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Consolidated financial statements and independent auditors' report

Afkar Holding Company K.S.C (Holding) and Subsidiaries

Kuwait

31 December 2021

Contents

Grant Thornton
Al-Qatami, Al-Aiban & Partners

Souq Al-Kabeer Building
Block A - 9th Floor
P. O. BOX 2986 Safat 13030
State of Kuwait
T+965-2244-3900/9
F+965-2243-8451
www.grantthornton.com.kw

Independent auditor's report

To the shareholders of
Afkar Holding Company K.S.C (Holding)
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

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' Code of Ethics for Professional Accountants (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 a basis for our opinion.

Other information

Management is responsible for the other information. Other information obtained at the date of this auditor's report is information included in the report of the Parent Company's Board of Directors, other than the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditors' Report to the Shareholders of Afkar Holding Company K.S.C (Holding) (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Independent Auditors' Report to the Shareholders of Afkar Holding Company K.S.C (Holding) (continued)

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

• Obtain sufficient appropriate audit evidence regarding the financial statements 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.

Report on Other Legal and Regulatory Requirements

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

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

Kuwait
22 May 2022

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Income			
Sales of goods	8	**5,449,020**	4,661,628
Cost of sales	21	**(3,883,048)**	(2,935,749)
Gross profit		**1,565,972**	1,725,879
Realized gain on sale of investments at fair value through profit or loss		**38,635**	-
Unrealised loss on investments at fair value through profit or loss		**(107,692)**	-
Share of results of associates	9	**(24,871)**	(38,482)
Profit from saving deposits		**88,302**	129,670
Other income		**51,214**	105,344
		1,611,560	1,922,411
Expenses and other charges			
Sales and distribution expenses	21	**(594,257)**	(576,616)
General, administrative and other expenses	21	**(519,566)**	(513,653)
Impairment in value of accounts receivable and other assets		**(5,140)**	(7,436)
Impairment in value of investment in associate	9	**-**	(295,920)
		(1,118,963)	(1,393,625)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and provision for Zakat		**492,597**	528,786
Contribution to KFAS		**(4,443)**	(2,059)
Provision for Zakat		**(3,409)**	(2,409)
Profit for the year		**484,745**	524,318

The notes set out on pages 9 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Profit for the year	484,745	524,318
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	(3,532)	(44,931)
Net change in fair value of investments in equity designated at FVOCI	(89,131)	-
Total other comprehensive loss for the year	(92,663)	(44,931)
Total comprehensive income for the year	392,082	479,387

The notes set out on pages 9 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2021 KD	31 Dec. 2020 KD
Assets			
Non-current assets			
Goodwill	10	**538,738**	538,738
Right of use assets and intangible assets	11	**617,305**	634,471
Property,plant and equipment		**712,408**	642,318
Investment in associates	9	**4,532,540**	4,577,146
Financial assets at fair value through other comprehensive income	12	**140,148**	257,628
		6,541,139	6,650,301
Current assets			
Inventory	16	**378,470**	411,792
Financial assets at fair value through profit or loss	13	**923,890**	-
Trade and other receivables	14	**1,950,681**	1,655,031
Cash and cash equivalents	15	**7,497,692**	7,841,481
		10,750,733	9,908,304
Total assets		**17,291,872**	16,558,605
Equity and liabilities			
Equity			
Share Capital	17	**15,500,000**	15,500,000
Statutory reserve	18	**413,910**	364,650
Change in fair value reserve		**(265,896)**	(176,765)
Other reserves	19	**(165,696)**	(162,164)
Retained earnings		**620,686**	201,404
Total equity		**16,103,004**	15,727,125
Non-current liabilities			
Provision for employees' end of service indemnity		**207,317**	255,279
Lease liabilities		**-**	7,902
Total non-current liabilities		**207,317**	263,181
Current liabilities			
Accounts payable and other liabilities		**976,657**	565,831
Lease liabilities		**4,894**	2,468
Total current liabilities		**981,551**	568,299
Total liabilities		**1,188,868**	831,480
Total equity and liabilities		**17,291,872**	16,558,605

Abdulwahab Asaad Al Sanad
Chairman

Mohammed Salah Al-Ayoub
Vice Chairman

The notes set out on pages 9 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company						Non-controlling interests	Total equity
	Share Capital KD	Statutory reserve KD	Cumulative changes in fair value KD	Other reserves (Note 19) KD	Retained Earnings KD	Sub-Total KD	KD	KD
Balance as at 1 January 2021	15,500,000	364,650	(176,765)	(162,164)	201,404	15,727,125	-	15,727,125
Profit for the year	-	-	-	-	484,745	484,745	-	484,745
Total other comprehensive loss for the year	-	-	(89,131)	(3,532)	-	(92,663)	-	(92,663)
Total comprehensive (loss)/income for the year	-	-	(89,131)	(3,532)	484,745	392,082	-	392,082
Group's share of retained earnings adjustments of an associate	-	-	-	-	(16,203)	(16,203)	-	(16,203)
Transferred to reserve	-	49,260	-	-	(49,260)	-	-	-
Balance as at 31 December 2021	15,500,000	413,910	(265,896)	(165,696)	620,686	16,103,004	-	16,103,004
Balance as at 1 January 2020	15,500,000	341,775	(176,765)	363,097	(300,039)	15,728,068	319,670	16,047,738
Transactions with non-controlling interests (Note 19)	-	-	-	(480,330)	-	(480,330)	(319,670)	(800,000)
Transactions with owners	-	-	-	(480,330)	-	(480,330)	(319,670)	(800,000)
Profit for the year	-	-	-	-	524,318	524,318	-	524,318
Total other comprehensive income for the year	-	-		(44,931)	-	(44,931)	-	(44,931)
Total comprehensive income for the year	-	-	-	(44,931)	524,318	479,387	-	479,387
Transferred to reserve	-	22,875	-	-	(22,875)	-	-	-
Balance as at 31 December 2020	15,500,000	364,650	(176,765)	(162,164)	201,404	15,727,125	-	15,727,125

The notes set out on pages 9 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
OPERATING ACTIVITIES			
Profit before KFAS and Zakat		492,597	528,786
Adjustments:			
Share of results of associates	9	24,871	38,482
Depreciation and amortisation		96,183	139,320
Provision for impairment in value of accounts receivable		5,140	7,436
Write off of provision for impairment in value of accounts receivable		(4,955)	-
Write/(back) of provision for slow moving inventory		(5,469)	5,172
Impaitrment in value of investment in an associate		-	295,920
Provision for employees' end of service indemnity		32,103	62,355
Profit from saving deposits		(88,302)	(129,670)
		552,168	947,801
Changes in operating assets and liabilities:			
Inventories		38,791	(189,043)
Trade and other receivables		(295,835)	399,764
Trade and other payables		397,498	(1,223,595)
Investments at fair value through profit or loss		(923,890)	-
Cash used in operations		(231,268)	(65,073)
Employees' end of service indemnity paid		(80,065)	(11,859)
Net cash used in operating activities		(311,333)	(76,932)
INVESTING ACTIVITIES			
Net purchase of property,plant and equipment		(138,937)	(79,429)
Addition to right of use assets and intangible assets		(10,170)	-
Profit from saving deposits received		88,302	129,670
Redemption proceeds received from financial assets at fair value through other comprehensive income		28,349	-
Net cash outflow from acquiring a subsidiary	7a	-	(918,000)
Cash outflow on acquiring non-controlling interests of a subsidary	7b	-	(800,000)
Decrease of wakala deposits maturing after 3 months		-	8,750,000
Net cash (used in)/from investing activities		(32,456)	7,082,241
Net (decrease)/ increase in cash and cash equivalents		(343,789)	7,005,309
Cash and cash equivalents at beginning of the year		7,841,481	836,172
Cash and cash equivalents at end of the year	15	7,497,692	7,841,481

The notes set out on pages 9 to 38 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

The Parent Company is a Kuwaiti shareholding company registered and incorporated in the State of Kuwait on 16 April 2006 under the Commercial Companies Law.

The Parent Company is a subsidiary of Gulf Investment House - K.P.S.C .

The objectives for which the Parent Company has been established are as follows:

- Acquiring shares of Kuwaiti and foreign shareholding and limited liability companies as well as participation in those companies' incorporation, administration, lending and providing third party guarantees for these companies

- Lending companies in which the Parent Company owns shares and guaranteeing them against others. In this case, the contribution ratio of the holding company in the share capital of the borrowing company shall not be less than 20% at minimum.

- Owning industrial ownership rights such as patents, industrial commercial trademarks, industrial fees or any other related rights, and rent them to other companies to use them inside or outside State of Kuwait.

- Owning movables and real estate required to achieve its activities according to applicable laws.

- Utilizing the financial surpluses of the Parent Company by investing them in portfolios managed by specialized companies and entities.

Parent Company may participate directly or indirectly in the above-mentioned activities inside Kuwait and abroad in compliance with the Islamic Sharia.

The Parent Company's registered head office is at Dar Al-Awadi Tower, Sharq, Kuwait City, P.O. Box 1802 Safat, 13019 Safat, Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 22 May 2022. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets at fair value through other comprehensive income.

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

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

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

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

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

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

4.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
Annual Improvements 2018-2020 Cycle	1 January 2022

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

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

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

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

Notes to the financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)
IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IFRS 3 – Reference to the conceptual framework
The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

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

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

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

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

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

Notes to the financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle
Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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

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

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

5 Summary of significant accounting policies

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

5.1 Basis of consolidation

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

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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

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

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

5.2 Business combinations

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

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.12 for a description of impairment testing procedures.

5.4 Investment in associates

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

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under separate heading in the consolidated statement of profit or loss.

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

5.5 Revenue

The Group recognises revenue from sales of goods, dividend income and interest income.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.5 Revenue (continued)

The Group follows a 5-step process:

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

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

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

The Group recognises revenue from the following major sources:

5.5.1 Sale of goods

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

5.5.2 Dividend income

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

5.5.3 Interers income

Interest income is recongised using the effective interest method.

5.6 Operating expenses

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

5.7 Borrowing costs

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

5.8 Intangible assets – right of use of land

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses.

The costs incurred by the Group for right of use of land are capitalized and amortized on a straight line basis according to its expected useful economic life (5 years).
The estimated economic life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The Group does not have such assets as of the reporting date.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8 Intangible assets – right of use of land (continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains and losses arising from derecognition as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

5.9 Property and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

a) Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in other comprehensive income; all other decreases are charged to consolidated statement of profit or loss for the period. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to consolidated statement of profit or loss for the period and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

b) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

• Buildings	10%
• Plant, machinery and tools	9% - 30%
• Motor vehicles	15% - 20%
• Office equipment	20%
• Furniture and Fixtures:	20 %
• Computers	33.33%
• Tools	10 %

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.9 Property and equipment (continued)

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of Property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in profit or loss.

5.10 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the cost formula; first in first out formula.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.11 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2021, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Leases (continued)

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

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

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

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

5.12 Impairment testing of goodwill and non-financial assets
For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments

5.13.1 Recognition, initial measurement and derecognition

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

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

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

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

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

5.13.2 Classification of financial assets

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

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

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (note 5.13.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. No such designation have been made.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets

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

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

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

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

- *Cash and cash equilvaents*

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

- *Trade and other receivables*

Trade receivables are stated at original invoice amount less allowance for impairment (note 5.13.4).

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets (continued)

Financial assets at FVOCI (continued)

Equity instruments at FVOCI (continued)
Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

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

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

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

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

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

5.13.4 Impairment of financial assets
All financial assets, except for equity investments at FVOCI, are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets (continued)
The Group's policy is to recognise lifetime ECL for trade receivables (the simplified approach). The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

5.13.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities includes trade and other liabilities.

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

- *Financial liabilities at amortised cost*

These are stated using effective profit rate method and other liabilities and murabaha payable are classified as financial liabilities amortised cost.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 21.3.

5.15 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.16 Provisions, contingent assets and contingent liabilities (continued)

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

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

5.17 Foreign currency translation

5.17.1 Functional and presentation currency

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

5.17.2 Foreign currency transactions and balances

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

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

5.17.3 Foreign operations

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

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

5.18 End of service indemnity

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

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

5.19 Taxation

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

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

5.20 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three monthsfrom the date of inception.

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

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

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

6.1.1 Business model assessment
The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.13). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.2 Revenue recognition
Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.5 are met requires significant judgement.

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

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

6.2.1 Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

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

6.2.4 Impairment of non-financial assets (intangible assets)
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.5 Fair value of financial instruments

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

6.2.6 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

6.2.7 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 technical obsolescence that may change the utility of certain software and equipment.

7 Subsidiary companies

7.1 Details of the Group's consolidated subsidiaries at the end of the reporting year are as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest 31 Dec. 2021 %	Proportion of ownership interest 31 Dec. 2020 %
Al-Wataniya for Paper Products – WLL – a	Kuwait	Industrial	100%	100%
Light Food Company – KSCC ("LFC") – b	Kuwait	Industrial	100%	100%

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

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

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

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

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

The acquired subsidiary was consolidated to the Group's results from 1 March 2020 and the financial position as at 29 February 2020 was consolidated with the Group's financial position as of that date.

* As per the assets purchase agreement, the management of the Parent Company has agreed with the previous owners of the investee company ("previous owners") to collect the total trade receivable balance as of the acquisition date which amounting to KD1,081,871, on behalf of them and settle the net collection after deducting a commission for the collection process. Accordingly, all these trade balances were debited to trade receivable and then credited to a "due to previous owners" till the settlement process is completed. The Group has collected an amount of KD1,063,230 from the customers and settled the same amount to the previous oweners and the remaining balance as of the reporting date amounted KD18,641 at 31 December 2021.

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

For the purpose of the consolidated statement of cash flow, the net cash outflow on acquisition of subsidiary was KD918,000 as of 31 December 2020.

b) Acquisition of non-controlling interests of Light Food Company – KSC (Closed)

At the beginning of 2020, Afkar Holding Company KSC (Holding), owned 50% of the equity interest in Light Food Company – KSC (Closed) ("LFC") a subsidiary of the Group. During the previous year, the Group acquired the remaining equity stake of 50% from its non-controlling interests for a consideration of KD800,000 which resulted in increasing its ownership of the existing subsidiary from 50% to 100%. This change in the ownership resulted in a net deficit of KD480,330 which is included in the consolidated statement of changes in equity for the year ended 31 December 2020.

8 Sales of goods

	31 Dec. 2021 KD	31 Dec. 2020 KD
Local sales	5,550,303	4,959,605
	5,550,303	4,959,605
Less:-		
Local discounts	(101,283)	(297,977)
	5,449,020	4,661,628

Notes to the consolidated financial statements (continued)

9 Investment in associates

Details of Group associates are set out below:

	Country of registration and principal place of business	Nature of business	Percentage ownership		Carrying value	
			31 Dec. 2021 %	31 Dec. 2020 %	31 Dec. 2021 KD	31 Dec. 2020 KD
Gulf Industrial Development Company S.S.C.C("GID")	Kingdom of Saudi Arabia	Industrial	**28**	28	**4,011,639**	4,024,204
Hayat Factory for Fruit Drinks & Bottled Water Company Limited ('Hayat") *	Kingdom of Saudi Arabia	Industrial	**15**	15	**520,901**	552,942
					4,532,540	4,577,146

The movement of investment in associates are as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Carry value as at beginning of the year	**4,577,146**	4,956,479
Share of results of associates	**(24,871)**	(38,482)
Group's share of retained earnings adjustments of an associate	**(16,203)**	-
Impairment in value of investment in associate	-	(295,920)
Foreign currency translation reserve	**(3,532)**	(44,931)
	4,532,540	4,577,146

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

9.1 The above associates are accounted using the equity method in these consolidated financial statements based on audited financials as of 31 December 2021.

9.2 The carrying value of investment in associates is tested for impairment by estimating the recoverable amount using fair value approach. The fair value calculation uses market observable data which includes price to book value multiples and price to earnings multiples of comparable companies. As a result, the Parent Company has not provided for impairment of investment in associates during the year (2020: 295,920) (refer note 9.3.b).

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

Notes to the consolidated financial statements (continued)

9 Investment in associates (continued)

(a) Gulf Industrial Development Company S.S.C.C.

	31 Dec. 2021 KD	31 Dec. 2020 KD
Non-current assets	12,124,086	12,082,537
Currents assets	1,481,487	1,601,869
Current liabilities	(419,457)	(60,461)
Equity	13,186,116	13,623,945
Group's share of the net assets	3,692,114	3,704,679
Goodwill	319,525	319,525
Carrying value of the investment	4,011,639	4,024,204
Profit for the year	9,128	73,772

(b) Hayat Factory for Fruit Drinks and Bottled Water Company Limited

	31 Dec. 2021 KD	31 Dec. 2020 KD
Non-current assets	2,294,359	2,783,664
Currents assets	3,156,211	2,126,015
Non-current liabilities	(2,491,878)	(2,677,725)
Current liabilities	(3,137,080)	(2,196,738)
Equity	(178,388)	35,216
Group's share of the net assets	(26,759)	5,282
Goodwill	843,580	843,580
Impairment in value of investment in associate	(295,920)	(295,920)
Carrying value of the investment	520,901	552,942
Loss for the year	(183,900)	(394,253)

* All the above associates are unquoted.

10 Goodwill

The movement in Goodwill is as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balance at 1 January	538,738	182,721
Due to acquisition of a new subsidiary (note 7)	-	356,017
At the end of the year	538,738	538,738

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill of KD182,721 (2020: KD182,721) and KD356,017 (2020: KD356,017) have been allocated to the food processing unit and paper products division of the Group, respectively as these are the cash generating unit (CGU) which are expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Notes to the consolidated financial statements (continued)

11 Right of use assets and intangible assets

Right of use assets and intangible aseets includes an amount KD 609,891 (2020: 627,757) which represents the Group's leasehold right of utilization 3 plots of lands from the State of Kuwait in accordance contract with the General Authority for Industry for the period of five years for 2 plots ending in 25 December 2025 and one plot in 11 December 2024 and renewable for similar periods.

As of 31 December 2021, the right of utilization includes Leasehold land which the building construed on it and another leasehold land for the purpose of constructing a building.

12 Financial assets at fair value through other comprehensive income

	31 Dec. 2021 KD	31 Dec. 2020 KD
Managed Funds	**140,148**	257,628
	140,148	257,628

13 Investments at fair value through profit or loss

	31 Dec. 2021 KD	31 Dec. 2020 KD
Quoted equity securities	**923,890**	-
	923,890	-

Local quoted shares with a carrying value of KD923,890 at 31 December 2021 (2020: KD Nil).

14 Trade and other receivables

	31 Dec. 2021 KD	31 Dec. 2020 KD
Trade receivables	**1,546,598**	1,289,467
Less: provision for ECLs	**(204,707)**	(204,522)
	1,341,891	1,084,945
Staff receivables	**24,195**	15,932
Refundable deposits	**4,354**	3,354
Prepaid expenses	**30,592**	8,171
Due from sale of an associate	**194,831**	194,831
Other assets	**354,818**	347,798
	1,950,681	1,655,031

Movement on provision for ECLs is as follows:-

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balance at beginning of the year	**204,522**	145,089
Provision on acquisition of a subsidiary*	**-**	51,997
Provision provided during the year	**5,140**	15,725
Reversal of provision no longer required (net)	**(4,955)**	(8,289)
Balance at end of the year	**204,707**	204,522

*This represents a provision due to acquisition of subsidary.

Notes to the consolidated financial statements (continued)

14 Trade and other receivables (continued)

Trade receivables are non-interest bearing and are generally due within 90 days. The ageing analysis of these trade receivables is as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Less than 90 days	929,093	792,734
90 – 180 days	276,930	203,392
181 – 365 days	122,833	120,688
More than 365 days	217,742	172,653
	1,546,598	1,289,467

15 Cash and cash equivalents

Cash and cash equivalents for the purpose of the consolidated statement of cash flows are made up as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cash and bank balances	1,347,692	1,341,481
Term deposits*	6,150,000	6,500,000
Cash and cash equivalents as per the consolidated statement of cash flows	7,497,692	7,841,481

* The average effective yield rate on term deposits was between 1.40% to 1.75% as at 31 December 2021 (31 December 2020: 1.10% to 1.45%) per annum.

16 Inventory

	31 Dec 2021 KD	31 Dec. 2020 KD
Raw and packing materials	231,397	298,078
Finished goods	97,208	73,659
Provision for obsolete and slow moving stock	(28,738)	(34,207)
Total	299,867	337,530
Consumables and spare parts	57,820	62,027
Goods in Transit	20,783	12,235
	378,470	411,792

17 Share Capital

The Parent Company's authorized, issued and fully paid share capital comprises of 155,000,000 shares of 100 fils each.

18 Statutory and voluntary reserves

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit before contribution to KFAS, Zakat provision and board of directors' remuneration is to be transferred to statutory reserve. The shareholders of the Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

Notes to the consolidated financial statements (continued)

18 Statutory and voluntary reserves (continued)

In accordance with the Parent Company's Articles of Association, a certain percentage of the profit for the period, if any, is to be transferred to the voluntary reserve at the discretion of the board of directors which is to be approved at the general assembly. The Board of directors of the Parent Company proposed not to transfer any amount to the voluntary reserve during the year 2021, which is subject to the approval of the general assembly. There are no restrictions on distribution of voluntary reserve.

19 Other reserves

	Foreign currency translation Reserve KD	Transactions with NCI KD	Total KD
Balances at 1 January 2021	318,166	(480,330)	(162,164)
Other comprehensive income:			
Currency translation differences	(3,532)	-	(3,532)
Balances at 31 December 2021	314,634	(480,330)	(165,696)
Balances at 1 January 2020	363,097	-	363,097
Transactions with owners:			
Transactrion with non-controlling interest (note 7b)	-	(480,330)	(480,330)
Other comprehensive income:			
Currency translation differences	(44,931)	-	(44,931)
Balances at 31 December 2020	318,166	(480,330)	(162,164)

20 Related party transactions

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

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balances included in the consolidated statement of financial position		
Due from disposal of an associate (included under trade and other receivables)	194,831	194,831
Dividends distribution from associate (included under trade and other receivables)	296,288	296,288

	Year ended	
	31 Dec. 2021 KD	31 Dec. 2020 KD
Transaction included in consolidated statement of profit or loss		
Other Income	-	32,657
Compensation of key management personnel of the Group		
Salaries and other short-term benefits	52,574	69,391
Terminal benefits	2,083	13,293
Remuneration for members of the committees	59,500	-
	114,157	82,684

Notes to the consolidated financial statements (continued)

21 Profit for the year

Profit for the year is stated after charging the following:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Staff costs	954,336	869,508
Depreciation and amortization	96,183	139,320

a. Staff costs for the year has been allocated as follows

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cost of sale and services	277,300	274,056
General, administrative and other expenses	389,467	321,268
Sales and distribution expenses	287,569	274,184
	954,336	869,508

b. Depreciation and amortisation costs for the year have been allocated as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cost of sale and services	30,628	33,909
General, administrative and other expenses	39,841	71,834
Sales and distribution expenses	25,714	33,577
	96,183	139,320

22 Summary of financial assets and liabilities by category

22.1 Categories of financial assets and liabilities

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
At amortised cost:		
• Bank balances and term deposits	7,497,692	7,841,481
• Trade and other receivables (excluding prepaid expenses)	1,920,089	1,646,860
	9,417,781	9,488,341
Financial assets at fair value through profit or loss		
• Quoted equity securities	923,890	-
Financial assets at fair value through other comprehensive income		
• Managed funds	140,148	257,628
	1,064,038	257,628
Total financial assets	10,481,819	9,745,969
Financial liabilities (at amortised costs) :		
• Trade and other payables	976,657	565,831
• Lease Liabilities	4,894	10,370
	981,551	576,201

Notes to the consolidated financial statements (continued)

22 Summary of financial assets and liabilities by category (continued)

22.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures financial instruments such as transactions at fair value though profit or loss and financial asset at fair value through other comprehensive income at fair value and measurement details are disclosed in Note 22.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

The following table presents the financial assets which are measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

22.3 Fair value hierarchy for financial instruments measured at fair value

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

		Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
31 December 2021					
Financial assets at fair value					
Financial assets at FVTPL					
- Quoted equity securities	a	923,890	-	-	923,890
Financial assets at FVOCI					
- Managed funds	b	-	140,148	-	140,148
Total financial assets at fair value		923,890	140,148	-	1,064,038
31 December 2020					
Financial assets at FVOCI					
- Managed funds	b	-	257,628	-	257,628
Total financial assets at fair value		-	257,628	-	257,628

Measurement at fair value

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

Notes to the consolidated financial statements (continued)

22 Summary of financial assets and liabilities by category (continued)

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

Measurement at fair value (continued)

a) Quoted shares

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments has been determined by reference to their quoted bid prices at the reporting date (Level 1).

b) Foreign managed funds

The underlying investments in foreign managed funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the specialised investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

23 Risk management objectives and policies

The Group's financial liabilities comprise other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and term deposits and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The board of directors sets out policies for reducing each of the risks discussed below.

The most significant financial risks to which the Group is exposed to are described below.

23.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the value of monetary financial instruments will fluctuate due to changes in foreign exchange rates. As at the financial position date the Group does not have any significant exposure to foreign currency denominated monetary assets or monetary liabilities and therefore, the Group is not exposed to any significant foreign currency risks.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its term depoists (Note 15).

If the interest rates had increased/decreased by 50 basis points, while all other variables are held constant, then this would result in an increase/decrease of KD 30,750 (2020: KD32,500) in the profit for the year.

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group has no financial assets which exposes to equity price risk.

Notes to the consolidated financial statements (continued)

23 Risk management objectives and policies (continued)

23.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy and exposure to credit risk is monitored on an ongoing basis.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Trade and other receivable (excluding prepaid expenses)	1,920,089	1,646,860
Cash and Bank balances	1,347,692	1,341,481
Term deposits	6,150,000	6,500,000
Financial assets at FVOCI	140,148	257,628
	9,557,929	9,745,969

Except for certain receivables, none of the above financial assets are past due nor impaired. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. The Company's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

The credit risk for bank balances and term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality.

23.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. To limit this risk, management of the Company manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The contractual maturity of financial liabilities (trade and pother payable) is within 12 months of the reporting date.

24 Capital risk management

The Group's capital risk management objectives are to ensure that it will be able to continue as a going concern and to provide adequate return to its shareholders through optimisation of the capital structure.

The capital of the Group consists of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt. The management monitors the Group's return on capital.

25 Dividend distribution

The Parent Company's board of directors proposed not to distribute dividends for the year ended 31 December 2021 (31 December 2020: KD Nil).

The annual general assembly of the Parent Company's shareholders held on 19 August 2021 approved the consolidated financial statements for the financial year ended 31 December 2020. Furthermore, it approved not to distribute dividends and approved not to distribute directors' remuneration for the financial year ended 31 December 2020.

Notes to the consolidated financial statements (continued)

26 Covid19 Pandemic Impact

The outbreak of Coronavirus ("COVID19") pandemic and related global responses caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local markets experienced significant volatility and weakness during the pandemic. While the pandemic has now been largely controlled with measures from governments and central banks with various financial packages and reliefs designed to stabilise economic conditions.

Management updated its assumptions with respect to judgements and estimates on various account balances which may still be potentially impacted due to the lingering effects. The assessment did not result into any significant impact on this interim condensed consolidated financial information. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimise any future negative impact on the Group.

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