.C. (Closed)	Kuwait	36.21%		36.21%	
Accumulated balances of material non-controlling interests		4,648,913		5,288,794	
Loss allocated to material non-controlling interests		(168,888)		(1,080,080)	

The consolidated financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	2021 KD	2020 KD
Revenue	1,148,264	1,315,810
Expenses	(1,396,957)	(2,872,887)
Total loss and comprehensive income	(248,693)	(1,557,077)
Attributable to non-controlling interests	(168,888)	(1,080,080)

Summarised consolidated statement of financial position:

	2021 KD	2020 KD
Current assets	2,135,662	1,824,357
Non-current assets	7,553,896	9,148,757
TOTAL ASSETS	9,689,558	10,973,114
Current liabilities	1,103,163	783,114
Non-current liabilities	425,966	480,295
TOTAL LIABILITIES	1,529,129	1,263,409
TOTAL EQUITY	8,160,429	9,709,705
Attributable to:		
Equity holders of the Parent Company	3,511,516	4,420,911
Non-controlling interests	4,648,913	5,288,794

Summarised cash flow information:

	2021 KD	2020 KD
Cash flows used in operating activities	(803,013)	(303,812)
Cash flows from (used in) investing activities	70,658	(172,274)
Cash flows from (used in) financing activities	68,495	(110,415)
Net decrease in cash and cash equivalents	(663,860)	(586,501)

24. FIDUCIARY ASSETS

The Group manages investment portfolios on behalf of clients. The total value of these portfolios at 31 December 2021 amounted to KD 66,561,399 (2020: KD 13,922,416) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements.

For the year ended 31 December 2021, income earned from fiduciary assets amounted to KD 43,253 (2020: KD 31,726).

25. RELATED PARTY DISCLOSURES

Related parties represent 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 tables show the aggregate value of transactions and outstanding balances with related parties:

	2021 KD	2020 KD
Consolidated statement of financial position:		
Other assets - Other related parties (Note 6)	379,160	312,714
Financial assets at FVTPL - Other related parties (Note 8)	47,048	39,472
Financial assets at FVOCI - Other related parties (Note 8)	32,285	1,325,470
Other liabilities - Other related parties (Note 12)	345,000	-
Consolidated statement of profit or loss:		
Management fees - Associate companies	3,554	11,790
Management fees - Other related parties	1,140	571
Consolidated statement of comprehensive income:		
Disposal of financial assets at FVOCI - Associate companies	251,114	1,402,238

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 8,318,545 (2020: KD 9,831,449).

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:

	2021 KD	2020 KD
Salaries and short-term benefits	146,520	124,763
Committees remuneration	-	39,000
Employees' end of service benefits	12,981	12,981
	<u>159,501</u>	<u>176,744</u>

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of bank overdrafts, notes payable and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and short-term deposits and accounts receivable and other assets that derive directly from its operations. The Group also holds investments in securities.

The Group is exposed to credit risk, liquidity risk and market risk (including foreign currency risk, profit rate risk and equity price risk). The Group's senior management is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

26.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2021 KD	2020 KD
Bank balances	1,460,136	2,516,012
Term deposits	1,358,871	1,360,488
Accounts receivable and other assets (excluding prepaid expenses and advances)	2,131,910	1,632,860
	<u>4,950,917</u>	<u>5,509,360</u>

Balances with banks and term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents and term deposits has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Trade receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Trade receivables				
	Days past due				
	Total	< 90 days	90-180 days	180- 365 days	> 365 days
	KD	KD	KD	KD	KD
31 December 2021					
Expected credit loss rate		0.94%	3.5%	27.15%	100%
Estimated total gross carrying amount at default	8,238,770	1,130,646	119,002	74,113	6,915,009
Expected credit loss	(6,949,955)	(10,662)	(4,162)	(20,122)	(6,915,009)
	Trade receivables				
	Days past due				
	Total	< 90 days	90-180 days	180- 365 days	> 365 days
	KD	KD	KD	KD	KD
31 December 2020					
Expected credit loss rate		0.81%	1.73%	39.50%	100%
Estimated total gross carrying amount at default	8,929,412	829,017	261,174	171,091	7,668,130
Expected credit loss	7,746,949	6,717	4,515	67,587	7,668,130

Other receivables

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

26.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on an ongoing basis. The Group's credit sales require amounts to be paid within 60 days of the date of invoice and trade payables are normally settled within 60 to 90 days from the date of purchase.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted payments:

	<i>Payable o demand</i>	<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 December 2021					
Bank overdrafts	-	280,437	-	-	280,437
Notes payable	-	-	129,761	-	129,761
Other liabilities	345,000	2,778,227	3,442,402	905,910	7,471,539
Lease liabilities	-	121,215	491,411	3,936,163	4,548,789
	345,000	3,179,879	4,063,574	4,842,073	12,430,526
		<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Total</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 December 2020					
Bank overdrafts		248,711	-	-	248,711
Notes payable		-	57,841	-	57,841
Other liabilities		3,046,991	4,109,414	919,369	8,075,774
Lease liabilities		116,625	477,641	4,383,046	4,977,312
		3,412,327	4,644,896	5,302,415	13,359,638

26.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: profit rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include deposits and debt and equity investments.

a) Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's exposure to foreign currency exchange rates on financial assets and (liabilities) at the reporting date:

<i>Currency</i>	<i>2021 Equivalent</i>	<i>2020 Equivalent</i>
	<i>KD</i>	<i>KD</i>
US Dollar (USD)	39,334	166,506
Egyptian pound (EGP)	1,888,335	1,859,057

Foreign exchange rate sensitivity

The following table demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit/loss due to changes in the fair value of monetary assets and liabilities is as follows:

<i>Currency</i>	<i>Change in exchange rate</i>	<i>2021</i>		<i>2020</i>	
		<i>Effect on profit</i>	<i>Effect on equity</i>	<i>Effect on profit</i>	<i>Effect on equity</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
USD	5%	1,637	330	7,996	330
EGP	5%	77,699	16,718	77,009	15,944

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

An equivalent increase/decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

b) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group's exposure to the risk of changes in market profit rates relates primarily to the Group's short-term debt obligations with floating profit rates.

The Group manages its profit rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities. Further, the Group's policy is to manage its profit cost by availing competitive credit facilities from local financial institutions and constantly monitoring profit rate fluctuations.

Exposure to profit rate risk

The profit rate profile of the Group's profitbearing financial instruments as reported to the management of the Group is as follows.

	2021 KD	2020 KD
Variable-rate instruments		
Financial assets	1,358,871	1,360,488
Financial liabilities	(390,666)	(291,955)
	<u>968,205</u>	<u>1,068,533</u>

Profit rate sensitivity

A reasonably possible change of 50 basis points in profit rates at the reporting date would have resulted in a decrease in profit for the year by KD 4,841 (2020: KD 5,343). This analysis assumes that all other variables, remain constant.

c) Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) (Note 8). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 70,573 (2020: KD 1,717,332). Sensitivity analyses of these investments have been provided in Note 29.1.

The Group's listed equity investments are publicly traded and are included either in the Kuwait Stock Exchange ("Boursa Kuwait") or other GCC markets.

Summarised below is the impact of increases/decreases of the respective price indices in the relevant market on the Group's equity and profit for the year. The analysis is based on the assumption that the equity indexes had increased or decreased by 5% respectively, with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

Given that the changes in fairvalues of the equity investments held are strongly positively correlated with changes of the respective market index, the Group determined that for such investments classified at FVOCI, a 5% increase in the respective market index would have increased equity by KD 91,720 (2020: an increase of KD 63,185). For such investments classified as at FVTPL, the impact of a 5% increase in the at the reporting date on profit or loss would have been an increase of KD 2,407 (2020: KD 14,328).

An equal change in the opposite direction would have would have resulted in an equivalent but opposite impact on profit or equity.

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

	31 December 2021		
	Within 12 months KD	After 12 months KD	Total KD
ASSETS			
Cash and cash equivalents	1,487,464	-	1,487,464
Term deposits	11,000	1,347,871	1,358,871
Murabaha receivable	2,059	28,915	30,974
Accounts receivable and other assets	2,304,689	-	2,304,689
Inventories	462,912	-	462,912
Investment securities	62,901	1,890,220	1,953,121
Investment in associates	-	4,326,597	4,326,597
Intangible assets	-	2,593	2,593
Investment properties	-	19,566,551	19,566,551
Property, plant and equipment	-	8,561,653	8,561,653
Total assets	<u>4,331,025</u>	<u>35,724,400</u>	<u>40,055,425</u>
LIABILITIES			
Bank overdrafts	267,083	-	267,083
Notes payable	123,583	-	123,583
Other liabilities	6,565,629	905,910	7,471,539
Lease liabilities	321,599	3,044,051	3,365,650
Total liabilities	<u>7,277,894</u>	<u>3,949,961</u>	<u>11,227,855</u>
Net	<u>(2,946,869)</u>	<u>31,774,439</u>	<u>28,827,570</u>

	31 December 2020		
	Within 12 months	After 12 months	Total
	KD	KD	KD
ASSETS			
Cash and cash equivalents	2,556,345	-	2,556,345
Term deposits	11,000	1,349,488	1,360,488
Accounts receivable and other assets	2,150,956	-	2,150,956
Inventories	534,329	-	534,329
Investment securities	298,066	2,969,518	3,267,584
Investment in associates	-	3,666,893	3,666,893
Intangible assets	-	4,622	4,622
Investment properties	-	17,937,478	17,937,478
Property, plant and equipment	-	9,041,317	9,041,317
Total assets	5,550,696	34,969,316	40,520,012
LIABILITIES			
Bank overdrafts	236,868	-	236,868
Notes payable	55,087	-	55,087
Other liabilities	7,156,406	919,368	8,075,774
Lease liabilities	290,908	3,284,784	3,575,692
Total liabilities	7,739,269	4,204,152	11,943,421
Net	(2,188,573)	30,765,164	28,576,591

28. 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 shareholders' 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 review the dividend payment to shareholders, return capital to shareholders or issue new shares.

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, trade payables, bank overdrafts and notes payable, less cash and short-term deposits. Capital represents total equity attributable to equity holders of the Parent Company.

	2021 KD	2020 KD
Bank overdrafts	267,083	236,868
Notes payable	123,583	55,087
Trade payables	2,164,526	2,128,225
Less: Cash and cash equivalents	(1,487,464)	(2,556,345)
Less: Term deposits	(1,358,871)	(1,360,488)
Net (assets) debt	(291,143)	(1,496,653)
Equity attributable to shareholders of the Parent Company	23,233,934	22,389,234
Gearing ratio	-	-

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

29. FAIR VALUE MEASUREMENT

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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 in the financial statements 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.

The Group's senior management determines the policies and procedures for recurring fair value measurement, such as investment properties and unquoted equity investments.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The Group measures financial instruments such as investment in equity securities and non-financial assets such as investment properties, at fair value at each reporting date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed below.

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	2021 KD	2020 KD
Financial instruments		
Investment securities (at fair value)		
Quoted equity securities	1,882,548	1,550,252
Unquoted equity securities	70,573	1,717,332
	<u>1,953,121</u>	<u>3,267,584</u>
Non-financial assets		
Investment properties	<u>19,566,551</u>	<u>17,937,478</u>

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and bank balances
- Term deposits
- Accounts receivables and other assets
- Bank overdrafts
- Notes payable
- Other liabilities
- Lease liabilities

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities

Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for the majority of these positions. The Group determines and calculates an appropriate trading multiple based on related industry

average. The trading multiple is then discounted for considerations such as illiquidity and based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding asset and earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Investment properties

The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 'Fair Value Measurement' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment properties are classified as either level 2 or level 3.

29.1 Financial instruments

Fair value hierarchy

The following tables provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

	<i>Fair value measurement using</i>		
	<i>Total</i>	<i>Quoted prices in active markets</i>	<i>Significant unobservable inputs</i>
<i>31 December 2021</i>	<i>KD</i>	<i>(Level 1)</i>	<i>(Level 3)</i>
		<i>KD</i>	<i>KD</i>
Financial assets at FVTPL:			
Quoted equity securities	48,139	48,139	-
Unquoted equity securities	14,762	-	14,762
	<u>62,901</u>	<u>48,139</u>	<u>14,762</u>
Financial assets at FVOCI			
Quoted equity securities	1,834,409	1,834,409	-
Unquoted equity securities	55,811	-	55,811
	<u>1,890,220</u>	<u>1,834,409</u>	<u>55,811</u>
Investment securities (at fair value)	<u>1,953,121</u>	<u>1,882,548</u>	<u>70,573</u>

Fair value measurement using

	Total	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)
	KD	KD	KD
31 December 2020			
Financial assets at FVTPL:			
Quoted equity securities	286,554	286,554	-
Unquoted equity securities	11,512	-	11,512
	<u>298,066</u>	<u>286,554</u>	<u>11,512</u>
Financial assets at FVOCI			
Quoted equity securities	1,263,698	1,263,698	-
Unquoted equity securities	1,705,820	-	1,705,820
	<u>2,969,518</u>	<u>1,263,698</u>	<u>1,705,820</u>
Investment securities (at fair value)	<u>3,267,584</u>	<u>1,550,252</u>	<u>1,717,332</u>

There were no transfers between any levels of the fair value hierarchy during 2021 or 2020.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	Financial assets at FVOCI KD	Financial assets at FVTPL KD	Total KD
31 December 2021			
As at 1 January 2021	1,705,820	11,512	1,717,332
Disposals	(627,695)	-	(627,695)
Remeasurement recognised in OCI	(1,022,314)	-	(1,022,314)
Remeasurement recognised in profit or loss	-	3,250	3,250
As at 31 December 2021	<u>55,811</u>	<u>14,762</u>	<u>70,573</u>
31 December 2020			
As at 1 January 2020	4,717,232	108,191	4,825,423
Additions	5,376	-	5,376
Disposals	(1,402,238)	-	(1,402,238)
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>

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December are as shown below:

Significant unobservable valuation inputs	Range	Sensitivity of the input to fair value
Discount for lack of marketability (DLOM)	(15% - 40%)	10% (2020: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 28,569 (2020:KD 163,778)

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

29.2 Non-financial assets

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

	Fair value measurement using			
	Total KD	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD
31 December 2021				
Investment properties	<u>19,566,551</u>	-	<u>8,942,798</u>	<u>10,623,753</u>
31 December 2020				
Investment properties	<u>17,937,478</u>	-	<u>6,780,149</u>	<u>11,157,329</u>

There were no transfers between any levels of the fair value hierarchy during 2021 or 2020.

Reconciliation of Level 3 fair values

Reconciliation for recurring fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy is disclosed in Note 10.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy are the yield rate (income capitalisation approach) and price per sqm (market approach).

Sensitivity analysis

Significant increases (decreases) in estimated price per square metre, rental value and rent growth per annum, in isolation would result in a significantly higher (lower) fair

value on a linear basis. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

30. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

	2021 KD	2020 KD
Letters of guarantee *	<u>476,087</u>	<u>225,976</u>
Letter of credit	<u>10,307</u>	<u>-</u>

* 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 December 2021, the Group had ongoing construction contracts with third parties and is consequently committed to future capital expenditure in respect of property, plant and equipment of KD Nil (2020: KD 1,118,800).

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 40,062,158 shares and related dividends receivable) 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 5,854,996) in lieu of management fees for the years 2007 to 2020.

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.

During the year, the Court ruled to assign an expert committee to verify the elements of the lawsuit and submit their findings accordingly.

Notwithstanding the above, 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 consolidated financial statements for the year ended 31 December 2021.

31. IMPACT OF COVID-19 OUTBREAK

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the State of Kuwait. Governments across the globe have taken steps to contain the spread of the virus, which included closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews. At this stage, the impact on the Group's business and results has not been significant and management expects this to remain the case. The Group will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue in operation in the best and safest way possible.

Coronavirus pandemic (COVID-19), which began to spread by the beginning of 2020 witnessed the rise of a number of cases in most countries worldwide, including Kuwait and has impacted most businesses and economies. In addition, its impact has resulted in the sharp drop in the global oil prices, which in general, tend to affect the economic growth heavily. As at 31 December 2021, the COVID-19 pandemic has continued to cause an unprecedented human and health crisis and the measures necessary to contain the virus have triggered an economic downturn.