Grant Thornton
Al-Qatami, Al-Aiban & Partners

Consolidated financial statements and independent auditor's report

Arzan Financial Group for Financing and Investment – KPSC and its 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
Arzan Financial Group for Financing and Investment - KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Arzan Financial Group for Financing and Investment - KPSC ("the Parent Company") and its subsidiaries ("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) as adopted for use in the State of Kuwait.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our 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.

Emphasis of Matter
We draw attention to Note 6.1.1 to the consolidated financial statements, which describes the possible material effects of uncertainty with respect to the Group's exposure in Lebanon. Our opinion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of financial assets at FVTPL and FVTOCI
The Group's financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI) include significant unquoted investments. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models. Therefore, there is significant measurement uncertainty involved in valuations. As a result, the valuations of these instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its financial assets at FVTPL and FVTOCI are included in Notes 14, 17 and 35.2 to the consolidated financial statements.

Independent Auditor's Report to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

Key Audit Matters (continued)
Valuation of financial assets at FVTPL and FVTOCI (continued)
Our audit procedures included agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Equity method investments
The Group has interests in number of associates which are significant to the Group's consolidated financial statements and are accounted for under the equity method of accounting. Under the equity method, the Group's interests in the associates are initially stated at cost, and are adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of the associates, less any impairment. The complexity of the Group's control environment and our ability as Group's auditor to obtain an appropriate level of understanding of these entities including any related party transactions were significant to our audit. Due to these factors and the significance of the investment in associates to the Group's consolidated financial statements we consider this as a key audit matter.

Our audit procedures included, among others, determining the nature and extent of audit procedures to be carried out for associates and selecting significant associates based on the size and/or risk profile of these entities. During our audit we communicated with the component auditors. We also provided instructions to the component auditors covering the significant areas and risks to be addressed including the identification of related parties and transactions. Furthermore, we evaluated the Group's methodology and testing of the key assumptions used by the Group in determining the associates' recoverable amount based on value-in-use. We also assessed the adequacy of the Group's disclosures in Notes 4.19 and 18 to the consolidated financial statements.

Other information included in the Group's Annual Report for the year ended 31 December 2021
Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

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.

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations 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.

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 32 of 1968 concerning currency, the Central Bank of Kuwait and the organisation of the banking business and its relevant regulations 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
28 March 2022

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Income			
Income from instalment credit debtors	7	**967,671**	662,048
Revenue from contracts with customers	8	**3,801,403**	1,781,427
Realised profit from instalment sales		**523,867**	579,886
Realised gain from sale of investment in associates	18.2	**16,005**	-
Gain on sale of investment in real estates under development	19	**1,806,236**	-
Rental income		**159,002**	142,615
Interest income		**483,604**	480,592
Gain/(loss) on sale of financial assets at FVTPL		**508,913**	(1,258,078)
Change in fair value of financial assets at FVTPL		**2,626,111**	(926,161)
Share of results of associates	18.2	**2,235,135**	1,767,796
Dividend income	11	**2,715,666**	2,421,558
(Loss)/gain on foreign currency exchange		**(1,398,495)**	42,346
Other income		**181,229**	120,807
		14,626,347	5,814,836
Expenses and other charges			
Staff costs		**(3,145,319)**	(2,838,336)
General and administrative expenses		**(1,306,125)**	(1,594,491)
Finance costs	9	**(1,068,983)**	(1,667,255)
Depreciation	20 & 21	**(277,210)**	(452,969)
Reversal of provision/(provision for) instalment credit debtors, net	13	**2,609,132**	(471,335)
Impairment of investment in real estates under development	19	**(230,519)**	(134,160)
Reversal of provision/(provision for) properties held for trading	16	**133,926**	(199,100)
Impairment loss of an associate	18.2	**-**	(4,567,654)
Provision for doubtful debts, net	15	**(496,807)**	(638,002)
Provision of credit losses for restricted cash and cash equivalents	12.2	**(2,003,105)**	(2,408,180)
		(5,785,010)	(14,971,482)
Profit/(loss) for the year before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		**8,841,337**	(9,156,646)
Provision for NLST		**(18,729)**	-
Profit/(loss) for the year		**8,822,608**	(9,156,646)
Attributable to:			
Owners of the Parent Company		**7,428,608**	(9,511,226)
Non-controlling interests		**1,394,000**	354,580
Profit/(loss) for the year		**8,822,608**	(9,156,646)
Basic earnings/(loss) per share attributable to the owners of the Parent Company (Fils)	10	**9.492**	(12.005)
Diluted earnings/(loss) per share attributable to the owners of the Parent Company (Fils)	10	**9.471**	(11.975)

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Profit/(loss) for the year	**8,822,608**	(9,156,646)
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the year	**30,412,592**	20,586,899
Items that may be reclassified subsequently to consolidated statement of profit or loss:		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the year	**286,376**	8,754
Exchange differences arising on translation of foreign operations	**(28,296)**	110,950
Share of other comprehensive income/(loss) of associates	**47,092**	(21,694)
Total other comprehensive income for the year	**30,717,764**	20,684,909
Total comprehensive income for the year	**39,540,372**	11,528,263
Attributable to:		
Owners of the Parent Company	**24,769,021**	(1,052,304)
Non-controlling interests	**14,771,351**	12,580,567
Total comprehensive income for the year	**39,540,372**	11,528,263

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2021 KD	31 Dec. 2020 KD
Assets			
Cash and cash equivalents	12.1	**11,507,246**	11,338,787
Restricted cash and cash equivalents	12.2	**-**	1,297,562
Instalment credit debtors	13	**962,324**	622,849
Financial assets at fair value through profit or loss	14	**17,347,526**	11,503,238
Accounts receivable and other assets	15	**10,917,259**	4,049,853
Properties held for trading	16	**1,293,216**	707,040
Financial assets at fair value through other comprehensive income	17	**116,855,376**	87,866,823
Investment in associates	18	**30,489,135**	28,761,646
Investment in real estates under development	19	**3,150,610**	5,390,667
Investment properties	20	**1,478,984**	1,537,724
Property and equipment	21	**2,178,631**	2,321,498
Total assets		**196,180,307**	155,397,687
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	22	**7,848,074**	7,320,238
Term loans	23	**5,706,334**	11,368,250
Murabaha payables	24	**15,749,000**	12,601,322
Provision for employees' end of service benefits		**1,592,944**	1,484,962
Total liabilities		**30,896,352**	32,774,772
Equity			
Share capital	25	**80,288,256**	80,288,256
Share premium	25	**9,355,213**	23,803,273
Treasury shares	26	**(1,472,845)**	(1,202,430)
Statutory reserve	27	**1,248,501**	503,767
Voluntary reserve	27	**744,734**	503,767
Staff bonus shares reserve	28	**46,192**	18,205
Foreign currency translation reserve		**(219,509)**	(198,268)
Fair value reserve		**26,900,580**	4,045,655
Retained earnings/(accumulated losses)		**3,917,573**	(10,917,532)
Total equity attributable to the owners of the Parent Company		**120,808,695**	96,844,693
Non-controlling interests		**44,475,260**	25,778,222
Total equity		**165,283,955**	122,622,915
Total liabilities and equity		**196,180,307**	155,397,687

Jassem Hasan Zainal
Vice chairman and CEO

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Share based payment reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings/ (accumulated losses) KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2020	**80,288,256**	**23,803,273**	**(1,202,430)**	**503,767**	**503,767**	**18,205**	**(198,268)**	**4,045,655**	**(10,917,532)**	**96,844,693**	**25,778,222**	**122,622,915**
Write off of accumulated losses (note 30)		**(14,448,060)**	**-**	**-**	**(503,767)**	**-**	**-**	**-**	**14,951,827**	**-**	**-**	**-**
Dividend paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(266,454)**	**(266,454)**
Disposal of partial interest in a subsidiary (note 6.1.2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(276,475)**	**(276,475)**	**276,475**	**-**
Dilution of ownership interest on capital increase in a subsidiary (note 6.1.2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(286,116)**	**(286,116)**	**3,915,666**	**3,629,550**
Cost of share-based payments (note 28)	**-**	**-**	**-**	**-**	**-**	**27,987**	**-**	**-**	**-**	**27,987**	**-**	**27,987**
Purchase of treasury shares	**-**	**-**	**(270,415)**	**-**	**-**	**-**	**-**	**-**	**-**	**(270,415)**	**-**	**(270,415)**
Total transactions with owners	**-**	**(14,448,060)**	**(270,415)**	**-**	**(503,767)**	**27,987**	**-**	**-**	**14,389,236**	**(805,019)**	**3,925,687**	**3,120,668**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,428,608**	**7,428,608**	**1,394,000**	**8,822,608**
Other comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(21,241)**	**17,361,654**	**-**	**17,340,413**	**13,377,351**	**30,717,764**
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(21,241)**	**17,361,654**	**7,428,608**	**24,769,021**	**14,771,351**	**39,540,372**
Loss on sale of financial assets at FVTOCI (note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,493,271**	**(5,493,271)**	**-**	**-**	**-**
Transfer to reserves	**-**	**-**	**-**	**744,734**	**744,734**	**-**	**-**	**-**	**(1,489,468)**	**-**	**-**	**-**
Balance at 31 December 2021	**80,288,256**	**9,355,213**	**(1,472,845)**	**1,248,501**	**744,734**	**46,192**	**(219,509)**	**26,900,580**	**3,917,573**	**120,808,695**	**44,475,260**	**165,283,955**

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Share based payment reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2019	80,288,256	23,803,273	(559,232)	503,767	503,767	-	(297,691)	(4,299,739)	(1,291,103)	98,651,298	9,828,821	108,480,119
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(236,928)	(236,928)
Disposal of partial interest in a subsidiary (note 6.1.2)	-	-	-	-	-	-	-	-	(129,308)	(129,308)	129,308	-
Non-controlling interest arising on establishment of a subsidiary (note 6.1.3)	-	-	-	-	-	-	-	-	-	-	3,476,454	3,476,454
Cost of share-based payments (note 28)	-	-	-	-	-	18,205	-	-	-	18,205	-	18,205
Purchase of treasury shares	-	-	(643,198)	-	-	-	-	-	-	(643,198)	-	(643,198)
Total transactions with owners	-	-	(643,198)	-	-	18,205	-	-	(129,308)	(754,301)	3,368,834	2,614,533
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(9,511,226)	(9,511,226)	354,580	(9,156,646)
Other comprehensive income for the year	-	-	-	-	-	-	99,423	8,359,499	-	8,458,922	12,225,987	20,684,909
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	99,423	8,359,499	(9,511,226)	(1,052,304)	12,580,567	11,528,263
Gain on sale of financial assets at FVTOCI (note 17)	-	-	-	-	-	-	-	(14,105)	14,105	-	-	-
Balance at 31 December 2020	80,288,256	23,803,273	(1,202,430)	503,767	503,767	18,205	(198,268)	4,045,655	(10,917,532)	96,844,693	25,778,222	122,622,915

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
OPERATING ACTIVITIES			
Profit/(loss) for the year		**8,822,608**	(9,156,646)
Adjustments:			
Interest income		**(483,604)**	(480,592)
Dividend income	11	**(2,715,666)**	(2,421,558)
Impairment of investment in real estates under development	19	**230,519**	134,160
(Reversal of provision)/provision for properties held for trading	16	**(133,926)**	199,100
Gain on disposal of investment in real estates under development		**(1,806,236)**	-
Share of results of associates	18.2	**(2,235,135)**	(1,767,796)
Impairment loss of an associate		**-**	4,567,654
Realised gain on disposal of an associate		**(16,005)**	-
Reversal of provision/(provision for) instalment credit debtors, net	13	**(2,609,132)**	471,335
Provision for doubtful debts	15	**496,807**	638,002
Finance costs	9	**1,068,983**	1,667,255
Depreciation	20, 21	**277,210**	452,969
Cost of share based payment		**27,987**	18,205
Provision for employees’ end of service benefits		**170,372**	104,294
Provision of credit losses for restricted cash and cash equivalents	12.2	**2,003,105**	2,408,180
		3,097,887	(3,165,438)
Changes in operating assets and liabilities:			
Instalment credit debtors		**2,269,657**	3,034,469
Financial assets at fair value through profit or loss		**(5,844,288)**	3,001,621
Accounts receivable and other assets		**(3,237,903)**	390,252
Accounts payable and other liabilities		**486,609**	(6,267,761)
Employees’ end of service benefits paid		**(62,390)**	(101,148)
Net cash used in operating activities		**(3,290,428)**	(3,108,005)
INVESTING ACTIVITIES			
Purchase of property and equipment	21	**(76,033)**	(74,006)
Purchase of financial assets at FVTOCI		**(11,186,080)**	(10,486,356)
Proceeds from sale of financial assets at FVTOCI		**13,139,665**	13,097,251
Additions on investments in real estate under development	19	**(562,580)**	(157,188)
Additions to properties held for trading		**(452,250)**	-
Proceeds from disposal of an associate		**22,050**	-
Net movement in restricted cash and cash equivalents	12.2	**(705,543)**	(1,128,475)
Dividend income received		**2,715,666**	2,421,558
Proceeds from disposal of non-current assets held for sale		**-**	12,015,000
Dividend received from associates	18.2	**548,693**	1,033,677
Interest income received		**483,603**	480,592
Net cash from investing activities		**3,927,191**	17,202,053

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Notes	**Year ended 31 Dec. 2021 KD**	Year ended 31 Dec. 2020 KD
FINANCING ACTIVITIES			
Term loans obtained		**2,285,000**	6,430,200
Repayment of term loans		**(5,511,166)**	(13,029,500)
Murabaha payables obtained		**15,749,000**	5,100,000
Repayment of Murabaha payables		**(12,601,322)**	(4,671,631)
Finance costs paid		**(1,027,634)**	(1,751,141)
Dividend paid to non-controlling interests		**(266,454)**	(236,928)
Purchase of treasury shares		**(270,415)**	(643,198)
Increase in share capital of a subsidiary	6.1.2	**1,209,550**	-
Net cash used in financing activities		**(433,441)**	(8,802,198)
Net (decrease)/increase in cash and cash equivalents		**203,322**	5,291,850
Foreign currency adjustments		**(34,863)**	78,936
Cash and cash equivalents at beginning of the year	12.1	**11,338,787**	5,968,001
Cash and cash equivalents at end of the year	12.1	**11,507,246**	11,338,787
Non-cash transactions:			
Repayment of term loans	6.1.2	**(2,420,000)**	-
Subscription for capital increase of a subsidiary	6.1.2	**2,420,000**	-
Purchase of financial assets at FVTOCI		**-**	(3,476,454)
Non-controlling interests arising on establishment of a subsidiary		**-**	3,476,454

The notes set out on pages 12 to 74 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Arzan Financial Group for Financing and Investment – KPSC (the "Parent Company") was incorporated in Kuwait on 15 April 1980 in accordance with the Companies Law under the name of International Transport Equipment Company – KSC (Closed). On 14 December 1996 an extraordinary general assembly resolved to change the name of the Parent Company to International Murabaha Company – KSC (Closed). Later, on 24 April 2002 an extraordinary general assembly resolved to change the name of the Parent Company to International Finance Company – KPSC and to expand its permitted activities.

The extraordinary general assembly held on 24 July 2013 approved to change the name of the Parent Company from International Finance Company – KSCC to Arzan Financial Group for Financing and Investment – KPSC which has been registered in the commercial register under No. 29629 on 11 November 2013.

The Parent Company is listed on the Boursa Kuwait and is governed under the directives of the Central Bank of Kuwait and the Capital Markets Authority.

The Group comprises the Parent Company and its subsidiaries (together referred to as "the Group"). The details of the subsidiaries are described in note 6.

The Parent Company's objectives are as follows:

- Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the company's objectives for its account and for the account of third parties inside or outside the State of Kuwait;
- Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait;
- Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account;
- Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukuks and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities;
- Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait;
- Provide economic advice related to investment and hold courses, issue brochures of various investment activities for individuals, local and foreign companies and institutions;
- Prepare and provide technical, economic and assessment studies and consultations and prepare feasibility studies for various investment activities and other studies, examining the technical, financial and administrative aspects related to these activities for its account or for the account of third parties inside or outside the State of Kuwait;

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

- Establish and manage the collective investment systems and local and foreign investment funds of all kinds and contribute to their establishment for the account of the company and for the account of third parties in accordance with the regulating laws, rules and conditions specified by the competent regulatory authorities; put its stakes or units to subscription so that the company's contributions to the share capital of the collective investment system or the investment fund shall not be less than the minimum limit specified by the regulatory authorities; sell or purchase stakes or units in the local or foreign collective investment systems or investment funds for its account and for the account of third parties or market same, provided the necessary approvals are obtained from the competent regulatory authorities; act as investment custodian, investment monitor and investment advisor in general for the investment funds inside or outside the State of Kuwait in accordance with the regulating laws;
- Invest funds for its account and for the account of third parties in the various aspects of investment inside or outside the State of Kuwait and acquire movable and immovable assets;
- Act as the issuance manager for the securities issued by the local and foreign government and private companies, institutions and bodies and act as the subscription agent, listing advisor, investment custodian and monitor, including publications management and commitments of subscription operations management, receiving applications and covering subscription thereto;
- Perform all advisory services that help develop and strengthen the ability of financial and monetary market in the State of Kuwait and meet its requirements within the limits of the law and the decisions or instructions issued by the competent regulatory authorities (after obtaining the necessary approvals from those authorities), provided this does not result in granting funding by the company in any way;
- Mediate in financing operations, structure and manage the financing arrangements of the local and international companies, institutions, bodies and projects in the various economic sectors in accordance with the rules and conditions specified by the competent regulatory authorities;
- Carry out all the works related to the activities for the arrangement and management of consolidation, acquisition and separation operations for the local and foreign government and private companies, institutions and bodies;
- Trade in transportation means and related heavy equipment;
- Finance the purchases of capital goods, durable and non-durable goods;
- Lease capital and durable goods;
- Grant short and medium term loans to natural and judicial persons;
- Perform real estate investment operations aiming at the management and development of residential lands and building of residential and commercial units and complexes for the purpose of selling them in cash or on installments or leasing same;
- Manage all kinds of financial portfolios, invest and develop funds by employing them locally and internationally for the account of the company or for the account of its clients, in addition to lending and borrowing operations;
- Mediate in the operations of lending, borrowing, brokerage and warrantees against commission or pay;
- Finance and mediate in international and local trade operations;
- Manage and create mutual investment funds according to the law and after approval by the competent authorities;

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

- Mediate in investment in the international instruments and securities;
- Invest in real estate, industrial and agricultural sectors and other economic sectors, whether directly or through contribution to the incorporation of specialized companies or purchase of the shares of these companies;
- Sell and purchase foreign currencies and trade in precious metals only for the account of the company;
- Conduct researches and studies for private and public real estate projects and for the employment of funds for its account or for the account of third parties;
- Trade in securities such as shares and investment certificates and the like.

The Parent Company may have an interest or participate in any aspect with the companies, institutions and bodies performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also open branches inside and outside the State of Kuwait in such a way that does not contradict with the Companies' Law and the instructions of the competent regulatory authorities.

The address of the Parent Company's registered office is PO Box 26442, Safat 13125, State of Kuwait.

The Parent Company's board of directors approved these consolidated financial statements for issue on 28 March 2022. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 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, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait("CBK"). The modification requires adoption of all IFRSs for such institutions except for the IFRS 9 requirement for estimated credit losses for loans and receivables, which has been replaced by the CBK requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

3 Changes in accounting policies

3.1 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 relating to COVID19 Rent Related Concessions 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 amendment did not have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective

At the date of authorisation of these 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 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
IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
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 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.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 3 Amendments – 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.

IAS 12 Amendments – Deferred tax related to assets and liabilities arising from a single transaction
The amendments to IAS 12 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 consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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.

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 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.

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.

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.

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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies

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

4.1 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are measured at fair value.

The Group has elected to present the "consolidated statement of profit or loss and other comprehensive income" in two statements: the "consolidated statement of profit or loss" and "consolidated statement of profit or loss and other comprehensive income".

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.

4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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.

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.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.3 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.

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 4.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.23 for a description of impairment testing procedures.

4.5 Revenue from contracts with customers

The Group recognises revenue from the following major sources:

- Asset management and custody services
- Fees from advisory services

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)

4 Significant accounting policies (continued)

4.5 Revenue from contracts with customers (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 contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.5.1 Asset management and custody services

Asset management and custody fees are variable consideration based on the net assets value of portfolios at pre-agreed rates in accordance with the respective contracts with customers for the supervision and managing portfolios' assets, safe custody of the assets and conducting buy/sell transactions for the customers.

4.5.2 Fees from advisory services

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

4.6 Interest on instalment credit loans

Interest on instalment credit facilities is calculated at the time of a contract with the customer. The customer repays the total amount due (including interest) by equal instalments over the period of the contract. The interest is allocated over the life of the agreement using the "effective interest" method. Interest relating to outstanding instalments is considered as deferred income and is included in the consolidated statement of financial position as a deduction from instalment credit debtors.

4.7 Realised profit from instalment sales

Profit margin from instalment sales is calculated at the time of a contract with the customer. The customer repays the total amount due (including profit margin) by equal instalments over the period of the contract. The profit margin is allocated over the life of the agreement using the "fixed instalment" method. Profit margin relating to outstanding instalments is considered as deferred income and is included in the statement of financial position as a deduction from instalment receivables.

4.8 Interest income

Interest income is recognised using the effective interest method.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

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

4.10 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.

4.11 Finance costs
Finance costs are recognised on a time proportion basis taking into account the outstanding balance of borrowing payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

4.12 Taxation

4.12.1 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the owners of the Parent Company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.12.2 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 owners 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.

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

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

4.12.4 Income tax
Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

Deferred income tax is calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.12 Taxation (continued)

4.12.4 Income tax (continued)

In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised.

4.13 Financial instruments

4.13.1 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 extend 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, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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.

4.13.2 Classification of financial assets

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

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.13 Financial instruments (continued)

4.13.2 Classification of financial assets (continued)

- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVTOCI)
- 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 and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4.13.3 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 equivalents*

Cash and cash equivalents comprise cash on hand, balances with banks and other financial institutions and short term deposits with contractual maturity not exceeding three months which are subject to an insignificant risk of changes in value. Cash and cash equivalents which are restricted are shown separately.

- *Instalment credit debtors*

Instalment credit debtors are stated in the consolidated financial position at amortised cost, net of specific and general provisions. Specific provisions are made to reduce impaired receivables to their estimated recoverable amount and general provisions are made at a rate of 1% on instalment credit debtors for which no specific provisions were made, to provide for losses known from experience to exist, but not yet specifically identifiable, in accordance with the Central Bank of Kuwait instructions in that respect. The recoverable amounts are based on estimated future cash flows discounted at the original effective interest rate on a portfolio basis for groups of similar debtors.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.13 Financial instruments (continued)

4.13.3 Subsequent measurement of financial assets (continued)

- ***Financial assets at amortised cost (continued)***

- *Accounts receivable and other assets*

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred

- *Due from related parties*

Due from related parties are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- ***Financial assets at FVTOCI***

The Group's financial assets at FVTOCI comprise equity investments and debt instruments. The equity investments represent investments in shares of various companies and include both quoted and unquoted.

The Group accounts for financial assets at FVTOCI 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 (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI 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).

Investments in equity instruments at FVTOCI 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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.13 Financial instruments (continued)

4.13.3 Subsequent measurement of financial assets (continued)

- ***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 investment in equity shares and debt instruments.

4.13.4 Impairment of financial assets

All financial assets except for those at FVTPL and equity investments at FVTOCI 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 or at FVTOCI.

For financial assets (except instalment credit debtors), 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.

Instalment credit debtors are subject to the minimum provisioning requirements of the Central Bank of Kuwait. Management believes that the impairment allowance for the instalment credit debtors under the CBK requirements exceed the requirements of IFRS 9.

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.

The Group always recognises lifetime ECL for accounts receivable and other assets. 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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.13 Financial instruments (continued)

4.13.4 Impairment of financial assets (continued)

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 FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated 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.

4.13.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include accounts payable and other liabilities, due to related parties, term loans and murabaha payable.

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

- ***Financial liabilities at amortised cost***

These are stated using effective interest rate method. Accounts payable and other liabilities, due to related parties, term loans, murabaha payable are classified as financial liabilities other than at FVTPL.

Term loans

All term loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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.

Due to related parties

Due to related parties are financial liabilities arising in the normal courses of the business and are not quoted in an active market.

Murabaha payables

Murabaha payables represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.14 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 interest rate.

4.15 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.16 Offsetting of financial instruments

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

4.17 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.

4.18 Properties held for trading

Properties held for trading are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

4.19 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associates is accounted for under the equity method of accounting, i.e. on the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, l iabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.19 Investment in associates (continued)

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity. Changes in the Group's share in associate's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining 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 remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

However, when the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.20 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the cost model. Investment properties are initially measured at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Gains and losses arising from the sale of investment properties are included in the consolidated statement of profit or loss.

The estimated useful life for the calculation of depreciation, excluding land, is 25 years using straight line method. The carrying amounts are reviewed at each reporting date on an individual basis to assess whether they are recorded in excess of their recoverable amount. Provision for impairment losses, if any, are made where carrying values exceed the recoverable amount.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.20 Investment properties (continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

4.21 Property and equipment

Land is stated at cost less any impairment losses based upon the reports of independent professional valuers.

Capital expenditure on assets in the course of construction are classified as assets under construction. Such costs are subsequently charged to the consolidated statement of profit or loss if the project is abandoned, or, if the project is, completed, are capitalised and transferred to the appropriate property and equipment category, from which time depreciation is charged using the rate applicable to the category concerned. Interest incurred on funds specifically obtained to finance construction activities are capitalised using the actual interest rate incurred during construction.

Other property and equipment assets are stated at cost less accumulated depreciation. The Group depreciates these assets using the straight-line method at rates estimated to fully depreciate the cost of the property and equipment over their expected useful lives.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of d epreciation are consistent with the expected pattern of economic benefits arising from items of property. In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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 the consolidated statement of profit or loss.

4.22 Leased assets

The Group as a lessee
For any new contracts, 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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.22 Leased assets (continued)

The Group as a lessee (continued)
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 statement of financial position 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).

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 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.

The Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right of use of asset arising from the head-lease.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.22 Leased assets (continued)

The Group as a lessor (continued)
Rental income from operating leases is recognized on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognized on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

4.23 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 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 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.

4.24 Employees' end of service benefits

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

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the Group 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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the Parent Company's memorandum of incorporation and articles of association, as amended.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.

Fair value reserve – comprises valuation gains and losses relating to financial assets at fair value through other comprehensive income and share of associates' fair value reserve.

Retained earnings/(accumulated losses) include all current and prior period retained profits and losses.

All transactions with owners are recorded separately within equity.

Dividend distributions payable to shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.26 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

When the treasury shares are reissued, gains are recorded directly in "treasury shares reserve" in the shareholders' equity. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

4.27 Share-based payments
Certain senior management employees are granted share options of Parent Company as part of their remunerations package.

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the grant date fair value of the shares.

That cost is recognised, together with a corresponding increase in Share Based Payment Reserve in equity, over the period in which vesting conditions are fulfilled (note 28). The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.27 Share-based payments (continued)

Equity-settled transactions (continued)
has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expenses recognised as at the beginning and end of that period of consolidated statement changes in equity represents the employee benefits expenses.

When the terms of an equity-settled award are modified, the minimum expenses recognised is the expenses had the terms had not been modified, if the original terms of the awards are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employees as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computations of diluted earnings per share.

4.28 Segment reporting

The Group has four operating segments: instalment credit, investments, financial brokerage and real estate. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.29 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 is 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.

Contingent assets are not recognised in the consolidated financial statements, 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.

4.30 Foreign currency translation

4.30.1 Functional and presentation currency

The consolidated financial statements are presented in currency 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.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.30 Foreign currency translation (continued)

4.30.2 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 remeasurement 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.

4.30.3 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 period.

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 period. 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.

4.31 Related party transactions

Related parties represent subsidiaries, associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out with the approval of the Group's management.

4.32 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

5 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 period. 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 periods. Further, note 38 discusses the impact of COVID 19 on the preparation of the consolidated financial statements.

5.1 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:

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.1 Business model assessment
The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.13). 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.

5.1.2 Significant increase in credit risk
Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, when assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

5.1.3 Judgements in determining the timing of satisfaction of performance obligations
The determination of the whether or not performance obligation criteria set out in IFRS 15 relating to transfer of control of goods to customers has been satisfied requires significant judgement.

5.1.4 Fair values of assets and liabilities acquired
The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

5.1.5 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.

5.2 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.

5.2.1 Impairment of assets with definite lives
At the financial position date, the Group's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value in use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

5.2.2 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.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.3 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.

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

5.2.4 Classification of real estate property
Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

5.2.5 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.

5.2.6 Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

5.2.7 Fair value of financial instruments
Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. 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.

5.2.8 Significant influence
Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities.

Notes to the consolidated financial statements (continued)

6 Subsidiaries

6.1 Composition of the Group

Details of the subsidiaries held by the Group are as follows:

Name of the subsidiary	Voting capital held		Place of incorporation	Principal activities	Reporting date
	31 Dec. 2021	31 Dec. 2020			
Direct subsidiaries:					
Al-Addan Real Estate Co. – SPC	**100%**	100%	Kuwait	Trading in all real estate activities	31 December 2021
Arzan CC for Collection Co. – SPC	**100%**	100%	Kuwait	Trading in real estate activities and collecting money on behalf of others	31 December 2021
Kuwait Invest Real Estate Co.– WLL	**51%**	51%	Kuwait	Real estate services	31 December 2021
International Finance Co. – SAL (6.1.1)	**100%**	100%	Lebanon	Finance services including financing, management and brokerage	30 September 2021
Arzan Securities Brokerage Co. SAE [Formerly: IFA Securities Brokerage Co.- SAE]	**84.55%**	84.55%	Egypt	Brokerage services	30 September 2021
International Financial Advisers Company – WLL	**65.20%**	65.20%	Jordan	Brokerage services	30 September 2021
Saudi Invest Real Estate Co. – WLL	**100%**	100%	Saudi Arabia	Real estate services	31 December 2021
Arzan VC I Ltd.	**100%**	100%	United Arab Emirates	Projects management	31 December 2021
HI Equity Company Ltd.	**99.29%**	99.29%	Cayman Islands	Real estate	30 September 2021
HI Debt Company Ltd.	**99.29%**	99.29%	Cayman Islands	Real estate	30 September 2021
Arzan Capital (Holding) Limited (6.1.2)	**66.21%**	78.02%	United Arab Emirates	Holding Company	30 September 2021
Arzan AM Limited	**100%**	100%	United Arab Emirates	General Trading	31 December 2021
Arzan Real Estate Co. – SAE	**80%**	80%	Egypt	Real estate	30 September 2021
Blender Company for Rent and Lease Lands and Properties – SPC	**100%**	100%	Kuwait	Real estate	31 December 2021
Seven Seas Resorts Co. – KSCC	**100%**	100%	Kuwait	Hospitality	31 December 2021

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.1 Composition of the Group (continued)

Name of the subsidiary	Voting capital held		Place of incorporation	Principal activities	Reporting date
	31 Dec. 2021	31 Dec. 2020			
Easy Buy Company – SPC	**100%**	100%	Kuwait	Credit facilities services	31 December 2021
Joint venture (6.1.3)	**51%**	51%	Kuwait	Investment	31 December 2021
Arzan ESS for General Trading Company – WLL (6.1.4)	**100%**	-	Kuwait	General trading	31 December 2021
Indirect subsidiaries:					
Through Arzan Capital (Holding) Limited:					
Arzan Wealth (DIFC) Co. Limited	**100%**	100%	United Arab Emirates	Financial advisory services	30 September 2021
Arzan VC for Projects Management –S.P.C	**100%**	100%	Kuwait	Projects management	30 September 2021
Arzan Capital Jersey Limited (6.1.4)	**100%**	-	United Kingdom	Financial advisory services	30 September 2021
Arzan Suisse SA (6.1.4)	**100%**	-	Switzerland	Fund management activities	30 September 2021
Hill Top Digital Strategies 1 LTD (6.1.4)	**100%**	-	Liechtenstein	Digital currency	30 September 2021

6.1.1 The Group's subsidiary; International Finance Company SAL ("IFC") is located in Lebanon which is currently witnessing significant economic and political turmoil. These events include significant controls on the Lebanese banking system including placing limits on cash withdrawals of foreign currency bank balances, limits on international bank transfers and reduction of contracted interest rates on foreign currency term deposits. These measures have significantly curtailed the ability of the Group to access the cash and other assets of IFC. Moreover, the Government of Lebanon defaulted on its sovereign debt obligation. The rating agencies have downgraded the sovereign rating of Lebanon as well as some of Lebanese banks including the bank where the subsidiary's cash is primarily deposited. Furthermore, the economy of Lebanon is now considered a hyperinflationary economy.

Further, due to the current economic conditions the subsidiary has ceased its new lending operations and is monitoring the business activities closely.

Management has assessed the potential effects of these events on its ability to continue to exercise control over IFC Lebanon and concluded that it still has the power and ability to use that power to affect returns and that it is still exposed to variable returns of the subsidiary. Accordingly, it continues to consolidate the subsidiary.

Management has also assessed the impact of these events on the carrying value of its investment in IFC. As a result, the Group recognised a provision of credit losses for restricted cash and cash equivalents and reversed a provision for instalment credit debtors amounting to KD2,003,105 and KD2,345,748 respectively in the consolidated statement of profit or loss for the year ended 31 December 2021 (31 December 2020: provision of KD2,408,180 and KD556,712 respectively) (notes 12.2 and 13).

Furthermore, the Group's management believes that the carrying value of the Group's investment in Lebanon is recoverable and there are currently no indications that any further material additional impairment loss is required to be recognised.

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.1 Composition of the Group (continued)

Summarised financial information of IFC Lebanon as at and for the year ended 31 December 2021, before inter Group elimination, is set out below:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cash and bank balances	**4,106,118**	4,266,773
Instalment credit debtors	**1,076,778**	3,829,197
Properties held for trading	**452,250**	-
Other assets	**199,492**	197,871
Total assets	**5,834,638**	8,293,841
Accounts payable and other liabilities	**1,298,397**	1,253,298
Total liabilities	**1,298,397**	1,253,298

	Year ended 31 Dec 2021 KD	Year ended 31 Dec 2020 KD
Income from instalment credit	**392,695**	461,668
Loss for the year	**(863,385)**	(2,638,778)

6.1.2 In previous years, the Parent Company's board of directors approved to transfer part of its ownership in Arzan Capital (Holding) Limited, equivalent to 6 million shares with nominal value of USD1 per share, to the employees of the subsidiary to be distributed in accordance with the Employee Stock Option Plan of Arzan Capital (Holding) Limited. Accordingly, during the year, 923,798 shares equivalent to 1.23% (31 December 2020: 432,067 shares equivalent to 0.575%) of the Group's ownership interest in Arzan Capital (Holding) Limited were transferred. This transaction resulted in a loss of KD276,475 (31 December 2020: KD129,308) which has been recognised in the shareholders' equity.

Also, during the year, Arzan Capital (Holding) Limited increased its share capital by USD12,000,000 (equivalent to KD3,629,550). Out of this capital increase, USD8,000,000 (equivalent to KD2,420,000) were subscribed through conversion of part of a loan balance of the same amount into shares (note 23). The Group did not subscribe to these capital increases resulting in a dilution of its ownership in the subsidiary by 10.58%. The loss on dilution of the ownership of KD286,116 has been recongised in the consolidated statement of changes in equity.

6.1.3 During the previous year, the Group established a joint venture in Kuwait with a share capital of KD7,057,849 in which it owns 50.74%. The principal activity of the investee is investment. The Group classified this investment as a subsidiary since management believes that the Group has the power to control the investee.

6.1.4 During the year, the Group established four new subsidiaries as follows:

Name of the subsidiary	**Share capital KD**
Arzan ESS for General Trading Company – WLL	**50,000**
Arzan Capital Jersey Limited	**1**
Arzan Suisse SA	**32,854**
Hill Top Digital Strategies 1 LTD	**16,342**

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests:

The Group includes the following subsidiaries with material non-controlling interests (NCI):

Name of the subsidiary	Proportion of ownership interests and voting rights held by the NCI		Results allocated to NCI		Accumulated NCI	
	31 Dec. 2021 %	31 Dec. 2020 %	**31 Dec. 2021 KD**	31 Dec. 2020 KD	**31 Dec. 2021 KD**	31 Dec. 2020 KD
Kuwait Invest Real Estate Co. – WLL	**49.00**	49.00	**164,369**	(95,983)	**4,267,604**	4,080,173
Arzan Capital (Holding) Ltd	**33.79**	21.98	**618,959**	121,027	**9,594,136**	5,081,630
Joint Venture	**49.26**	49.26	**579,017**	356,194	**29,818,698**	15,917,470

Summarised financial information of subsidiaries with material non-controlling interests, before inter-group elimination is set out below:

a) Kuwait Invest Real Estate Co. – WLL

	31 Dec. 2021 KD	31 Dec. 2020 KD
Non-current assets	**8,802,943**	8,417,472
Current assets	**10,861**	8,767
Total assets	**8,813,804**	8,426,239
Current liabilities	**104,408**	99,355
Total liabilities	**104,408**	99,355
Equity attributable to the owners of the Parent Company	**4,441,792**	4,246,711
Non-controlling interests	**4,267,604**	4,080,173
Total equity	**8,709,396**	8,326,884

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Income/(loss)	**349,626**	(179,604)
Expenses and other charges	**(14,178)**	(16,279)
Profit/(loss) for the year attributable to the owners of the Parent Company	**171,078**	(99,900)
Profit/(loss) for the year attributable to NCI	**164,369**	(95,983)
Profit/(loss) for the year	**335,447**	(195,883)
Total comprehensive income/(loss) for the year attributable to the owners of the Parent Company	**195,081**	(107,701)
Total comprehensive income/(loss) for the year attributable to NCI	**187,431**	(103,477)
Total comprehensive income/(loss) for the year	**382,512**	(211,178)

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests: (continued)

a) Kuwait Invest Real Estate Co. – WLL (continued)

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Net cash flow used in operating activities	**(1,139)**	(2,234)
Net cash outflows	**(1,139)**	(2,234)

b) Arzan Capital (Holding) Limited

	31 Dec. 2021 KD	31 Dec. 2020 KD
Non-current assets	**21,902,369**	21,704,846
Current assets	**8,241,380**	8,611,246
Total assets	**30,143,749**	30,316,092
Non-current liabilities	**138,203**	114,333
Current liabilities	**1,612,126**	7,080,005
Total liabilities	**1,750,329**	7,194,338
Equity attributable to the owners of the Parent Company	**18,799,284**	18,040,124
Non-controlling interests	**9,594,136**	5,081,630
Total equity	**28,393,420**	23,121,754

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Income	**4,657,345**	2,485,156
Expenses and other charges	**(2,142,178)**	(1,934,476)
Profit for the year attributable to the owners of the Parent Company	**1,896,208**	429,653
Profit for the year attributable to NCI	**618,959**	121,027
Profit for the year	**2,515,167**	550,680
Total comprehensive income for the year attributable to the owners of the Parent Company	**2,093,105**	1,037,612
Total comprehensive income for the year attributable to NCI	**683,230**	292,280
Total comprehensive income for the year	**2,776,335**	1,329,892
Net cash flow from operating activities	**1,295,161**	272,635
Net cash inflows	**1,833,400**	873,957

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests: (continued)

c) Joint Venture

	31 Dec. 2021 KD	31 Dec. 2020 KD
Non-current assets	**60,537,493**	32,315,418
Total assets	**60,537,493**	32,315,418
Current liabilities	**-**	-
Total liabilities	**-**	-
Equity attributable to the owners of the Parent Company	**30,718,795**	16,397,948
Non-controlling interests	**29,818,698**	15,917,470
Total equity	**60,537,493**	32,315,418

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Income	**1,175,513**	723,140
Expenses and other charges	**-**	-
Profit for the year attributable to the owners of the Parent Company	**596,496**	366,946
Profit for the year attributable to NCI	**579,017**	356,194
Profit for the year	**1,175,513**	723,140
Total comprehensive income for the year attributable to the owners of the Parent Company	**14,320,846**	366,946
Total comprehensive income for the year attributable to NCI	**13,901,229**	356,194
Total comprehensive income for the year	**28,222,075**	723,140

7 Income from instalment credit debtors

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Interest income from instalment credit	**347,874**	463,580
Discount, commission and fees	**129,167**	69,061
Recovery of written off balances	**490,630**	129,407
	967,671	662,048

Notes to the consolidated financial statements (continued)

8 Revenue from contracts with customers

The Group earns revenue from its asset management and advisory services, which are transferred over time.

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Assets management	**72,670**	73,424
Custodian and other fees	**276,516**	196,760
Advisory services	**3,452,217**	1,511,243
	3,801,403	1,781,427

Revenue from contracts with customers includes revenue from related parties of KD41,460 (2020: KD34,277) (note 33).

Revenue from advisory services represents 91% of the revenue from contracts with customers for the year ended 31 December 2021 (31 December 2020: 85%).

9 Finance costs

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
On financial liabilities at amortised cost:		
Due to banks	**4,329**	48,548
Term loans	**575,956**	1,094,399
Murabaha payables	**464,752**	509,404
Others	**23,946**	14,904
	1,068,983	1,667,255

10 Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company

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

	Year ended 31 Dec. 2021	Year ended 31 Dec. 2020
Profit/(loss) for the year attributable to owners of the Parent Company - KD	**7,428,608**	(9,511,226)
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	**782,642,171**	792,302,850
Shares to be issued for no consideration under share based payments (note 28)	**1,720,736**	1,921,854
Weighted average number of shares outstanding during the year to be used to account for diluted earnings/(loss) per share (excluding treasury shares)	**784,362,907**	794,224,704
Basic earnings/(loss) per share attributable to the owners of the Parent Company – Fils	**9.492**	(12.005)
Diluted earnings/(loss) per share attributable to the owners of the Parent Company – Fils	**9.471**	(11.975)

Notes to the consolidated financial statements (continued)

11 Net gain / (loss) on financial assets

Net gain / (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
At amortised cost:		
Interest income	**248,901**	234,954
Income from instalments credit debtors	**3,576,803**	190,713
Gain on financial assets at amortised cost	**3,825,704**	425,667

Income from instalment credit debtors incudes the reversal of provision of KD2,345,748 related to IFC Lebanon (note 13)

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Financial assets at fair value through profit or loss:		
Interest income	**22,228**	-
Gain/(loss) on change in fair value	**2,626,111**	(926,161)
Gain/(loss) on sale	**508,913**	(1,258,078)
Dividend income	**297,944**	380,979
Gain/(loss) on financial assets at fair value through profit or loss	**3,455,196**	(1,803,260)
Financial assets at fair value through other comprehensive income:		
Interest income	**212,475**	245,638
Dividend income	**2,417,722**	2,040,579
Gain recognised in consolidated statement of profit or loss	**2,630,197**	2,286,217
Gain on change in fair value	**36,179,225**	20,581,548
(Loss)/gain on sale (note 17)	**(5,840,257)**	14,105
Gain recognised in equity	**30,338,968**	20,595,653
Total gain on financial assets at fair value through other comprehensive income	**32,969,165**	22,881,870
Net gain on financial assets	**40,250,065**	21,504,277

12 Cash and cash equivalents

12.1 Cash and cash equivalents

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cash and bank balances	**10,996,793**	9,520,342
Cash in managed portfolios	**83,796**	1,120,934
Term deposits with contractual maturity of 1 to 3 months	**426,657**	697,511
Cash and cash equivalents for consolidated statement of cash flows	**11,507,246**	11,338,787

Notes to the consolidated financial statements (continued)

12 Cash and cash equivalents (continued)

Cash in managed portfolios includes an amount of KD15,903 (31 December 2020: KD967,570) pledged against term loans (note 23) and murabaha payables (notes 24).

12.2 Restricted cash and cash equivalents

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cash and bank balances	**2,440,550**	2,207,380
Term deposits with contractual maturity of 1 to 3 months	**2,970,735**	2,498,362
	5,411,285	4,705,742
Provision of credit losses	**(5,411,285)**	(3,408,180)
Restricted cash and cash equivalents	**-**	1,297,562

Restricted cash and cash equivalents include balances deposited in a bank located in Lebanon and denominated in Lebanese Pounds. Due to the current political and economic events, the central bank of Lebanon imposed a series of measures including restrictions on withdrawals and limitation of transfers of money abroad. Consequently, the Group lacks access to these bank balances on time and in full. Therefore, during the year, the Group recognised an additional provision for credit losses of KD2,003,105 (31 December 2020: KD2,408,180) against these restricted cash and cash equivalents of its subsidiary "IFC Lebanon" (note 6.1.1).

The term deposits carry effective interest rate ranging 2.44% - 4% (31 December 2020: 2.5% - 5%) per annum.

13 Instalment credit debtors

	31 Dec. 2021 KD	31 Dec. 2020 KD
Gross instalment credit debtors	**5,221,857**	7,898,948
Deferred income	**(470,363)**	(872,305)
	4,751,494	7,026,643
Specific provision for credit losses	**(3,467,691)**	(5,573,837)
General provision for credit losses	**(321,479)**	(829,957)
	962,324	622,849

Gross instalment credit debtors are repayable as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Within one year	**1,227,225**	1,735,303
More than a year	**3,994,632**	6,163,645
	5,221,857	7,898,948

Notes to the consolidated financial statements (continued)

13 Instalment credit debtors (continued)

The effective annual interest rate earned on instalment credit ranged from 5% to 10% per annum (31 December 2020: 5% to 10% per annum).

The gross instalment credit debtors include an amount of KD449,938 (31 December 2020: KD557,870) in respect of related parties (note 33). This amount is secured by way of pledge of certain local shares.

The movements in the provisions for credit losses are as follows:

	31 December 2021			31 December 2020		
	Specific provision	**General provision**	**Total**	Specific provision	General provision	Total
	KD	**KD**	**KD**	KD	KD	KD
Opening balance	**5,573,837**	**829,957**	**6,403,794**	2,266,647	3,664,538	5,931,185
Write off during the year	**-**	**-**	**-**	(82)	-	(82)
Charge for the year	**604,864**	**21,190**	**626,054**	3,813,028	34,497	3,847,525
Reversal during the year	**(2,706,535)**	**(528,651)**	**(3,235,186)**	(506,582)	(2,869,608)	(3,376,190)
Foreign currency translation adjustments	**(4,475)**	**(1,017)**	**(5,492)**	826	530	1,356
Closing balance	**3,467,691**	**321,479**	**3,789,170**	5,573,837	829,957	6,403,794

Provision for credit losses is calculated, in all material respect, with the requirements of the Central Bank of Kuwait. However, during the year, the Group recognised a net reversal of provision of KD2,345,748 (31 December 2020: net provision of KD556,712) for instalment credit debtors of its subsidiary "IFC Lebanon" (note 6.1.1).

14 Financial assets at fair value through profit or loss

	31 Dec. 2021	31 Dec. 2020
	KD	KD
Local quoted shares	**923,451**	675,502
Foreign quoted shares	**490,502**	336,504
Foreign unquoted shares	**2,397,198**	1,772,332
Investments in managed portfolios	**11,987,591**	8,225,115
Investment in managed funds	**1,548,784**	493,785
	17,347,526	11,503,238

Investments in managed portfolios with aggregate carryings value of KD11,051,590 (31 December 2020: KD7,769,235), which include cash balances, are pledged against term loans (note 23) and murabaha payables (notes 24).

The hierarchy for determining and disclosing the fair values of financial assets at fair value through profit or loss is presented in Note 35.2.

Notes to the consolidated financial statements (continued)

15 Accounts receivable and other assets

	31 Dec. 2021 KD	31 Dec. 2020 KD
Financial assets		
Trade receivables	**3,116,829**	2,686,496
Instalments sales receivables	**1,680,304**	1,173,216
Due from related parties	**5,978,129**	1,719,429
	10,775,262	5,579,141
Provision for doubtful debts	**(3,452,478)**	(2,959,544)
	7,322,784	2,619,597
Non-financial assets		
Prepayments	**50,000**	63,561
Other assets	**3,544,475**	1,366,695
	3,594,475	1,430,256
	10,917,259	4,049,853

The carrying values of the financial assets included above approximate their fair values and all are due within one year.

The movement in the provision for doubtful debts is as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balance at the beginning of the year	**2,959,544**	2,320,095
Charge for the year	**510,311**	638,002
Written off during the year	**(13,504)**	-
Foreign currency adjustments	**(3,873)**	1,447
Balance at the end of the year	**3,452,478**	2,959,544

Included in the provision balance above, a provision of KD350,719 (31 December 2020: KD312,846) attributable to balance due from related parties.

16 Properties held for trading

Properties held for trading represent the Group's share of investments in properties outside Kuwait.

The movement in the properties held for trading is as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balance at 1 January	**1,409,531**	1,409,531
Additions	**452,250**	-
Total	**1,861,781**	1,409,531
Provision for properties held for trading	**(568,565)**	(702,491)
Balance at 31 December	**1,293,216**	707,040

Notes to the consolidated financial statements (continued)

16 Properties held for trading (continued)

As a result of impairment testing of the carrying value of the properties held for trading, an amount of KD133,926 has been recognised as reversal of a provision in the current year (31 December 2020: an amount of KD199,100 as a provision). The impairment testing by management was based on fair value of the properties which has been determined based on valuation obtained from independent and qualified valuer as of the date of the consolidated financial statements.

17 Financial assets at fair value through other comprehensive income

	31 Dec. 2021 KD	31 Dec. 2020 KD
Local quoted shares	**65,064,353**	37,093,806
Local unquoted shares	**5,645,531**	4,987,599
Foreign unquoted shares	**35,344,992**	38,792,528
Investments in managed portfolios	**7,605,180**	4,280,638
Debt instruments	**3,132,230**	2,617,816
Investment funds	**63,090**	94,436
	116,855,376	87,866,823

These investments are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these financial assets as at FVTOCI as it believes that recognising short-term fluctuations in the fair value of these financial assets in the consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these financial assets for long-term purposes and realising their performance potential in the long run. The Group's financial assets at FVTOCI disaggregated by its business sectors are as follows:

	Financial services KD	**Real estate KD**	**Consumer services KD**	**Others KD**	**Total KD**
31 December 2021:					
Local quoted shares	**58,522,350**	**6,176,974**	**337,080**	**27,949**	**65,064,353**
Local unquoted shares	**4,432,616**	**32,292**	**1,177,400**	**3,223**	**5,645,531**
Foreign unquoted shares	**14,059,385**	**20,615,981**	**-**	**669,626**	**35,344,992**
Investments in managed portfolios	**4,571,112**	**-**	**3,034,068**	**-**	**7,605,180**
Debt instruments	**2,013,670**	**1,042,298**	**76,262**	**-**	**3,132,230**
Investment funds	**63,090**	**-**	**-**	**-**	**63,090**
	83,662,223	**27,867,545**	**4,624,810**	**700,798**	**116,855,376**
31 December 2020:					
Local quoted shares	31,696,714	5,249,051	126,497	21,544	37,093,806
Local unquoted shares	3,769,465	33,312	1,181,600	3,222	4,987,599
Foreign unquoted shares	13,187,147	25,048,780	-	556,601	38,792,528
Investments in managed portfolios	2,419,049	-	1,861,589	-	4,280,638
Debt instruments	1,727,696	813,857	76,263	-	2,617,816
Investment funds	94,436	-	-	-	94,436
	52,894,507	31,145,000	3,245,949	581,367	87,866,823

During the year, the Group sold investments at fair value through other comprehensive income with a total cost of KD18,632,936 (31 December 2020: KD13,083,146) for a total consideration of KD13,139,665 (31 December 2020: KD13,097,251) resulting into a loss of KD5,493,271 (31 December 2020: resulting into a gain of KD14,105) recognized directly in retained earnings within equity.

Notes to the consolidated financial statements (continued)

17 Financial assets at fair value through other comprehensive income (continued)

Debt instruments amounting to KD1,042,298 (31 December 2020: KD813,857) are secured by charges over real estate properties and carry average interest rate of 7% (31 December 2020: 7%) per annum.

Local quoted shares and investments in managed portfolios with an aggregate carrying value of KD11,696,930 (31 December 2020: KD7,838,163) are pledged against term loans (note 23) and murabaha payables (notes 24).

The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in note 35.2.

18 Investment in associates

18.1 The details of the Group's investment in associates are given below:

Name of the associate	Country of incorporation	Percentage of ownership		Activity
		31 Dec. 2021	31 Dec. 2020	
		%	%	
Offset Holding Co. - KSCC	Kuwait	**50.00**	50.00	Holding Company
Al Wafir Marketing Services Co. - KSCC	Kuwait	**34.00**	34.00	Real estate
Al Oula Slaughterhouse Co. - KSCC	Kuwait	**28.89**	28.89	Services
Gulf Real Estate Co. - WLL	Kuwait	**20.13**	20.13	Real estate
Arzan International Company for Hospital Construction and Management – WLL	Kuwait	**-**	10.00	Establishment & management of hospitals

18.2 The movement in the carrying amount of the investment in associates during the year is as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
At 1 January	**28,761,646**	44,631,874
Disposals (see (a) below)	**(6,045)**	(12,015,000)
Share of results	**2,235,135**	1,767,796
Dividend received	**(548,693)**	(1,033,677)
Share of other comprehensive income/(loss)	**47,092**	(21,693)
Impairment in carrying value (see (b) below)	**-**	(4,567,654)
At 31 December	**30,489,135**	28,761,646

a) During the year, the Group entered into a sale agreement to sell entire ownership interest of its associate, Arzan International Company for Hospital Construction and Management – WLL, with a carrying amount of KD6,045 for a total consideration of KD22,050 resulting into a gain of KD16,005.

b) During the previous year, the Group sold its entire ownership interest in its associate "Kuwait Clearing Company KSCC" to a related party for a total consideration of KD12,015,000. The investment was stated at lower of carrying amount and fair value less cost to sell which resulted in an impairment loss of KD4,567,654 which was recognised in the consolidated statement of profit or loss in the same year. The sale transaction was completed during 2020.

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

18.3 Summarised financial information of Group's material associates are set out below:

	Offset Holding Co. KSCC		Al Wafir Marketing Services Co. KSCC	
	31 Dec. 2021 KD	31 Dec. 2020 KD	**31 Dec. 2021 KD**	31 Dec. 2020 KD
Assets				
Current	**6,563,704**	5,347,736	**43,774,136**	42,091,597
Non-current	**16,370,232**	16,270,845	**37,465,107**	39,906,261
	22,933,936	21,618,581	**81,239,243**	81,997,858
Liabilities				
Current	**252,256**	324,645	**23,217,071**	23,165,159
Non-current	**851,386**	869,740	**20,716,480**	24,962,076
	1,103,642	1,194,385	**43,933,551**	48,127,235
Total equity	**21,830,294**	20,424,196	**37,305,692**	33,870,623
Non-controlling interests	**(4,224,408)**	(3,611,690)	**(443,370)**	(947,334)
Equity attributable to the owners of the associates	**17,605,886**	16,812,506	**36,862,322**	32,923,289
Group's share of net assets	**8,802,943**	8,406,253	**12,532,673**	11,193,457
Goodwill	**-**	-	**7,505,055**	7,638,605
Carrying amount	**8,802,943**	8,406,253	**20,037,728**	18,832,062
Revenue	**3,731,444**	2,058,531	**19,596,430**	19,110,203
Profit/(loss)	**699,251**	(359,206)	**4,947,642**	3,597,642
Group's share of results	**349,626**	(179,603)	**1,682,128**	1,223,148
Total comprehensive income/(loss)	**793,380**	(389,796)	**4,947,642**	3,597,642
Dividend received	**-**	-	**476,463**	476,463

The remaining associates are considered immaterial to the Group.

18.4 Set out below is the aggregate information for the individually immaterial associates.

	31 Dec. 2021 KD	31 Dec. 2020 KD
Aggregate share in associates' assets and liabilities:		
Assets	**6,011,012**	7,700,087
Liabilities	**182,812**	2,258,629
Net assets	**5,828,200**	5,441,458
Group's share of net assets	**1,648,464**	1,523,331
Carrying amount	**1,648,464**	1,523,331
Aggregate share in associates' results:		
Revenue	**1,207,632**	1,082,717
Profit for the year	**776,738**	760,936
Group's share of results	**203,381**	224,901
Total comprehensive income	**776,738**	760,936
Dividends received	**72,230**	130,014

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

Investments in associate with a carrying value of KD14,263,688 (31 December 2020: KD12,888,288) are pledged against term loans (note 23) and murabaha payables (note 24).

19 Investments in real estates under development

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cost		
Land cost	**5,390,667**	5,313,674
Purchase	**50,674**	-
Disposal (see below)	**(2,570,343)**	-
Development costs	**511,906**	157,188
Foreign currency differences	**(1,775)**	53,965
Total cost	**3,381,129**	5,524,827
Impairment in value	**(230,519)**	(134,160)
Net book value at end of the year	**3,150,610**	5,390,667

The Group jointly owns a right of use real estate property in Kuwait classified as investment in real estate under development. The owners of the right of use include related parties and the property is managed by one of the related parties of the Group.

During the year, the property manager sub-divided the property into number of plots of land for the purpose of sale. The related party as the property manager has sold a number of plots of land and out of which six plots were sold to related parties. The total sale consideration related to the Group's share amounted to KD4,376,579 resulting into a gain of KD1,806,236 out of which proceeds and profit on sale to related parties were KD1,006,110 and KD391,394 respectively. As of the date of issuing of these consolidated financial statements, the formalities to transfer sold plots into the name of the buyers are in progress.

As a result of impairment testing of the carrying value of the property, the Group recognised an impairment loss of KD230,519 (31 December 2020: KD134,160). The impairment testing by management was based on fair value of the property which has been determined based on valuations obtained from independent and qualified valuers as of the date of the consolidated financial statements.

20 Investment properties

	Land KD	**Building KD**	**Total KD**
Cost			
1 January 2021	**1,023,750**	**1,484,989**	**2,508,739**
31 December 2021	**1,023,750**	**1,484,989**	**2,508,739**
Accumulated depreciation			
1 January 2021	**-**	**971,015**	**971,015**
Charge for the year	**-**	**58,740**	**58,740**
31 December 2021	**-**	**1,029,755**	**1,029,755**
Net book value			
At 31 December 2021	**1,023,750**	**455,234**	**1,478,984**
Fair value as at 31 December 2021	**2,173,170**	**976,830**	**3,150,000**

Notes to the consolidated financial statements (continued)

20 Investment properties (continued)

	Land KD	Building KD	Total KD
Cost			
1 January 2020	1,023,750	1,484,989	2,508,739
31 December 2020	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2020	-	912,275	912,275
Charge for the year	-	58,740	58,740
31 December 2020	-	971,015	971,015
Net book value			
At 31 December 2020	1,023,750	513,974	1,537,724
Fair value as at 31 December 2020	1,915,430	972,070	2,887,500

Land is not depreciated. Building is depreciated over 25 years. The fair value of the investment properties is determined based on independent valuations.

The investment properties represent the part of building constructed on land rented to related parties and third parties, and is accounted for as an investment property under IAS 40.

The investment properties are mortgaged against murabaha payables (note 24).

Notes to the consolidated financial statements (continued)

21 Property and equipment

	Land	Building	Office equipment and computers	Fixtures and decoration	Computer software	Right of use assets	Total
	KD	KD	KD	KD	KD	KD	KD
2021:							
Cost							
At 1 January	**1,316,250**	**2,010,752**	**680,608**	**626,010**	**1,092,243**	**76,069**	**5,801,932**
Additions	**-**	**-**	**25,907**	**5,752**	**710**	**43,664**	**76,033**
Foreign currency translation differences	**-**	**(99)**	**(327)**	**(177)**	**(397)**	**(188)**	**(1,188)**
At 31 December	**1,316,250**	**2,010,653**	**706,188**	**631,585**	**1,092,556**	**119,545**	**5,876,777**
Accumulated depreciation							
At 1 January	**-**	**1,292,926**	**643,355**	**501,595**	**998,184**	**44,374**	**3,480,434**
Charge for the year	**-**	**81,105**	**18,863**	**67,235**	**27,750**	**23,517**	**218,470**
Foreign currency translation differences	**-**	**(42)**	**(266)**	**(169)**	**(218)**	**(63)**	**(758)**
At 31 December	**-**	**1,373,991**	**661,952**	**568,661**	**1,025,716**	**67,828**	**3,698,146**
Net book value							
At 31 December 2021	**1,316,250**	**636,662**	**44,236**	**62,924**	**66,840**	**51,717**	**2,178,631**

Notes to the consolidated financial statements (continued)

21 Property and equipment (continued)

	Land	Building	Office equipment and computers	Fixtures and decoration	Computer software	Right of use assets	Total
	KD	KD	KD	KD	KD	KD	KD
2020:							
Cost							
At 1 January	1,316,250	2,009,049	664,553	624,254	1,084,720	76,069	5,774,895
Additions	-	-	14,799	1,267	7,228	-	23,294
Foreign currency translation differences	-	1,703	1,256	489	295	-	3,743
At 31 December	1,316,250	2,010,752	680,608	626,010	1,092,243	76,069	5,801,932
Accumulated depreciation							
At 1 January	-	1,211,105	622,197	433,162	792,748	25,357	3,084,569
Charge for the year	-	81,126	20,436	68,039	205,410	19,218	394,229
Foreign currency translation differences	-	695	722	394	26	(201)	1,636
At 31 December	-	1,292,926	643,355	501,595	998,184	44,374	3,480,434
Net book value							
At 31 December 2020	1,316,250	717,826	37,253	124,415	94,059	31,695	2,321,498

The building is depreciated over 25 years.

The estimated useful lives of the Group's office equipment and computers, fixtures and decoration is 4 years, with the exception of its computer software which is depreciated over 3 years. Land is not depreciated.

Land and building are mortgaged against murabaha payable (note 24).

Notes to the consolidated financial statements (continued)

22 Accounts payable and other liabilities

	31 Dec. 2021 KD	31 Dec. 2020 KD
Trade payables	**156,628**	208,694
Due to related parties	**14,160**	93,542
Other payables	**3,779,748**	2,800,568
Lease liability	**45,327**	40,543
Accrued interest	**61,946**	20,597
Provision for staff leave	**313,604**	270,283
KFAS payable	**226,802**	226,802
NLST and Zakat payable	**2,637,996**	2,816,601
Advances received from investors	**-**	481,294
Due to portfolio manager	**250,549**	-
Due to shareholders	**361,314**	361,314
	7,848,074	7,320,238

23 Term loans

	31 Dec. 2021 KD	31 Dec. 2020 KD
Kuwaiti Dinar facilities	**5,403,834**	5,000,000
USD facility	**302,500**	6,368,250
	5,706,334	11,368,250
Due within one year	**353,166**	6,868,250
Due after one year	**5,353,168**	4,500,000

The details of the outstanding term loans are as follows:

-Kuwaiti Dinar facilities carry interest rate of 4.25% (31 December 2020: 4.25% per annum and are secured against mortgage of cash in managed portfolio (note 12), certain financial assets at fair value through profit or loss (note 14), financial assets at fair value through other comprehensive income (note 17) and investment in associates (note 18).

Kuwaiti Dinar facilities include a facility of KD5,000,000 obtained from a local bank and was repayable in various instalments ending in June 2022. However, during the year ended 31 December 2020, the term loan has been rescheduled to be repayable by January 2026 in 20 quarterly instalments of KD125,000 each and the last instalment of KD2.5 million. During the year ended 31 December 2021, the Group made an additional early settlement of KD1,381,166. Furthermore, the Group drew down an amount of KD2,285,000 (2020: KD Nil) due to be repaid in installments ending 2 January 2026.

- USD facility represents a loan of USD21,000,000 (equivalent to KD6,350,400) obtained by one of the Group's foreign subsidiaries from a local company in Kuwait. The loan is unsecured and carries an interest rate of 7.5% (31 December 2020: 7.25%) per annum. The loan was repayable in full by February 2021. During the year ended 31 December 2021, the subsidiary settled USD 7,000,000 (equivalent to KD2,127,300) and signed a new agreement with a revised loan facility of USD14,000,000 (equivalent to KD4,223,100) to be repaid by 31 March 2022. Out of the revised facility, the subsidiary settled an amount of USD13,000,000 (equivalent to KD3,920,600) by the end of 2021, this settlement includes an amount of USD8,000,000 (equivalent to KD2,420,000) that was settled through conversion into share capital of the subsidiary (note 6.1.2).

Notes to the consolidated financial statements (continued)

24 Murabaha payables

The Murabaha payables outstanding balance represents Islamic financings obtained in Kuwait Dinar from a local bank carrying effective profit rates between 3% to 4.5% (31 December 2020: 3.25% to 4.5%) per annum. These financings are secured against pledge of cash in managed portfolio (note 12), certain financial assets at fair value through profit or loss (note 14), financial assets at fair value through other comprehensive income (note 17), investment in associates (note 18), investment properties (note 20) and property and equipment (notes 21) and are payable in various instalments ending in December 2026.

Murabaha payables are due as follows:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Within one year	**2,291,300**	2,743,822
After one year	**13,457,700**	9,857,500
	15,749,000	12,601,322

25 Share capital and share premium

As at 31 December 2021, the authorised, issued and paid up share capital of the Parent Company consists of 802,882,556 shares of 100 fils each (31 December 2020: 802,882,556 shares of 100 fils each). All shares are in cash.

The share premium is non-distributable.

26 Treasury shares

	31 Dec. 2021	31 Dec. 2020
Number of treasury shares	**21,125,000**	19,125,000
Percentage of ownership (%)	**2.631%**	2.382%
Market value (KD)	**3,337,750**	1,051,875
Cost (KD)	**1,472,845**	1,202,430

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

27 Reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, 10% of the profit for the year attributable to the owners of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

Distribution of the 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 payment of a dividend of that amount.

No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

Notes to the consolidated financial statements (continued)

27 Reserves (continued)

Voluntary reserve
In accordance with the Parent Company's Articles of Association, as amended, 10% of the profit for the year attributable to the owners of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

28 Share based payments

During 2019, the Parent Company obtained approval of the general assembly of the shareholders to establish an employee stock option plan (ESOP) to reward the performance of its employees and the executive board members. The final approval of the ESOP was obtained from the regulatory authority in January 2021. The Parent Company granted the shares to the employees during 2020. Under the ESOP, the vesting conditions include the performance of the employees as well as the financial performance of the Parent Company. The shares are granted to the employees annually at no cost and vest on the dates of the general assembly in the following third, fourth and fifth years in predetermined ratios. While the ESOP has no specific time limit, a maximum of 10% of the Parent Company's share capital at the inception of the plan can be granted. The shares granted will be given to the employees either from the treasury shares or issue of new shares.

Pursuant to the plan, the board of directors approved to make available 403,030 shares for the year ended 31 December 2020 (31 December 2019: 2,344,666 shares). The fair value of the shares on the grant date was KD0.1320 (31 December 2019: KD0.0375) and, therefore, the Group recognised an expense of KD27,987 (31 December 2020: KD18,205) in the consolidated statement of profit or loss.

No options exercised or forfeited during the year.

29 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Due to banks KD	Term loans KD	Murabaha payables KD	Total KD
Balance at 1 January 2021	**-**	**11,368,250**	**12,601,322**	**23,969,572**
Cash flows:				
• Repayment	**-**	**(7,931,166)**	**(12,601,322)**	**(20,532,488)**
• Proceeds	**-**	**2,285,000**	**15,749,000**	**18,034,000**
Non-cash items:				
• Foreign currency differences	**-**	**(15,750)**	**-**	**(15,750)**
31 December 2021	**-**	**5,706,334**	**15,749,000**	**21,455,334**
Balance at 1 January 2020	1,930,923	17,974,500	12,128,670	32,034,093
Cash flows:				
• Repayment	(1,976,736)	(13,029,500)	(4,671,631)	(19,677,867)
• Proceeds	45,813	6,430,200	5,100,000	11,576,013
Non-cash items:				
• Foreign currency differences	-	(6,950)	44,283	37,333
31 December 2020	-	11,368,250	12,601,322	23,969,572

Notes to the consolidated financial statements (continued)

30 Proposed dividends, annual general assembly and ordinary general assembly

Subject to the requisite consent of the regulatory authorities and approval of the shareholders' general assembly, the directors of the Parent Company propose for the year ended 31 December 2021 a cash dividend of 2.5 Fils per share and 3.5% bonus shares (2020: no dividend).

The annual general assembly of the shareholders of Parent Company held on 27 May 2021 approved the consolidated financial statements for the year ended 31 December 2020 and has also approved the board of directors' proposal not to distribute any dividend for the financial year ended 31 December 2020.

Further, the annual general assembly has approved the board of directors' and committees' remuneration of KD70,700 for the year ended 31 December 2020 out of which an amount of KD64,300 has been recorded under expenses in the consolidated statement of profit or loss of the current year and was paid following that approval (note 33).

The ordinary general assembly of shareholders of the Parent Company held on 24 June 2021 approved to write off accumulated losses of the Parent Company amounting to KD14,951,827 as at 31 March 2021 against voluntary reserve and share premium of KD503,767 and KD14,448,060 respectively.

31 Fiduciary accounts

Investment portfolios managed by the Group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the Group's assets or liabilities and, accordingly, are not included in the consolidated statement of financial position. Total fiduciary assets as at the financial position date were KD31,472,234 (31 December 2020: KD32,213,170) out of which, assets amounting to KD16,481,398 are managed on behalf of the Group's related parties (31 December 2020: KD15,406,879) (note 33).

32 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Group's profit or loss.

The Group's principal activities, significant assets and liabilities are carried out and located in Kuwait, GCC, Middle East, USA and Europe. The Group operates in four business segments; instalment credit, investments, financial brokerage and real estate. The segmental analysis of total revenues, profit for the year, total assets and total liabilities for the business segments are as follows:

	Instalment credit KD	Investments KD	Financial brokerage KD	Real estate KD	Total KD
Year ended 31 December 2021					
Total revenues	**1,636,073**	**10,378,108**	**689,469**	**1,922,697**	**14,626,347**
Profit for the year	**901,747**	**5,852,310**	**133,706**	**1,934,845**	**8,822,608**
As at 31 December 2021					
Total assets	**1,285,666**	**176,100,254**	**12,260,491**	**6,533,896**	**196,180,307**
Total liabilities	**525,360**	**28,884,671**	**687,456**	**798,865**	**30,896,352**
Net assets	**760,306**	**147,215,583**	**11,573,035**	**5,735,031**	**165,283,955**

Notes to the consolidated financial statements (continued)

32 Segmental information (continued)

	Instalment credit KD	Investments KD	Financial brokerage KD	Real estate KD	Total KD
Year ended 31 December 2020					
Total revenues	687,075	4,853,485	131,660	142,616	5,814,836
(Loss)/profit for the year	(7,237,500)	(1,409,103)	(182,158)	(327,885)	(9,156,646)
As at 31 December 2020					
Total assets	2,094,135	133,729,888	11,287,988	8,285,676	155,397,687
Total liabilities	560,295	30,658,709	708,198	847,570	32,774,772
Net assets	1,533,840	103,071,179	10,579,790	7,438,106	122,622,915

33 Related party balances and transactions

Related parties represent subsidiaries, associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balances included in the consolidated statement of financial position		
Instalment credit debtors - gross (note 13)	**449,938**	557,870
Due from related parties - net (note 15)	**5,627,411**	1,406,583
Disposal of non-current assets held for sale (note 18.2.b)	**-**	12,015,000
Due to shareholders (note 22)	**361,314**	361,314
Due to related parties (note 22)	**14,160**	93,542

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Transactions included in the consolidated statement of profit or loss		
Income from instalment credit debtors	**26,395**	33,209
Revenue from contracts with customers (note 8)	**41,460**	34,277
Rental income	**34,752**	33,255
Interest income	**279,098**	245,638
Gain on sale of investments in real estate under development (Note 19)	**391,394**	-
Impairment loss of an associate (note 18.2.b)	**-**	4,567,654
General and administrative expenses	**53,445**	26,944
Finance costs	**-**	93,936
Key management compensation:		
Salaries and other short-term benefits	**916,251**	970,441
Board of directors' remuneration and other committees' remunerations (included in general and administrative expenses) (note 30)	**64,300**	58,350
End of service benefits	**77,370**	53,435
Share based compensation	**20,092**	16,345
Fiduciary assets of related parties managed by the Group (note 31)	**16,481,398**	15,406,879

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies

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

The Parent Company's board of directors sets out policies for reducing each of the risks discussed below.

The Group does not use derivative financial instruments, for speculative purposes.

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

34.1 Market risk

a) Foreign currency risk

The Group mainly operates in the GCC, other Middle Eastern countries, Europe and USA and is exposed to foreign currency risk arising from various foreign currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

The Group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2021 Equivalent KD	31 Dec. 2020 Equivalent KD
US Dollar	**37,477,886**	28,256,162
Lebanese Lira	**4,445,783**	4,171,230
Great Britain Pound	**6,940,862**	6,935,191
Egyptian Pound	**3,106,593**	2,531,791
UAE Dirham	**840,966**	707,040
Saudi Riyal	**42,137**	38,371
Euro	**1,558,867**	6,684,474
Omani Riyal	**55,356**	55,804
Jordanian Dinar	**679,490**	701,310
Norway Kron	**449,252**	466,119
	55,597,192	52,377,973

The following table details the Group's sensitivity to a 2% (2020: 2%) increase and decrease in the KD against above foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and liabilities and adjusts their translation at the year-end for a 2% change in foreign currency rates. A positive number below indicates an increase in profit and equity and a negative number indicates decrease in profit and equity. All other variables are held constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	31 Dec. 2021		31 Dec. 2020	
	+2% KD	**-2% KD**	+2% KD	-2% KD
Profit for the year	**(411,866)**	**411,866**	(231,845)	231,845
Equity	**(700,058)**	**700,058**	(779,105)	779,105

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

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. As the Group is not exposed to a significant interest rate risk on interest bearing assets, the Group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored continuously and hedging strategies used, if required, to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The Group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2021 was as follows:

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

b) Interest rate risk (continued)

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	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total up to 1 year KD	Over 1 year KD	Non-interest bearing items KD	Total KD	Effective interest rate (%)
Assets								
Cash and cash equivalents	-	426,657	-	426,657	-	11,080,589	11,507,246	2.44% - 4%
Instalment credit debtors	-	299,875	167,612	467,487	494,837	-	962,324	5% - 10%
Financial assets at fair value through profit or loss	-	-	541,350	541,350	-	16,806,176	17,347,526	10%
Accounts receivable and other assets	-	-	-	-	-	10,917,259	10,917,259	-
Financial assets at FVTOCI	-	-	-	-	3,055,968	113,799,408	116,855,376	7% - 12%
	-	726,532	708,962	1,435,494	3,550,805	152,603,432	157,589,731	
Liabilities								
Accounts payable and other liabilities	-	-	-	-	-	7,848,074	7,848,074	-
Term loans	-	-	353,166	353,166	5,353,168	-	5,706,334	4.25% - 7.5%
Murabaha payables	-	-	2,291,300	2,291,300	13,457,700	-	15,749,000	3% - 4.5%
Provision for employees' end of service benefits	-	-	-	-	-	1,592,944	1,592,944	-
	-	-	2,644,466	2,644,466	18,810,868	9,441,018	30,896,352	

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

b) Interest rate risk (continued)

The Group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2020 was as follows:

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	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total up to 1 year KD	Over 1 year KD	Non-interest bearing items KD	Total KD	Effective interest rate (%)
Assets								
Cash and cash equivalents	-	697,511	-	697,511	-	10,641,276	11,338,787	2.5% - 5%
Restricted cash and cash equivalents	-	-	-	-	-	1,297,562	1,297,562	-
Instalment credit debtors	289,765	-	-	289,765	333,084	-	622,849	5%-10%
Financial assets at fair value through profit or loss	-	-	-	-	-	11,503,238	11,503,238	-
Accounts receivable and other assets	-	-	-	-	-	4,049,853	4,049,853	-
Financial assets at FVTOCI	-	-	-	-	2,617,816	85,249,007	87,866,823	7%
	289,765	697,511	-	987,276	2,950,900	112,740,936	116,679,112	
Liabilities								
Accounts payable and other liabilities	-	-	-	-	-	7,320,238	7,320,238	-
Term loans	125,000	6,368,250	375,000	6,868,250	4,500,000	-	11,368,250	4.25%-7.25%
Murabaha payables	181,250	181,250	2,381,322	2,743,822	9,857,500	-	12,601,322	3.25%-4.25%
Provision for employees' end of service benefits	-	-	-	-	-	1,484,962	1,484,962	-
	306,250	6,549,500	2,756,322	9,612,072	14,357,500	8,805,200	32,774,772	

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in interest rates of +1% and –1% (2020: +1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant.

	31 Dec. 2021		31 Dec. 2020	
	+1%	**-1%**	+1%	-1%
	KD	**KD**	KD	KD
Results for the year	**(164,690)**	**164,690**	(93,901)	93,901

c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss or investments at fair value through other comprehensive income.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the consolidated financial statements date.

If equity prices had been 10% higher/lower, the effect on the profit and equity for the years ended 31 December 2021 and 2020 would have been as follows:

	Profit for the year		**Equity**	
	31 Dec. 2021 KD	31 Dec. 2020 KD	**31 Dec. 2021 KD**	31 Dec. 2020 KD
Financial assets at fair value through profit or loss	**±1,734,753**	±1,150,324	**-**	-
Financial assets at fair value through other comprehensive income	**-**	-	**±11,685,538**	±8,786,682

34.2 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's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

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

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.2 Credit risk (continued)

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cash and cash equivalents	**11,507,246**	11,338,787
Instalment credit debtors	**962,324**	622,849
Financial assets at fair value through profit or loss (note 14)	**13,536,375**	8,718,900
Accounts receivable and other assets	**10,917,259**	4,049,853
Financial assets at fair value through other comprehensive income (note 17)	**7,668,270**	4,375,074
Total	**44,591,474**	29,105,463

34.3 Concentration of assets

The distribution of assets by geographic region is as follows:

	Kuwait KD	**GCC KD**	**Other Middle Eastern countries KD**	**Europe and other KD**	**USA KD**	**Total KD**
At 31 December 2021						
Cash and cash equivalents	**6,026,651**	**4,017,679**	**1,377,207**	**-**	**85,709**	**11,507,246**
Instalment credit debtors	**962,324**	**-**	**-**	**-**	**-**	**962,324**
Financial assets at FVTPL	**11,975,041**	**1,149,510**	**2,334,742**	**68,656**	**1,819,577**	**17,347,526**
Accounts receivable and other assets	**4,466,971**	**3,870,532**	**1,450,522**	**49,178**	**1,080,056**	**10,917,259**
Properties held for trading	**-**	**840,966**	**452,250**	**-**	**-**	**1,293,216**
Financial assets at FVTOCI	**78,378,154**	**1,732,828**	**55,359**	**9,522,108**	**27,166,927**	**116,855,376**
Investment in associates	**30,489,135**	-	-	-	-	**30,489,135**
Investment in real estates under development	**1,554,611**	-	**1,595,999**	-	-	**3,150,610**
Investment properties	**1,478,984**	-		-	-	**1,478,984**
Property and equipment	**1,995,630**	**52,779**	**130,222**	-	-	**2,178,631**
Total	**137,327,501**	**11,664,294**	**7,396,301**	**9,639,942**	**30,152,269**	**196,180,307**

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.3 Concentration of assets (continued)

	Kuwait	GCC	Other Middle Eastern countries	Europe and other	USA	Total
	KD	KD	KD	KD	KD	KD
At 31 December 2020						
Cash and cash equivalents	4,106,070	5,745,786	1,172,505	-	314,426	11,338,787
Restricted cash and cash equivalents	-	-	1,297,562	-	-	1,297,562
Instalment credit debtors	622,849	-	-	-	-	622,849
Financial assets at FVTPL	8,444,737	394,485	1,376,035	68,826	1,219,155	11,503,238
Accounts receivable and other assets	999,509	805,373	1,401,941	43,960	799,070	4,049,853
Properties held for trading	-	707,040	-	-	-	707,040
Financial assets at FVTOCI	46,456,479	1,390,913	55,807	14,704,445	25,259,179	87,866,823
Investment in associates	28,761,646	-	-	-	-	28,761,646
Investment in real estate under development	3,946,689	-	1,443,978	-	-	5,390,667
Investment properties	1,537,724	-	-	-	-	1,537,724
Property and equipment	2,161,962	33,503	126,033	-	-	2,321,498
Total	97,037,665	9,077,100	6,873,861	14,817,231	27,591,830	155,397,687

34.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date. The maturity profile for investments at fair value through other comprehensive income is determined based on management's estimate of liquidation of those investments. Maturity profile of the Group's assets and liabilities is as follows:

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.4 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2021:

	Up to 1 month	1-3 months	3-12 months	Sub-total Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
ASSETS						
Cash and cash equivalents	11,080,589	426,657	-	11,507,246	-	11,507,246
Instalment credit debtors	-	299,875	167,612	467,487	494,837	962,324
Financial assets at FVTPL	16,806,176	-	541,350	17,347,526	-	17,347,526
Accounts receivable and other assets	3,351,293	325,440	6,990,809	10,667,542	249,717	10,917,259
Properties held for trading	-	-	1,293,216	1,293,216	-	1,293,216
Financial assets at FVTOCI	-	-	-	-	116,855,376	116,855,376
Investment in associates	-	-	-	-	30,489,135	30,489,135
Investment in real estate under development	-	-	-	-	3,150,610	3,150,610
Investment properties	-	-	-	-	1,478,984	1,478,984
Property and equipment	-	-	-	-	2,178,631	2,178,631
Total assets	31,238,058	1,051,972	8,992,987	41,283,017	154,897,290	196,180,307
LIABILITIES						
Accounts payable and other liabilities	1,012,594	1,119,994	3,065,820	5,198,408	2,649,666	7,848,074
Term loans	-	-	353,166	353,166	5,353,168	5,706,334
Murabaha payables	-	-	2,291,300	2,291,300	13,457,700	15,749,000
Provision for employees' end of service benefits	-	-	-	-	1,592,944	1,592,944
Total liabilities	1,012,594	1,119,994	5,710,286	7,842,874	23,053,478	30,896,352

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.4 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2020:

	Up to 1 month	1-3 months	3-12 months	Sub-total Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
ASSETS						
Cash and cash equivalents	10,641,276	697,511	-	11,338,787	-	11,338,787
Restricted cash and cash equivalents	1,297,562	-	-	1,297,562	-	1,297,562
Installment credit debtors	289,765	-	-	289,765	333,084	622,849
Financial assets at FVTPL	11,503,238	-	-	11,503,238	-	11,503,238
Accounts receivable and other assets	649,495	140,209	3,260,149	4,049,853	-	4,049,853
Properties held for trading	-	-	707,040	707,040	-	707,040
Financial assets at FVTOCI	-	-	-	-	87,866,823	87,866,823
Investment in associates	-	-	-	-	28,761,646	28,761,646
Investment in real estate under development	-	-	-	-	5,390,667	5,390,667
Investment properties	-	-	-	-	1,537,724	1,537,724
Property and equipment	-	-	-	-	2,321,498	2,321,498
Total assets	24,381,336	837,720	3,967,189	29,186,245	126,211,442	155,397,687
LIABILITIES						
Accounts payable and other liabilities	822,692	1,153,546	2,538,719	4,514,957	2,805,281	7,320,238
Term loans	125,000	6,368,250	375,000	6,868,250	4,500,000	11,368,250
Murabaha payables	181,250	181,250	2,381,322	2,743,822	9,857,500	12,601,322
Provision for employees' end of service benefits	-	-	-	-	1,484,962	1,484,962
Total liabilities	1,128,942	7,703,046	5,295,041	14,127,029	18,647,743	32,774,772

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.4 Liquidity risk (continued)

The contractual maturity profile of the financial liabilities based on undiscounted cash flow is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total Up to 1 year KD	Over 1 year KD	Total KD
31 December 2021						
Financial liabilities						
Accounts payable and other liabilities	**1,012,594**	**1,119,994**	**3,065,820**	**5,198,408**	**2,649,666**	**7,848,074**
Term loans	**-**	**-**	**378,007**	**378,007**	**5,580,677**	**5,958,684**
Murabaha payables	**-**	**-**	**2,360,039**	**2,360,039**	**13,861,431**	**16,221,470**
Provision for employees' end of service benefits	**-**	**-**	**-**	**-**	**1,592,944**	**1,592,944**
	1,012,594	**1,119,994**	**5,803,866**	**7,936,454**	**23,684,718**	**31,621,172**
31 December 2020						
Financial liabilities						
Accounts payable and other liabilities	822,692	1,153,546	2,538,719	4,514,957	2,805,281	7,320,238
Term loans	130,313	6,474,388	390,938	6,995,639	4,691,250	11,686,889
Murabaha payables	188,953	188,953	2,468,108	2,846,014	10,227,994	13,074,008
Provision for employees' end of service benefits	-	-	-	-	1,484,962	1,484,962
	1,141,958	7,816,887	5,397,765	14,356,610	19,209,487	33,566,097

35 Fair value measurement

35.1 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 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:

- 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).

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Financial assets:		
At amortised cost:		
Cash and cash equivalents	**11,507,246**	11,338,787
Restricted cash and cash equivalents	**-**	1,297,562
Instalment credit debtors	**962,324**	622,849
Accounts receivable and other assets	**10,917,259**	4,049,853
At fair value:		
Financial assets at fair value through profit or loss	**17,347,526**	11,503,238
Financial assets at fair value through other comprehensive income	**116,855,376**	87,866,823
Total	**157,589,731**	116,679,112
Financial liabilities:		
At amortised cost:		
Accounts payable and other liabilities	**7,848,074**	7,320,238
Term loans	**5,706,334**	11,368,250
Murabaha payables	**15,749,000**	12,601,322
Provision for employees' end of service benefits	**1,592,944**	1,484,962
Total	**30,896,352**	32,774,772

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 on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2021

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value through profit or loss:				
Local quoted shares	**923,451**	**-**	**-**	**923,451**
Foreign quoted shares	**490,502**	**-**	**-**	**490,502**
Foreign unquoted shares	**-**	**-**	**2,397,198**	**2,397,198**
Investments in managed portfolios	**11,987,591**	**-**	**-**	**11,987,591**
Investment in managed fund	**-**	**1,548,784**	**-**	**1,548,784**
Financial assets at fair value through other comprehensive income:				
Local quoted shares	**65,064,353**	**-**	**-**	**65,064,353**
Local unquoted shares	**-**	**-**	**5,645,531**	**5,645,531**
Foreign unquoted shares	**-**	**-**	**35,344,992**	**35,344,992**
Investments in managed portfolios	**7,605,180**	**-**	**-**	**7,605,180**
Debit instruments	**-**	**-**	**3,132,230**	**3,132,230**
Investment funds	**-**	**63,090**	**-**	**63,090**
	86,071,077	**1,611,874**	**46,519,951**	**134,202,902**

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments (continued)

31 December 2020

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value through profit or loss:				
Local quoted shares	675,502	-	-	675,502
Foreign quoted shares	336,504	-	-	336,504
Investments in managed portfolios	8,225,115	-	-	8,225,115
Foreign unquoted shares	-	-	1,772,332	1,772,332
Investment fund	-	493,785	-	493,785
Financial assets at fair value through other comprehensive income:				
Local quoted shares	37,093,806	-	-	37,093,806
Local unquoted shares	-	-	4,987,599	4,987,599
Foreign unquoted shares	-	-	38,792,528	38,792,528
Investments in managed portfolios	4,280,638	-	-	4,280,638
Debit instruments	-	-	2,617,816	2,617,816
Investment funds	-	94,436	-	94,436
	50,611,565	588,221	48,170,275	99,370,061

During the previous year, local quoted shares classified as financial assets at fair value through other comprehensive income have been transferred from level 3 to level 1.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out below.

Financial assets in level 3:
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 maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

a) Most of the unquoted equity securities are valued using cash flow projections based on financial estimates approved by senior management. The growth rates used to arrive at the terminal value ranged from 2.0% to 2.5%. Further the revenue growth projections are based on the assessment of the future business growth.

Key assumptions used in fair value calculations
The calculation of fair value is most sensitive to the following assumptions:
- Discount rates;
- Growth rates used to extrapolate cash flows beyond the budget period;
- Local inflation rates.

Discount rates
Discount rates are calculated by using risk free rate, equity market risk premium, beta factor and company specific risk premium (alpha factor).

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments (continued)

Market share assumptions
These assumptions, as well as use of industry data for growth rates, are important as the entity's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on references from published industry research reports.

b) Investments in funds have been valued based on Net Asset Value (NAV) of the fund provided by the fund manager.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in the consolidated statement of profit or loss, consolidated profit or loss and other comprehensive income, total assets, total liabilities or total equity.

There were no changes to the valuation techniques during the year.

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Opening balance	**48,170,275**	57,306,870
Change in fair value	**(1,939,895)**	(8,864,899)
Sales / Transfer	**(11,324,733)**	(13,206,397)
Purchases	**11,614,304**	12,934,701
Closing balance	**46,519,951**	48,170,275

Non-financial instruments
Investment properties were fair valued for the impairment assessment at 31 December 2021 as the Group uses the cost model of accounting. Fair value of the properties is disclosed in note 20.

Description of significant unobservable inputs to valuation of non-financial assets:
Fair value of investment properties were determined using Mark to Market method, conducted by valuators considering transaction prices of the property and similar properties. The significant unobservable valuation input used for the purpose of valuation is the market price per square foot / meter and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

36 Capital risk management
The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimisation of the capital structure.

Notes to the consolidated financial statements (continued)

36 Capital risk management (continued)

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, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Term loans (note 23)	**5,706,334**	11,368,250
Murabaha payables (note 24)	**15,749,000**	12,601,322
Less:		
Cash and cash equivalents (note 12.1)	**(11,507,246)**	(11,338,787)
Restricted cash and cash equivalents (note 12.2)	**-**	(1,297,562)
Net debt	**9,948,088**	11,333,223
Equity	**165,283,955**	122,622,915
Net debt to equity ratio	**6.02%**	9.24%

37 Capital commitments

At the date of the consolidated statement of financial position, the Group had capital commitments amounting to KD282,396 (31 December 2020: KD282,396) in respect of real estate under development.

38 Effect of COVID-19

The outbreak of Coronavirus ("COVID-19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remain unclear at this time. Management of the Group is actively monitoring the effects COVID-19 may have on its business operations.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements:

Impairment of non-financial assets

The Group has analyzed impairment indicators arising and significant uncertainties around its investment properties, especially arising as a result of COVID-19.

Accordingly, the Group has performed an impairment assessment of its investment properties, considering the negative impact of COVID-19 on market value of properties and concluded that recoverable amounts of certain properties are lower than their carrying values as at the end of the year. As a result, during the year the Group has identified an impairment loss amounting to KD230,519 (31 December 2020: KD134,160) in respect of investment in real estate under development in these consolidated financial statements.

Notes to the consolidated financial statements (continued)

38 Effect of COVID-19 (continued)

Fair valuation of financial assets
The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of fair value of financial assets at FVTPL.

The Group has determined the fair value of its equity securities, managed funds, fixed income securities and equity participations in real estate properties based on most recent market information relating to the respective investments. The management concluded that there are no significant events or conditions that may adversely impact the Group's financial position or performance as of the reporting date.

Going concern
The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected. As a result, these consolidated financial statements has been appropriately prepared on a going concern basis.

Further, management is aware that a continued and persistent disruption could negatively impact the consolidated financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimise any negative impact on the Group.

39 Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including total assets, total liabilities, equity, profit and cash and cash equivalents.

About Grant Thornton
Grant Thornton is a global network of 58,000 people in member firms in over 130 countries with a common goal — to help you realise your ambitions. Which is why our network combines global scale and capability with local insights and understanding. So, whether you're growing in one market or many, looking to operate more effectively, managing risk and regulation, or realising stakeholder value, our member firms have the assurance, tax and advisory capabilities you need with the quality you expect.

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