Grant Thornton
Al-Qatami, Al-Aiban & Partners

Interim condensed consolidated financial information and review report

# National Industries Group Holding – KPSC and Subsidiaries

# Kuwait

30 June 2022 (Unaudited)

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# Report on review of interim condensed consolidated financial information

To the board of directors of
National Industries Group Holding – KPSC
Kuwait

*Introduction*
We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Group Holding - KPSC (the "Parent Company") and its Subsidiaries (the "Group") as of 30 June 2022 and the related interim condensed consolidated statements of profit or loss and profit or loss and other comprehensive income for the three-month and six-month periods then ended and, interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

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

*Conclusion*
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

**Report on review of other legal and regulatory requirements**
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2022 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provision of law no 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six-month period ended 30 June 2022 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
8 August 2022

# Interim condensed consolidated statement of profit or loss

| | Note | Three months ended | | Six months ended | |
|---|---|---|---|---|---|
| | | **30 June 2022 (Unaudited) KD '000** | 30 June 2021 (Unaudited) KD '000 | **30 June 2022 (Unaudited) KD '000** | 30 June 2021 (Unaudited) KD '000 |
| Sales | | **31,418** | 27,277 | **61,448** | 52,446 |
| Cost of sales | | **(24,825)** | (22,138) | **(48,910)** | (42,723) |
| **Gross profit** | | **6,593** | 5,139 | **12,538** | 9,723 |
| Gain on sale of financial assets at fair value through profit or loss | | **1,164** | 2,144 | **5,695** | 2,789 |
| Change in fair value of financial assets at fair value through profit or loss | | **(31,440)** | 26,584 | **27,148** | 49,644 |
| Dividend income | | **11,641** | 5,059 | **14,554** | 6,796 |
| Interest income | | **548** | 335 | **693** | 714 |
| Share of results of associates | 9 | **6,719** | 6,143 | **14,456** | 12,059 |
| Rental income | | **589** | 503 | **1,176** | 1,034 |
| Loss on other non-financial assets – net | | **(88)** | (18) | **(88)** | (18) |
| Other income | | **489** | 456 | **1,042** | 1,243 |
| (Loss)/gain on foreign currency exchange | | **(145)** | 115 | **(365)** | 193 |
| | | **(3,930)** | 46,460 | **76,849** | 84,177 |
| General, administrative and other expenses | | **(5,324)** | (7,390) | **(13,239)** | (13,821) |
| Distribution costs | | **(2,123)** | (2,218) | **(4,399)** | (4,353) |
| Finance costs | | **(5,664)** | (5,228) | **(10,567)** | (10,634) |
| Reversal of/(charge for) impairment losses – net | | **3,931** | (798) | **(6,368)** | (818) |
| **(Loss)/profit before taxation** | | **(13,110)** | 30,826 | **42,276** | 54,551 |
| Taxation charged on overseas subsidiaries | | **(317)** | (249) | **(785)** | (326) |
| **(Loss)/profit for the period** | | **(13,427)** | 30,577 | **41,491** | 54,225 |
| **(Loss)/profit for the period attributable to:** | | | | | |
| Owners of the Parent Company | | **(15,173)** | 24,532 | **31,233** | 43,619 |
| Non-controlling interests | | **1,746** | 6,045 | **10,258** | 10,606 |
| | | **(13,427)** | 30,577 | **41,491** | 54,225 |
| **Basic and diluted (loss)/earnings per share attributable to the Owners of the Parent Company** | 5 | **(7.1) Fils** | 14.3 Fils | **15.9 Fils** | 25.5 Fils |

*The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.*

# Interim condensed consolidated statement of profit or loss and other comprehensive income

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **30 June 2022 (Unaudited) KD '000** | 30 June 2021 (Unaudited) KD '000 | **30 June 2022 (Unaudited) KD '000** | 30 June 2021 (Unaudited) KD '000 |
| (Loss)/profit for the period | **(13,427)** | 30,577 | **41,491** | 54,225 |
| **Other comprehensive (loss)/income:** | | | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | | |
| Exchange differences arising on translation of foreign operations | **(6,271)** | (2,615) | **(7,731)** | 211 |
| Share of other comprehensive (loss)/income of associates | **(54)** | (205) | **(2,064)** | 114 |
| | **(6,325)** | (2,820) | **(9,795)** | 325 |
| ***Items not to be reclassified to profit or loss in subsequent periods:*** | | | | |
| Defined benefit plan actuarial (loss)/gain – net | **(97)** | 156 | **2,102** | 46 |
| Net changes in fair value of financial assets at FVTOCI | **(3,439)** | 10,926 | **(5,907)** | 18,642 |
| Share of other comprehensive income of associates | **1,210** | 767 | **2,480** | 1,487 |
| | **(2,326)** | 11,849 | **(1,325)** | 20,175 |
| **Total other comprehensive (loss)/income for the period** | **(8,651)** | 9,029 | **(11,120)** | 20,500 |
| **Total comprehensive (loss)/income for the period** | **(22,078)** | 39,606 | **30,371** | 74,725 |
| **Total comprehensive (loss)/income attributable to:** | | | | |
| Owners of the Parent Company | **(19,606)** | 31,311 | **24,039** | 54,531 |
| Non-controlling interests | **(2,472)** | 8,295 | **6,332** | 20,194 |
| | **(22,078)** | 39,606 | **30,371** | 74,725 |

*The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.*

# Interim condensed consolidated statement of financial position

| | Note | 30 June 2022 (Unaudited) KD '000 | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 6 | **220,818** | 90,674 | 81,628 |
| Assets classified as held for sale | | **4,096** | 4,263 | 6,267 |
| Accounts receivable and other assets | | **70,024** | 54,117 | 61,517 |
| Inventories | | **39,938** | 36,905 | 36,123 |
| Financial assets at fair value through profit or loss | 7 | **416,545** | 396,501 | 356,511 |
| Financial assets at fair value through other comprehensive income | 8 | **182,407** | 194,307 | 222,987 |
| Right of use of assets | | **6,657** | 7,633 | 8,602 |
| Investment properties | | **62,478** | 60,293 | 59,626 |
| Investment in associates | 9 | **340,602** | 336,783 | 325,094 |
| Property, plant and equipment | | **89,076** | 88,601 | 89,862 |
| Goodwill and other intangible assets | | **9,429** | 9,834 | 10,285 |
| **Total assets** | | **1,442,070** | 1,279,911 | 1,258,502 |
| **Liabilities and equity** | | | | |
| **Liabilities** | | | | |
| Due to banks | 6 | **14,166** | 12,941 | 13,832 |
| Accounts payable and other liabilities | | **105,287** | 72,393 | 65,678 |
| Lease liabilities | | **6,567** | 7,274 | 8,257 |
| Borrowings | 10 | **611,742** | 586,804 | 563,115 |
| Bonds | 11 | **30,000** | 30,000 | 55,000 |
| Provisions | | **12,885** | 13,295 | 15,051 |
| **Total liabilities** | | **780,647** | 722,707 | 720,933 |
| **Equity attributable to owners of the Parent Company** | | | | |
| Share capital | 12 | **218,589** | 149,924 | 149,924 |
| Share premium | 12 | **175,435** | 122,962 | 122,962 |
| Treasury shares | 13 | **(23,975)** | (23,406) | (27,841) |
| Statutory and general reserves | | **43,225** | 43,225 | 26,332 |
| Other components of equity | 14 | **6,191** | 21,139 | 41,248 |
| Retained earnings | | **93,435** | 94,618 | 70,413 |
| **Equity attributable to owners of the Parent Company** | | **512,900** | 408,462 | 383,038 |
| Non-controlling interests | | **148,523** | 148,742 | 154,531 |
| **Total equity** | | **661,423** | 557,204 | 537,569 |
| **Total liabilities and equity** | | **1,442,070** | 1,279,911 | 1,258,502 |

Sulaiman Hamad Al-Dalali
Vice Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

*The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.*

# Interim condensed consolidated statement of changes in equity

| | Equity attributable to the owners of the Parent Company | | | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital KD '000 | Share premium KD '000 | Treasury shares KD '000 | Statutory and general reserves KD '000 | Other components of equity KD '000 | Retained earnings KD '000 | Sub-total KD '000 | KD '000 | KD '000 |
| **Balance at 1 January 2022** | **149,924** | **122,962** | **(23,406)** | **43,225** | **21,139** | **94,618** | **408,462** | **148,742** | **557,204** |
| Capital increase (note 12.1) | **52,473** | **52,473** | - | - | - | - | **104,946** | - | **104,946** |
| Participation in capital increase by subsidiaries (note 12.1) | - | - | **(569)** | - | - | - | **(569)** | - | **(569)** |
| Issue of bonus shares (note 15) | **16,192** | - | - | - | - | **(16,192)** | - | - | - |
| Cash dividend (note 15) | - | - | - | - | - | **(23,898)** | **(23,898)** | - | **(23,898)** |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | **(3,793)** | **(3,793)** |
| Consolidation and other adjustments | - | - | - | - | - | **(80)** | **(80)** | **(2,758)** | **(2,838)** |
| **Transactions with owners** | **68,665** | **52,473** | **(569)** | - | - | **(40,170)** | **80,399** | **(6,551)** | **73,848** |
| Profit for the period | - | - | - | - | - | **31,233** | **31,233** | **10,258** | **41,491** |
| Other comprehensive (loss)/income for the period | - | - | - | - | **(9,296)** | **2,102** | **(7,194)** | **(3,926)** | **(11,120)** |
| **Total comprehensive (loss)/income for the period** | - | - | - | - | **(9,296)** | **33,335** | **24,039** | **6,332** | **30,371** |
| **Gain on sale of financial assets at FVTOCI** | - | - | - | - | **(2,308)** | **2,308** | - | - | - |
| **Share of associates' gain on sale of financial assets at FVTOCI** | - | - | - | - | **(3,344)** | **3,344** | - | - | - |
| **Balance at 30 June 2022** | **218,589** | **175,435** | **(23,975)** | **43,225** | **6,191** | **93,435** | **512,900** | **148,523** | **661,423** |

# Interim condensed consolidated statement of changes in equity (continued)

| | Equity attributable to the owners of the Parent Company | | | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital KD '000 | Share premium KD '000 | Treasury shares KD '000 | Statutory and general reserves KD '000 | Other components of equity KD '000 | Retained earnings KD '000 | Sub-total KD '000 | KD '000 | KD '000 |
| **Balance at 1 January 2021** | 142,784 | 122,962 | (30,375) | 26,332 | 42,953 | 22,253 | 326,909 | 136,313 | 463,222 |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | (1,178) | (1,178) |
| Issue of bonus shares | 7,140 | - | - | - | - | (7,140) | - | - | - |
| Disposal of treasury shares | - | - | 2,534 | - | (936) | - | 1,598 | (898) | 700 |
| Consolidation and other adjustments | - | - | - | - | - | - | - | 100 | 100 |
| **Total transactions with owners** | 7,140 | - | 2,534 | - | (936) | (7,140) | 1,598 | (1,976) | (378) |
| Profit for the period | - | - | - | - | - | 43,619 | 43,619 | 10,606 | 54,225 |
| Other comprehensive income for the period | - | - | - | - | 10,868 | 44 | 10,912 | 9,588 | 20,500 |
| **Total comprehensive income for the period** | - | - | - | - | 10,868 | 43,663 | 54,531 | 20,194 | 74,725 |
| **Gain on sale of financial assets at FVTOCI** | - | - | - | - | (11,637) | 11,637 | - | - | - |
| **Balance at 30 June 2021** | 149,924 | 122,962 | (27,841) | 26,332 | 41,248 | 70,413 | 383,038 | 154,531 | 537,569 |

*The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.*

# Interim condensed consolidated statement of cash flows

| | Note | Six months ended 30 June 2022 (Unaudited) KD '000 | Six months ended 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Profit before foreign taxation** | | **42,276** | 54,551 |
| **Adjustments for:** | | | |
| Dividend income | | **(14,554)** | (6,796) |
| Share of results of associates | 9 | **(14,456)** | (12,059) |
| Interest income | | **(693)** | (714) |
| Loss on other non-financial assets - net | | **88** | 18 |
| Depreciation and amortisation | | **4,604** | 3,874 |
| Finance costs | | **10,567** | 10,634 |
| Net impairment losses – net | | **6,368** | 818 |
| Net provisions charged/(reversed) | | **1,692** | (245) |
| | | **35,892** | 50,081 |
| **Changes in operating assets and liabilities:** | | | |
| Inventories | | **(3,033)** | (1,304) |
| Accounts receivable and other assets | | **(19,099)** | (4,402) |
| Financial assets at fair value through profit or loss | | **(20,044)** | (43,039) |
| Accounts payable and other liabilities | | **1,484** | 3,275 |
| Cash (used in)/from operations | | **(4,800)** | 4,611 |
| Taxation paid | | **(354)** | (146) |
| **Net cash (used in)/from operating activities** | | **(5,154)** | 4,465 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(3,673)** | (3,164) |
| Additions to investment properties | | **(2,250)** | - |
| Additions to investment in associates | | **(1,091)** | (845) |
| Dividend received from associates | | **5,389** | 3,138 |
| Proceeds from disposal of associates | | **653** | - |
| Purchase of financial assets at FVTOCI | | **(371)** | (197) |
| Proceeds from sale of financial assets at FVTOCI | | **6,364** | 26,770 |
| Dividend income received | | **14,554** | 6,796 |
| Decrease of short-term deposits maturing after 3 months | | **(358)** | |
| Interest income received | | **693** | 516 |
| Proceeds from sale of investment properties | | **-** | 620 |
| **Net cash from investing activities** | | **19,910** | 33,634 |
| **FINANCING ACTIVITIES** | | | |
| Net increase in borrowings | | **24,938** | 5,925 |
| Repayment of lease liabilities | | **(1,658)** | - |
| Issue of shares | | **104,946** | - |
| Purchase of treasury shares | | **(569)** | - |
| Dividend paid to non-controlling interests | | **(3,793)** | (1,178) |
| Change in non-controlling interests | | **(6)** | (798) |
| Finance costs paid | | **(10,348)** | (10,584) |
| Proceeds from sale of treasury shares | | **-** | 700 |
| **Net cash from/(used in) financing activities** | | **113,510** | (5,935) |
| Net increase in cash and cash equivalents | | **128,266** | 32,164 |
| Foreign currency translation differences | | **295** | (78) |
| | | **128,561** | 32,086 |
| Cash and cash equivalents at beginning of the period | | **67,535** | 34,454 |
| **Cash and cash equivalents at end of the period** | 6 | **196,096** | 66,540 |

*The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.*

# Notes to the interim condensed consolidated financial information

## 1 Incorporation and activities

National Industries Group Holding – KPSC ('the Parent Company') was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a 'Holding Company'.

The Parent Company along with its subsidiaries are collectively referred to as "the Group" in this interim condensed consolidated financial information.

The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available by investing them in investment and real estate portfolios managed by specialised companies.
- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available by investing them in investment and real estate portfolios managed by specialised companies.

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved this interim condensed consolidated financial information for issue on 8 August 2022.

## 2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021, except for the changes described in note 3.

The annual consolidated financial statements for the year ended 31 December 2021 were 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 interim condensed consolidated financial information (continued)

## 2 Basis of preparation (continued)

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2021.

## 3 Changes in accounting policies

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

The following new amendments or standards were effective for the current period.

| *Standard or Interpretation* | *Effective for annual periods beginning* |
|---|---|
| IFRS 3 Amendment – Reference to the conceptual framework | 1 January 2022 |
| IAS 16 – Amendments – Proceeds before intended use | 1 January 2022 |
| IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract | 1 January 2022 |
| Annual Improvements 2018-2020 Cycle | 1 January 2022 |

**IFRS 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

The adoption of the amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

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

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

The adoption of the amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

**IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract**

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies (continued)

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

**IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract (continued)**
The adoption of the amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

**Annual Improvements 2018-2020 Cycle**
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

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

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

The adoption of the amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

### 3.2 IASB Standards issued but not yet effective
At the date of authorisation of this interim condensed consolidated financial information, 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 interim condensed consolidated financial information is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's interim condensed consolidated financial information.

| *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 |
| IAS 1 Amendments- Classification of current and non-current | 1 January 2023 |
| IAS 1 Amendments- Disclosure of accounting policies | 1 January 2023 |
| IAS 8 Amendments- Definition of accounting estimates | 1 January 2023 |
| IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies (continued)

### 3.2 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***

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.

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.

**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 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

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 interim condensed consolidated financial information (continued)

## 4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2021.

## 5 Basic and diluted (loss)/earnings per share

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **30 June 2022 (Unaudited)** | 30 June 2021 (Unaudited) | **30 June 2022 (Unaudited)** | 30 June 2021 (Unaudited) |
| (Loss)/profit for the period attributable to the owners of the Parent Company (KD '000) | **(15,173)** | 24,532 | **31,233** | 43,619 |
| Weighted average number of shares outstanding during the period (excluding treasury shares) – shares | **2,151,119,155** | 1,710,410,766 | **1,968,277,872** | 1,710,851,758 |
| Basic and diluted (loss)/earnings per share | **(7.1) Fils** | 14.3 Fils | **15.9 Fils** | 25.5 Fils |

The basic and diluted earnings per share reported during the previous period for the three months and six months ended 30 June 2021 were 16.8 Fils and 29.9 Fils respectively, before retroactive adjustments relating to rights issue (note 12) and bonus shares issue (note 15).

There were no potential dilutive shares.

## 6 Cash and cash equivalents

| | **30 June 2022 (Unaudited) KD '000** | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| Bank balances and cash | **90,952** | 59,188 | 59,836 |
| Short term deposits (d) | **129,866** | 31,486 | 21,792 |
| Cash and cash equivalents for the purpose of interim condensed consolidated statement of financial position | **220,818** | 90,674 | 81,628 |
| Less: restricted bank balances (a) | **(5,506)** | (5,506) | (6) |
| Less: time deposits maturing after three months | **(5,050)** | (4,692) | (1,250) |
| Due to banks (b) | **(14,166)** | (12,941) | (13,832) |
| **Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows** | **196,096** | 67,535 | 66,540 |

# Notes to the interim condensed consolidated financial information (continued)

## 6 Cash and cash equivalents (continued)

a) At 30 June 2022, it includes KD5,500 thousand (31 December 2021: KD5,500 thousand) restricted against letters of guarantee.

b) Due to banks include bank overdraft facilities secured by pledge of short-term deposits of KD650 thousand as at 30 June 2022 (31 December 2021: KD642 thousand and 30 June 2021: KD623 thousand).

c) Cash and cash equivalents amounting to KD51 thousand (31 December 2021: KD1,400 thousand and 30 June 2021: KD1,254 thousand) are pledged against borrowings (Note 10).

d) The effective interest rate on short-term deposits as of 30 June 2022 range from 0.30% to 3.3% per annum (31 December 2021: 0.30% to 2.0% per annum and 30 June 2021 0.30% to 2.0% per annum)

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

| | 30 June 2022 (Unaudited) KD '000 | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| **Quoted securities:** | | | |
| - Local | **221,042** | 196,858 | 177,401 |
| - Foreign | **79,764** | 75,219 | 63,090 |
| **Unquoted securities:** | | | |
| - Local | **2,896** | 2,368 | 2,012 |
| - Foreign | **19,093** | 17,027 | 10,930 |
| **Managed portfolios and funds:** | | | |
| - Investment in private equity funds | **89,460** | 100,421 | 98,757 |
| - Local funds | **2,237** | 2,153 | 2,184 |
| - Foreign portfolios | **2,053** | 2,455 | 2,137 |
| | **416,545** | 396,501 | 356,511 |

a) Quoted securities and managed funds with an aggregate carrying value of KD147,195 thousand (31 December 2021: KD140,943 thousand and 30 June 2021: KD120,151 thousand) are pledged against borrowings (Note 10).

b) The Group has signed agreements whereby certain shares of financial assets at fair value through profit or loss with aggregate carrying value of KD165,522 thousand (31 December 2021: KD139,073 thousand and 30 June 2021: KD123,129 thousand) have been kept in custody portfolios against borrowings (Note 10).

# Notes to the interim condensed consolidated financial information (continued)

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

| | 30 June 2022 (Unaudited) KD '000 | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| **Quoted securities:** | | | |
| - Local | **9,148** | 10,862 | 10,782 |
| - Foreign | **43,370** | 41,827 | 34,662 |
| **Unquoted securities:** | | | |
| - Local | **14,951** | 15,746 | 14,851 |
| - Foreign | **91,471** | 101,387 | 141,576 |
| **Managed portfolios and funds:** | | | |
| - Local | **1,760** | 1,827 | 1,884 |
| - Foreign | **21,707** | 22,658 | 19,232 |
| | **182,407** | 194,307 | 222,987 |

a) Quoted securities with an aggregate carrying value of KD36,467 thousand (31 December 2021: KD34,043 thousand and 30 June 2021: KD31,009 thousand) and unquoted securities with an aggregate carrying value of KD564 thousand (31 December 2021: KD384 thousand and 30 June 2021: KD384 thousand) are pledged against borrowings (Note 10).

b) The Group has signed agreements whereby certain shares of financial assets at fair value through other comprehensive income with aggregate carrying value of KD3,892 thousand (31 December 2020: KD4,105 thousand and 30 June 2021: KD3,104 thousand) have been kept in custody portfolios against borrowings (Note 10).

## 9 Investment in associates

a) The movement in associates during the period/year is as follows:

| | 30 June 2022 (Unaudited) KD '000 | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| Balance at 1 January | **336,783** | 315,602 | 315,602 |
| Additions during the period/year | **8,891** | 3,570 | 845 |
| Share of results | **14,456** | 30,843 | 12,059 |
| Disposals | **(741)** | (294) | - |
| Share of other comprehensive income/(loss) | **416** | 6,383 | 1,601 |
| Dividend distribution | **(6,740)** | (7,003) | (4,418) |
| Impairment in value – net | **(5,428)** | (5,857) | (752) |
| Foreign currency translation adjustment | **(7,035)** | (6,461) | 129 |
| Other adjustments | **-** | - | 28 |
| Balance at the end of the period/year | **340,602** | 336,783 | 325,094 |

b) The Group has signed agreements whereby certain shares of investment in associates with aggregate carrying value of KD227,681 thousand (31 December 2021: KD204,073 thousand and 30 June 2021: KD211,758 thousand) have been kept in custody portfolios with specialised institutions against borrowings (Note 10).

# Notes to the interim condensed consolidated financial information (continued)

## 10 Borrowings

| | 30 June 2022 (Unaudited) KD '000 | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| **Short term:** | | | |
| Term loans | **169,405** | 161,377 | 133,455 |
| Islamic financing arrangements | **23,995** | 13,829 | 13,863 |
| | **193,400** | 175,206 | 147,318 |
| **Long term:** | | | |
| **Term loans** | | | |
| - Current portion | **28,098** | 48,748 | 79,215 |
| - Due after more than one year | **248,774** | 222,980 | 213,444 |
| **Islamic financing arrangements** | | | |
| - Current portion | **24,439** | 18,290 | 82,385 |
| - Due after more than one year | **117,031** | 121,580 | 40,753 |
| | **418,342** | 411,598 | 415,797 |
| | **611,742** | 586,804 | 563,115 |

As at 30 June 2022, certain borrowings are secured against cash and cash equivalents (Note 6c) and pledged and/or in custody portfolios with specialised institutions that includes financial assets at fair value through profit and loss (Note 7), financial assets at fair value through other comprehensive income (Note 8), investment properties, property plant and equipment, investment in subsidiaries and shares of certain associates (Note 9).

## 11 Bonds

| | 30 June 2022 (Unaudited) KD '000 | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| **Kuwait Dinar:** | | | |
| Floating rate bonds | **7,600** | 7,600 | 32,600 |
| Fixed rate bonds | **22,400** | 22,400 | 22,400 |
| | **30,000** | 30,000 | 55,000 |

The outstanding bonds at 30 June 2022 mature on 11 February 2025, and are unsecured.

## 12 Share capital and share premium

| | Authorised | Issued | Paid up |
|---|---|---|---|
| **30 June 2022** | | | |
| **Shares of 100 Fils each** | **3,000,000,000** | **2,185,889,025** | **2,185,889,025** |
| 31 December 2021 | | | |
| Shares of 100 Fils each | 1,499,238,014 | 1,499,238,014 | 1,499,238,014 |
| 30 June 2021 | | | |
| Shares of 100 Fils each | 1,499,238,014 | 1,499,238,014 | 1,499,238,014 |

# Notes to the interim condensed consolidated financial information (continued)

## 12 Share capital and share premium (continued)

12.1 During the previous year, the shareholders' approved to increase the Parent Company's authorised capital from KD149,924 thousand to KD300,000 thousand which was registered in the commercial register of the Ministry of Commerce on 11 January 2022.

On 30 January 2022, the board of directors of the Parent Company approved to increase the issued and paid up share capital from KD149,924 thousand to KD202,397 thousand through a cash increase of KD52,473 thousand by issuing 524,733,305 shares of 100 Fils per share plus 100 Fils per share as share premium.

Following approval of the Capital Markets Authority (CMA), the Parent Company's issued capital was increased to KD202,397 thousand and registered in the commercial register of the Ministry of Commerce on 21 March 2022. The capital increase was fully subscribed and on 28 April 2022, Kuwait Clearing Company approved the allotment of the new shares.

12.2 Share premium is not available for distribution.

## 13 Treasury shares

| | 30 June 2022 (Unaudited) | 31 Dec. 2021 (Audited) | 30 June 2021 (Unaudited) |
|---|---|---|---|
| Number of shares | **32,404,994** | 29,560,940 | 35,162,672 |
| Percentage of issued shares | **1.50%** | 1.97% | 2.3% |
| Market value (KD '000) | **8,166** | 8,336 | 7,841 |
| Cost (KD'000) | **23,975** | 23,406 | 27,841 |

a) Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

b) As at 30 June 2022, an associate held 10.1% (31 December 2021: 10.1% and 30 June 2021: 9.8%) of the Parent Company's shares.

## 14 Other components of equity

| | Cumulative changes in fair value KD '000 | Treasury shares reserve KD '000 | Foreign currency translation reserve KD '000 | Total KD '000 |
|---|---|---|---|---|
| **Balances as at 1 January 2022** | **21,090** | **15,915** | **(15,866)** | **21,139** |
| Share of other comprehensive income of associates | **1,432** | - | - | **1,432** |
| Change in fair value of financial assets at FVTOCI | **(6,555)** | - | - | **(6,555)** |
| Currency translation differences | - | - | **(4,173)** | **(4,173)** |
| **Other comprehensive loss** | **(5,123)** | - | **(4,173)** | **(9,296)** |
| **Gain on sale of investments at FVTOCI** | **(2,308)** | - | - | **(2,308)** |
| **Share of associates' gain on sale of financial assets at FVTOCI** | **(3,344)** | - | - | **(3,344)** |
| **Balances as at 30 June 2022** | **10,315** | **15,915** | **(20,039)** | **6,191** |

# Notes to the interim condensed consolidated financial information (continued)

## 14 Other components of equity (continued)

| | Cumulative changes in fair value KD '000 | Treasury shares reserve KD '000 | Foreign currency translation reserve KD '000 | Total KD '000 |
|---|---|---|---|---|
| **Balances at 1 January 2021** | 36,469 | 18,452 | (11,968) | 42,953 |
| Share of other comprehensive income of associates | 1,545 | - | - | 1,545 |
| Change in fair value of financial assets at FVTOCI | 9,189 | - | - | 9,189 |
| Currency translation differences | - | - | 134 | 134 |
| **Other comprehensive income** | 10,734 | - | 134 | 10,868 |
| **Loss on sale of treasury shares** | - | (936) | - | (936) |
| **Gain on sale of investments at FVTOCI** | (11,637) | - | - | (11,637) |
| **Balances at 30 June 2021** | 35,566 | 17,516 | (11,834) | 41,248 |

## 15 Annual general assembly of shareholders

The Annual General Assembly of the shareholders of the Parent Company held on 2 June 2022 approved the consolidated financial statements for the year ended 31 December 2021 and the boards of directors' proposal to distribute cash dividend to the shareholders of 12% equivalent to 12 Fils per share, and to issue 8% bonus shares, and an amount of KD650 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2021. Accordingly, cash dividend of KWD23,898 thousand has been included under accounts payable and other liabilities in the interim condensed consolidated financial position which paid subsequent to the reporting date.

# Notes to the interim condensed consolidated financial information (continued)

## 16 Segmental analysis

The Group's activities are concentrated in four main segments: investment, building material, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management of the Group.

The Group's format for reporting segment information is business segments; which conforms to the internal reporting presented to management:

| | Investment | | Building materials | | Specialist engineering and chemical | | Hotel and IT services | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Six-month ended:** | **30 June 2022 KD '000** | 30 June 2021 KD '000 | **30 June 2022 KD '000** | 30 June 2021 KD '000 | **30 June 2022 KD '000** | 30 June 2021 KD '000 | **30 June 2022 KD '000** | 30 June 2021 KD '000 | **30 June 2022 KD '000** | 30 June 2021 KD '000 |
| Segment revenue | **64,676** | 74,261 | **23,948** | 20,317 | **29,475** | 26,203 | **8,025** | 5,926 | **126,124** | 126,707 |
| **Less:** | | | | | | | | | | |
| Gain on sale of financial assets at fair value through profit or loss | | | | | | | | | **(5,695)** | (2,789) |
| Change in fair value of financial assets at fair value through profit or loss | | | | | | | | | **(27,148)** | (49,644) |
| Dividend income | | | | | | | | | **(14,554)** | (6,796) |
| Interest income | | | | | | | | | **(693)** | (714) |
| Share of result of associates | | | | | | | | | **(14,456)** | (12,059) |
| Rental income | | | | | | | | | **(1,176)** | (1,034) |
| Loss on other non-financial assets – net | | | | | | | | | **88** | 18 |
| Other income | | | | | | | | | **(1,042)** | (1,243) |
| Sales, per consolidated statement of profit or loss | | | | | | | | | **61,448** | 52,446 |
| Segment profit/(loss) | **50,090** | 64,518 | **2,023** | 1,590 | **612** | (1,327) | **483** | 211 | **53,208** | 64,992 |
| **Less:** | | | | | | | | | | |
| Finance costs | | | | | | | | | **(10,567)** | (10,634) |
| Other unallocated (loss)/income | | | | | | | | | **(365)** | 193 |
| Profit before taxation | | | | | | | | | **42,276** | 54,551 |
| Segment assets | **1,232,833** | 1,046,102 | **80,506** | 80,756 | **116,756** | 120,069 | **11,975** | 11,575 | **1,442,070** | 1,258,502 |
| Segment liabilities | **(64,966)** | (30,297) | **(27,038)** | (27,577) | **(26,767)** | (25,717) | **(5,968)** | (5,395) | **(124,739)** | (88,986) |
| Segment net assets | **1,167,867** | 1,015,805 | **53,468** | 53,179 | **89,989** | 94,352 | **6,007** | 6,180 | **1,317,331** | 1,169,516 |
| Borrowings, bonds and due to banks | | | | | | | | | **(655,908)** | (631,947) |
| Total equity, per consolidated statement of financial position | | | | | | | | | **661,423** | 537,569 |

# Notes to the interim condensed consolidated financial information (continued)

## 17 Related party balances and transactions

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

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

| | **30 June 2022 (Unaudited) KD '000** | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| **Balances included in the interim condensed consolidated statement of financial position** | | | |
| Due from related parties (included in accounts receivable and other assets) | | | |
| - Due from associate companies | **13,648** | 12,596 | 7,375 |
| - Due from key management personnel | **68** | 68 | 70 |
| - Due from other related parties | **893** | 921 | 789 |
| Due to related parties (included in accounts payable and other liabilities) | | | |
| - Due to associates | **55** | 20 | 20 |
| - Due to other related parties | **113** | 1,631 | 111 |

| | **Three months ended** | | **Six months ended** | |
|---|---|---|---|---|
| | **30 June 2022 (Unaudited) KD '000** | 30 June 2021 (Unaudited) KD '000 | **30 June 2022 (Unaudited) KD '000** | 30 June 2021 (Unaudited) KD '000 |
| **Transactions included in the interim condensed consolidated statement of profit or loss** | | | | |
| Purchase of raw materials – from associates | **190** | 235 | **350** | 411 |
| (Reversal of)/charge for Impairment losses | **(2,833)** | - | **6,116** | - |
| **Compensation of key management personnel of the Group** | | | | |
| Short term employee benefits | **1,434** | 887 | **2,345** | 1,748 |
| Board of Directors' and committee remuneration including subsidiaries | **-** | - | **-** | 480 |
| Pension and end of service benefits | **149** | 30 | **200** | 67 |
| Cost of share-based payment | **-** | 260 | **302** | 260 |
| | **1,583** | 1,177 | **2,847** | 2,555 |

Refer Note 19 and Note 20 for details of fiduciary assets and contingent liabilities and capital commitments held and issued on behalf of related parties.

## 18 Fair value measurement

### 18.1 Fair value hierarchy

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.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

# Notes to the interim condensed consolidated financial information (continued)

## 18 Fair value measurement (continued)

### 18.1 Fair value hierarchy (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 18.2 Fair value measurement of financial instruments

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

| | **30 June 2022 (Unaudited) KD '000** | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| **Financial assets:** | | | |
| At amortised cost: | | | |
| • Cash and cash equivalents | **220,818** | 90,674 | 81,628 |
| • Accounts receivable and other financial assets | **55,191** | 48,540 | 50,921 |
| | **276,009** | 139,214 | 132,549 |
| At fair value: | | | |
| • Financial assets at FVTPL | **416,545** | 396,501 | 356,511 |
| • Financial assets at FVTOCI | **182,407** | 194,307 | 222,987 |
| | **598,952** | 590,808 | 579,498 |
| Total financial assets | **874,961** | 730,022 | 712,047 |
| **Financial liabilities:** | | | |
| At amortised cost: | | | |
| • Due to banks | **14,166** | 12,941 | 13,832 |
| • Accounts payable and other financial liabilities | **104,528** | 71,600 | 64,722 |
| • Lease liabilities | **6,567** | 7,274 | 8,257 |
| • Borrowings | **611,742** | 586,804 | 563,115 |
| • Bonds | **30,000** | 30,000 | 55,000 |
| | **767,003** | 708,619 | 704,926 |

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortised cost, approximate their fair values.

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

# Notes to the interim condensed consolidated financial information (continued)

## 18 Fair value measurement (continued)

### 18.2 Fair value measurement of financial instruments (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

| | Note | Level 1 KD'000 | Level 2 KD'000 | Level 3 KD'000 | Total KD'000 |
|---|---|---|---|---|---|
| **At 30 June 2022** | | | | | |
| **At FVTPL:** | | | | | |
| - Quoted securities | a | **300,806** | **-** | **-** | **300,806** |
| - Unquoted securities | b | **-** | **109** | **21,880** | **21,989** |
| - Managed portfolios and funds | c | **-** | **4,290** | **89,460** | **93,750** |
| **At FVTOCI:** | | | | | |
| - Quoted securities | a | **52,518** | **-** | **-** | **52,518** |
| - Unquoted securities | b | **-** | **17,311** | **89,111** | **106,422** |
| - Managed portfolios and funds | c | **-** | **492** | **22,975** | **23,467** |
| | | **353,324** | **22,202** | **223,426** | **598,952** |
| **At 31 December 2021** | | | | | |
| **At FVTPL:** | | | | | |
| - Quoted securities | a | 272,077 | - | - | 272,077 |
| - Unquoted securities | b | - | 128 | 19,267 | 19,395 |
| - Managed portfolios and funds | c | - | 4,608 | 100,421 | 105,029 |
| **At FVTOCI:** | | | | | |
| - Quoted securities | a | 52,689 | - | - | 52,689 |
| - Unquoted securities | b | - | 21,288 | 95,845 | 117,133 |
| - Managed portfolios and funds | c | - | 522 | 23,963 | 24,485 |
| | | 324,766 | 26,546 | 239,496 | 590,808 |
| **At 30 June 2021** | | | | | |
| **At FVTPL:** | | | | | |
| - Quoted shares | a | 240,491 | - | - | 240,491 |
| - Unquoted securities | b | - | 146 | 12,796 | 12,942 |
| - Managed portfolios and funds | c | - | 4,042 | 99,036 | 103,078 |
| **At FVTOCI:** | | | | | |
| - Quoted shares | a | 45,444 | - | - | 45,444 |
| - Unquoted securities | b | - | 78,835 | 77,592 | 156,427 |
| - Managed portfolios and funds | c | - | 515 | 20,601 | 21,116 |
| | | 285,935 | 83,538 | 210,025 | 579,498 |

**Measurement at fair value**

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

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

# Notes to the interim condensed consolidated financial information (continued)

## 18 Fair value measurement (continued)

### 18.2 Fair value measurement of financial instruments (continued)

**a) Quoted securities**
Quoted securities 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 have been determined by reference to their quoted bid prices at the reporting date (Level 1).

**b) Unquoted securities (Level 2 and 3)**
The consolidated financial statements include investments in unlisted securities which are measured at fair value. Fair value is estimated using discounted cash flow model or observable market prices or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

**c) Managed portfolios and funds**

**Private equity funds (Level 3)**
The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the 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.

**Other managed portfolios and funds (Level 2 and 3)**
The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on periodic reports received from the portfolio/fund managers.

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

| | **30 June 2022 (Unaudited) KD '000** | 31 Dec. 2021 (Audited) KD '000 | 30 June 2021 (Unaudited) KD '000 |
|---|---|---|---|
| Opening balance | **239,496** | 212,910 | 212,910 |
| Net change in fair value | **(13,646)** | 33,807 | 9,590 |
| Net disposals during the period/year | **(2,424)** | (7,221) | (12,475) |
| Closing balance | **223,426** | 239,496 | 210,025 |

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

## 19 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 June 2022 amounted to KD11,088 thousand (31 December 2021: KD9,973 thousand and 30 June 2021: KD9,147 thousand) of which assets managed on behalf of the related parties amounted to KD3,113 thousand (31 December 2021: KD2,878 thousand and 30 June 2021: KD2,865 thousand).

# Notes to the interim condensed consolidated financial information (continued)

## 20 Contingent liabilities and capital commitments

At 30 June 2022, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD44,112 thousand (31 December 2021: KD24,221 thousand and 30 June 2021: KD14,804 thousand) of which an amount of KD7,000 thousand (31 December 2021: KD7,000 thousand and 30 June 2021: KD7,000 thousand) is in relation to an associate.

At the reporting date, the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties and the incorporation of investment in associates totalling KD27,572 thousand (31 December 2021: KD30,177 thousand and 30 June 2021: KD17,397 thousand).

## 21 Comparative information

Certain other comparative figures have been reclassified to conform to the presentation in the current period, and such reclassification does not affect previously reported net assets, net equity and net results for the period or net decrease in cash and cash equivalents.

## 22 Subsequent event

During the period, on 22 June 2022, the Parent Company obtained Capital Markets Authority's (CMA) approval to issue bonds with a nominal value not exceeding KD50 Million with a maximum maturity period of five years from the date of issuance. Subsequent to the reporting date, on 20 July 2022, CMA issued its approval for the bonds' prospectus.

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