

Interim condensed consolidated financial information and review report
Arzan Financial Group for Financing and Investment – KPSC
and its Subsidiaries
Kuwait
30 June 2022 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Arzan Financial Group for Financing and Investment - KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arzan Financial Group for Financing and Investment - KPSC (“the Parent Company”) and its Subsidiaries (“the Group”) as at 30 June 2022 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Emphasis of matter

We draw attention to Note 5.1 to the interim condensed consolidated financial information, which describes the possible material effects of uncertainty with respect to the Group’s exposure in Lebanon. Our conclusion is not modified in respect of this matter.

Report on review of other legal and regulatory requirements

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

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six-month period ended 30 June 2022 that might have had a material effect on the business or financial position of the Parent Company.



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

Kuwait
3 August 2022

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Six months ended	
		30 June 2022 (Unaudited) KD	30 June 2021 (Unaudited) KD	30 June 2022 (Unaudited) KD	30 June 2021 (Unaudited) KD
Income					
Income from instalment credit debtors		86,128	239,017	224,911	587,822
Revenue from contracts with customers		498,194	359,762	1,600,293	1,395,385
Realised profit from instalment sales		150,466	132,455	289,188	259,864
Rental income		49,187	37,808	86,473	77,606
Interest income		119,343	121,822	234,031	200,789
Realised gain on sale of properties held for trading		2,937	-	171,237	-
Gain on sale of financial assets at fair value through profit or loss		302,652	36,527	530,383	56,579
Change in fair value of financial assets at fair value through profit or loss		4,294,754	1,091,704	6,898,119	1,453,653
Share of results of associates	11	83,739	521,753	589,674	964,773
Dividend income		2,786,146	1,729,704	3,155,344	2,145,327
(Loss)/gain on foreign currency exchange		(72,324)	(369,204)	306,621	(757,699)
Other income		40,154	30,414	219,045	70,018
		8,341,376	3,931,762	14,305,319	6,454,117
Expenses and other charges					
Staff costs		(687,662)	(669,288)	(1,578,034)	(1,464,759)
General and administrative expenses		(391,399)	(307,153)	(750,859)	(675,943)
Finance costs		(206,594)	(289,395)	(437,112)	(613,225)
Depreciation		(52,850)	(63,951)	(113,227)	(128,248)
(Provision for)/reversal of provision instalment credit debtors - net		(45,725)	421,441	583,461	1,473,387
Provision for doubtful debts		(8,609)	(947)	(168,785)	(78,601)
Provision of credit losses for restricted cash and cash equivalents	5.1	(32,835)	(60,749)	(1,072,448)	(328,006)
		(1,425,674)	(970,042)	(3,537,004)	(1,815,395)
Profit for the period before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat					
		6,915,702	2,961,720	10,768,315	4,638,722
Provision for KFAS		-	(28,279)	-	(28,279)
Reversal of/(provision for) NLST		22,225	(26,879)	(14,074)	(64,402)
Reversal of/(provision for) Zakat		9,460	(5,607)	-	(16,096)
Profit for the period		6,947,387	2,900,955	10,754,241	4,529,945
Attributable to:					
Owners of the Parent Company		5,746,565	2,278,939	9,167,567	3,683,847
Non-controlling interests		1,200,822	622,016	1,586,674	846,098
Profit for the period		6,947,387	2,900,955	10,754,241	4,529,945
Basic earnings per share attributable to the owners of the Parent Company (Fils)	6	7.119	2.809	11.343	4.539
Diluted earnings per share attributable to the owners of the Parent Company (Fils)	6	7.105	2.804	11.321	4.530

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended		Six months ended	
	30 June 2022 (Unaudited) KD	30 June 2021 (Unaudited) KD	30 June 2022 (Unaudited) KD	30 June 2021 (Unaudited) KD
Profit for the period	6,947,387	2,900,955	10,754,241	4,529,945
Other comprehensive income/(loss):				
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>				
Financial assets at fair value through other comprehensive income:				
- Net change in fair value arising during the period	(29,875,042)	5,939,819	(9,864,692)	10,138,707
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>				
Financial assets at fair value through other comprehensive income:				
- Net change in fair value arising during the period	44,958	(27,359)	44,958	(56,028)
Exchange differences arising on translation of foreign operations	306,126	(129,696)	265,602	(227,861)
Share of other comprehensive income of associates	6,655	24	470,032	47,089
Total other comprehensive (loss)/income for the period	(29,517,303)	5,782,788	(9,084,100)	9,901,907
Total comprehensive (loss)/income for the period	(22,569,916)	8,683,743	1,670,141	14,431,852
Attributable to:				
Owners of the Parent Company	(10,705,641)	6,112,767	2,912,686	11,110,196
Non-controlling interests	(11,864,275)	2,570,976	(1,242,545)	3,321,656
Total comprehensive (loss)/income for the period	(22,569,916)	8,683,743	1,670,141	14,431,852

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Assets				
Cash and cash equivalents	7.1	13,004,894	11,507,246	7,098,061
Restricted cash and cash equivalents	7.2	-	-	1,183,404
Instalment credit debtors	8	574,588	962,324	811,333
Financial assets at fair value through profit or loss	9	23,883,077	17,347,526	14,583,603
Accounts receivable and other assets		7,869,751	10,917,259	4,408,748
Non-current assets held for sale		-	-	6,047
Properties held for trading		1,312,702	1,293,216	1,157,255
Financial assets at fair value through other comprehensive income	10	113,786,483	116,855,376	99,720,415
Investment in associates	11	31,476,611	30,489,135	29,695,231
Investment in real estate under development		2,441,748	3,150,610	5,392,679
Investment properties		1,449,614	1,478,984	1,508,354
Property and equipment		2,136,178	2,178,631	2,263,762
Total assets		197,935,646	196,180,307	167,828,892
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities	12	6,544,277	7,848,074	7,208,920
Term loans	13	10,277,534	5,706,334	10,104,700
Murabaha payables	14	15,394,850	15,749,000	12,153,822
Provision for employees' end of service benefits		1,678,828	1,592,944	1,545,472
Total liabilities		33,895,489	30,896,352	31,012,914
Equity				
Share capital		83,098,345	80,288,256	80,288,256
Share premium		9,355,213	9,355,213	9,355,213
Treasury shares	15	(2,273,231)	(1,472,845)	(1,326,621)
Statutory reserve		1,156,834	1,248,501	503,767
Voluntary reserve		-	744,734	-
Share based payment reserve		92,522	46,192	40,646
Foreign currency translation reserve		(22,549)	(219,509)	(403,554)
Fair value reserve		20,382,265	26,900,580	17,116,701
Retained earnings		8,434,685	3,917,573	2,278,731
Total equity attributable to the owners of the Parent Company		120,224,084	120,808,695	107,853,139
Non-controlling interests		43,816,073	44,475,260	28,962,839
Total equity		164,040,157	165,283,955	136,815,978
Total liabilities and equity		197,935,646	196,180,307	167,828,892



Jassem Hasan Zainal
Vice chairman and CEO

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

Equity attributable to the owners of the Parent Company

	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 KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2021 (Audited)	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
Bonus shares issued (Note 22)	2,810,089	-	-	-	-	-	-	-	(2,810,089)	-	-	-
Cash dividend (Note 22)	-	-	-	(91,667)	(744,734)	-	-	-	(1,107,484)	(1,943,885)	-	(1,943,885)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(215,998)	(215,998)
Purchase of treasury shares	-	-	(800,386)	-	-	-	-	-	-	(800,386)	-	(800,386)
Cost of share-based payments	-	-	-	-	-	46,330	-	-	-	46,330	-	46,330
Disposal of partial interest in a subsidiary (Note 5.2)	-	-	-	-	-	-	-	-	(799,356)	(799,356)	799,356	-
Transactions with owners	2,810,089	-	(800,386)	(91,667)	(744,734)	46,330	-	-	(4,716,929)	(3,497,297)	583,358	(2,913,939)
Profit for the period	-	-	-	-	-	-	-	-	9,167,567	9,167,567	1,586,674	10,754,241
Other comprehensive income for the period	-	-	-	-	-	-	196,960	(6,451,841)	-	(6,254,881)	(2,829,219)	(9,084,100)
Total comprehensive income for the period	-	-	-	-	-	-	196,960	(6,451,841)	9,167,567	2,912,686	(1,242,545)	1,670,141
Profit on sale of financial assets at FVTOCI (Note 10)	-	-	-	-	-	-	-	(66,474)	66,474	-	-	-
Balance at 30 June 2022 (Unaudited)	83,098,345	9,355,213	(2,273,231)	1,156,834	-	92,522	(22,549)	20,382,265	8,434,685	120,224,084	43,816,073	164,040,157

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

Interim condensed 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) / retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2020 (Audited)	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	-	(14,448,060)	-	-	(503,767)	-	-	-	14,951,827	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(137,039)	(137,039)
Cost of share-based payments	-	-	-	-	-	22,441	-	-	-	22,441	-	22,441
Purchase of treasury shares	-	-	(124,191)	-	-	-	-	-	-	(124,191)	-	(124,191)
Transactions with owners	-	(14,448,060)	(124,191)	-	(503,767)	22,441	-	-	14,951,827	(101,750)	(137,039)	(238,789)
Profit for the period	-	-	-	-	-	-	-	-	3,683,847	3,683,847	846,098	4,529,945
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(205,286)	7,631,635	-	7,426,349	2,475,558	9,901,907
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(205,286)	7,631,635	3,683,847	11,110,196	3,321,656	14,431,652
Loss on sale of financial assets at FVTOCI (Note 10)	-	-	-	-	-	-	-	5,439,411	(5,439,411)	-	-	-
Balance at 30 June 2021 (Unaudited)	80,288,256	9,355,213	(1,326,621)	503,767	-	40,646	(403,554)	17,116,701	2,278,731	107,853,139	28,962,839	136,815,978

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2022 (Unaudited) KD	Six months ended 30 June 2021 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		10,754,241	4,529,945
Adjustments:			
Interest income		(234,031)	(200,789)
Dividend income		(3,155,344)	(2,145,327)
Share of results of associates	11	(589,674)	(964,773)
Reversal of provision for instalment credit debtors - net		(583,461)	(1,473,387)
Realised gain on sale of properties held for trading		(171,237)	-
Provision for doubtful debts		168,785	78,601
Finance costs		437,112	613,225
Cost of share based payment		46,330	22,441
Depreciation		113,227	128,248
Provision for employees' end of service benefits		85,884	103,769
Provision of credit losses for restricted cash and cash equivalents		1,072,448	328,006
		7,944,280	1,019,959
Changes in operating assets and liabilities:			
Instalment credit debtors		971,197	1,284,903
Financial assets at fair value through profit or loss		(6,535,551)	(3,080,365)
Accounts receivable and other assets		3,208,711	(629,146)
Accounts payable and other liabilities		(1,636,758)	(290,968)
Employees' end of service benefits paid		-	(42,785)
Net cash from/(used in) operating activities		3,951,879	(1,738,402)
INVESTING ACTIVITIES			
Purchase of property and equipment		(41,404)	(41,837)
Purchase of properties held for trading		(13,155)	(450,215)
Purchase of financial assets at FVTOCI		(9,193,882)	(6,720,202)
Proceeds from sale of financial assets at FVTOCI		2,695,106	5,129,796
Proceeds from sale of properties held for trading		696,682	-
Restricted cash and cash equivalents		(1,072,448)	(213,848)
Dividend income received		3,155,344	2,145,327
Dividend income received from associates	11	72,230	72,230
Interest income received		46,895	200,789
Addition to real estate portfolio		(86,977)	(3,232)
Net cash (used in)/from investing activities		(3,741,609)	118,808
FINANCING ACTIVITIES			
Net increase/(decrease) in term loans		4,567,000	(1,232,750)
Repayment of murabaha payables		(354,150)	(447,500)
Purchase of treasury shares		(800,386)	(124,191)
Finance costs paid		(461,045)	(469,961)
Dividends paid to shareholders		(1,586,991)	-
Dividend paid to non-controlling interests		(215,998)	(137,039)
Net cash from/(used in) financing activities		1,148,430	(2,411,441)
Net increase/(decrease) in cash and cash equivalents		1,358,700	(4,031,035)
Foreign currency adjustments		138,948	(209,691)
Cash and cash equivalents at beginning of the period	7.1	11,507,246	11,338,787
Cash and cash equivalents at end of the period	7.1	13,004,894	7,098,061

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

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 – KPSC 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 Bursa Kuwait and is governed under the directives of Central Bank of Kuwait and Capital Markets Authority.

The Group comprises the Parent Company and its subsidiaries and associates (together referred as “the Group”).

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 sukks 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 interim condensed consolidated financial information (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 interim condensed consolidated financial information (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 company's 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.

This interim condensed consolidated financial information for the six-month period ended 30 June 2022 was authorized for issue by the Parent Company's board of directors on 3 August 2022.

2 Basis of presentation

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

The annual consolidated financial statements for the year ended 31 December 2021 were prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, 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 measurement of expected credit losses ("ECL") for credit facilities. The CBK requires to measure the provision for credit losses at the higher of provision calculated under IFRS 9 in accordance with the CBK guidelines, and the provision required by the prudential regulations of the CBK.

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

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

Notes to the interim condensed consolidated financial information (continued)

2 Basis of presentation (continued)

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

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

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

IFRS 3 – Reference to the conceptual framework

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

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

IAS 16 Amendments - Proceeds before intended use

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

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

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

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

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

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.

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

3.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 1 Amendments - Classification of current or non-current

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

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

IAS 1 Amendments – Disclosure of accounting policies

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

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

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 8 Amendments – Definition of accounting estimates (continued)

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.

4 Judgement and estimates

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

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

5 Subsidiaries

5.1 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 (see note 7). 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 in the process of 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.

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries (continued)

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 amounting to KD1,072,448 in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2022 (30 June 2021: KD328,006).

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.

Summarised financial information of IFC Lebanon as at and for the period ended 30 June 2022 is set out below:

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Cash and bank balances	-	-	1,183,404
Instalment credit debtors	-	-	-
Properties held for trading	458,582	452,250	-
Investment at fair value through other comprehensive income	305,721	-	-
Other assets	203,618	199,492	622,858
Total assets	967,921	651,742	1,806,262
Accounts payable and other liabilities	357,796	456,104	460,408
Total liabilities	357,796	456,104	460,408
	Six months ended 30 June 2022 (Unaudited) KD		Six months ended 30 June 2021 (Unaudited) KD
Income from instalment credit	118,320		212,040
Profit for the period	336,120		313,757

5.2 Disposal of partial interest in a subsidiary

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 period, 2,670,949 shares equivalent to 3.06% (30 June 2021: no shares were transferred) of the Group's ownership interest in Arzan Capital (Holding) Limited were transferred. This transaction resulted in a loss of KD799,356 (30 June 2021: KD Nil) which has been recognised in the shareholders' equity.

Notes to the interim condensed consolidated financial information (continued)

6 Basic and diluted earnings per share attributable to the owners of the Parent Company

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

	Three months ended		Six months ended	
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Profit for the period attributable to the owners of the Parent Company -KD	5,746,565	2,278,939	9,167,567	3,683,847
Weighted average number of shares outstanding during the period to be used to account for basic earnings per share (excluding treasury shares)	807,258,874	811,280,667	808,229,770	811,569,556
Shares to be issued for no consideration under share-based payments	1,568,559	1,554,417	1,568,559	1,554,417
Weighted average number of shares outstanding during the period to be used to account for diluted earnings per share (excluding treasury shares)	808,827,433	812,835,084	809,798,329	813,123,973
Basic earnings per share attributable to the owners of the Parent Company (Fils)	7.119	2.809	11.343	4.539
Diluted earnings per share attributable to the owners of the Parent Company (Fils)	7.105	2.804	11.321	4.530

The comparative basic and diluted earnings per share have been restated to reflect bonus shares issued (Note 22).

7 Cash and cash equivalents

7.1 Cash and cash equivalents

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Cash and bank balances	10,636,938	10,996,793	6,437,111
Cash in managed portfolios	1,935,375	83,796	61,738
Term deposits with original maturity not exceeding three months	432,581	426,657	599,212
Cash and cash equivalents as per consolidated statement of cash flows	13,004,894	11,507,246	7,098,061

Cash in managed portfolios includes an amount of KD1,262,897 (31 December 2021: KD15,903 and 30 June 2021: KD433,458) pledged against term loans (Note 13) and murabaha payables (Note 14).

Notes to the interim condensed consolidated financial information (continued)

7 Cash and cash equivalents (continued)

7.2 Restricted cash and cash equivalents

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Cash and bank balances	3,469,475	2,440,550	2,299,792
Term deposits with original maturity not exceeding three months	3,037,682	2,970,735	2,624,633
	6,507,157	5,411,285	4,924,425
Provision for credit losses	(6,507,157)	(5,411,285)	(3,741,021)
Restricted cash and cash equivalents	-	-	1,183,404

7.2.1 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 period, the Group recognised an additional provision for credit losses of KD1,072,448 (31 December 2021: KD2,003,105 and 30 June 2021: KD328,006) against these restricted cash and cash equivalents of its subsidiary “IFC Lebanon” (Note 5).

7.3 The term deposits carry effective interest rate ranging from 1.18% to 4% (31 December 2021: 2.44% - 4% and 30 June 2021: 1.0% - 3.5%) per annum.

8 Instalment credit debtors

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Gross instalment credit debtors	4,176,357	5,221,857	6,361,096
Deferred income	(365,872)	(470,363)	(633,683)
	3,810,485	4,751,494	5,727,413
Specific provision for credit losses	(2,983,689)	(3,467,691)	(4,400,501)
General provision for credit losses	(252,208)	(321,479)	(515,579)
	574,588	962,324	811,333

8.1 Gross instalment credit debtors are due as follows:

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Within one year	841,271	1,227,225	1,274,047
More than a year	3,335,086	3,994,632	5,087,049
	4,176,357	5,221,857	6,361,096

Notes to the interim condensed consolidated financial information (continued)

8 Instalment credit debtors (continued)

- 8.2 The effective annual interest rate earned on instalment credit debtors ranged from 5.0% to 10.0% (31 December 2021: 5.0% to 10.0% and 30 June 2021: 5.0% to 10.0%) per annum.
- 8.3 The provision for credit losses is calculated, in all material respect, in accordance with the requirements of the Central Bank of Kuwait.
- 8.4 The gross instalment credit debtors included an amount of KD100,000 (31 December 2021: KD449,938 and 30 June 2021: KD549,938) in respect of related parties (Note 19). This amount is secured by way of pledge of certain local shares.

9 Financial assets at fair value through profit or loss

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Local quoted shares	1,086,551	923,451	788,603
Foreign quoted shares	439,290	490,502	337,212
Foreign unquoted shares	8,065,819	2,397,198	1,759,473
Investment in managed portfolios	11,794,046	11,987,591	10,895,948
Investment in managed funds	2,497,371	1,548,784	802,367
	23,883,077	17,347,526	14,583,603

- 9.1 Investments with a carrying value of KD11,174,690 (31 December 2021: KD11,051,590 and 30 June 2021: KD8,536,678) in managed portfolio is pledged against the term loans (Note 13) and murabaha payables (Note 14).
- 9.2 The hierarchy for determining and disclosing the fair values of financial assets at fair value through profit or loss is presented in Note 20.3

10 Financial assets at fair value through other comprehensive income

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Local quoted shares (See 10.1 below)	59,662,228	65,064,353	41,854,787
Local unquoted shares	5,809,330	5,645,531	4,989,670
Foreign unquoted shares	39,121,326	35,344,992	42,016,966
Investment in managed portfolios	5,687,084	7,605,180	7,982,340
Debt instruments	3,177,189	3,132,230	2,788,380
Investment funds	329,326	63,090	88,272
	113,786,483	116,855,376	99,720,415

- 10.1 The Group's investments in local quoted shares include investment in a local listed company having quoted bid price of KD65,429,730 as at 30 June 2022. Due to the restrictions on sale of this investment until 14 February 2024, the Group has applied a discount of 20% amounting to KD13,085,946, on the above quoted bid price when determining its fair value. As a result of this discount, the fair value of the investment amounted to KD52,343,784 as at 30 June 2022.
- 10.2 During the period, the Group sold investments at fair value through other comprehensive income with a total cost of KD2,628,632 (30 June 2021: KD10,569,207) for a total consideration of KD2,695,106 (30 June 2021: KD5,129,796) resulting into a gain of KD66,474 (30 June 2021: loss of KD5,439,411) recognized directly in retained earnings within equity.

Notes to the interim condensed consolidated financial information (continued)

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

- 10.3 Debt instruments amounting to KD1,042,298 (31 December 2021: KD1,042,298 and 30 June 2021: KD1,040,449) are secured by charges over real estate properties and carry average effective interest rate of 7% (31 December 2021 and 30 June 2021: 7%).
- 10.4 Local quoted and unquoted shares and investment in managed portfolios with an aggregate carrying value of KD9,107,105 (31 December 2021: KD11,696,930 and 30 June 2021: KD13,008,859) are pledged against term loans (Notes 13) and Murabaha payables (Notes 14).
- 10.5 The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in Note 20.3

11 Investment in associates

Movement in the carrying amount of the investment in associates during the period/year is as follows:

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Balance at the beginning of the period/year	30,489,135	28,761,646	28,761,646
Disposals	-	(6,045)	(6,047)
Share of results	589,674	2,235,135	964,773
Dividends received	(72,230)	(548,693)	(72,230)
Share of other comprehensive income	470,032	47,092	47,089
Balance at the end of the period/year	31,476,611	30,489,135	29,695,231

a) Investment in associates with a carrying value of KD14,496,971 (31 December 2021: KD14,263,688 and 30 June 2021: KD13,597,332) is pledged against term loans (Note 13) and Murabaha payables (Note 14).

12 Accounts payable and other liabilities

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Accounts payable	138,732	156,628	242,391
Due to related parties	113,075	14,160	129,929
Other payables	2,068,032	3,779,748	2,291,603
Lease liabilities	34,502	45,327	69,723
Accrued interests	38,013	61,946	163,861
Provision for staff leave	334,100	313,604	316,625
KFAS payable	226,802	226,802	255,081
NLST and Zakat payable	2,652,070	2,637,996	2,897,099
Due to portfolio manager	220,742	250,549	-
Advance received from investors	-	-	481,294
Due to shareholders	718,209	361,314	361,314
	6,544,277	7,848,074	7,208,920

Notes to the interim condensed consolidated financial information (continued)

13 Term loans

Term loans are due for repayment as follows:

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Kuwaiti Dinar facilities (see 1 below)	6,903,834	5,403,834	4,270,866
USD facility (see 2 below)	3,373,700	302,500	5,833,834
	10,277,534	5,706,334	10,104,700
Within one year	3,603,828	353,166	4,270,866
After one year	6,673,706	5,353,168	5,833,834

The details of the outstanding term loans are as follows:

1) Kuwaiti Dinar facilities:

During the period, the Parent Company has signed an agreement with a Kuwaiti bank to extend and amend the Kuwaiti Dinar facilities granted in the form of a revolving loan, whereby the maximum borrowing limit is KD10,000,000 instead of KD7,000,000. The facilities carry an interest rate of 2.75% per annum above the discount rate declared by the Central Bank of Kuwait (31 December 2021 and 30 June 2021: 2.75% per annum above the discount rate declared by the Central Bank of Kuwait). Based on the amended contract, the first 50% of the facilities withdrawn is payable in equal quarterly installments, provided that the last installment is payable on 2 December 2026. The remaining 50%, being the final installment, is due for settlement on 2 January 2027. During the period, the Parent Company withdrew an amount of KD 1,500,000 from the facilities.

The outstanding balance of total facilities as of 30 June 2022 amounted to KD6,903,834 and it is payable in quarterly installments of KD230,128 each and a final installment of KD3,451,914.

Kuwaiti Dinar facilities are secured against mortgage of cash in managed portfolio (note 7), certain financial assets at fair value through profit or loss (note 9), financial assets at fair value through other comprehensive income (note 10) and investment in associates (note 11).

2) USD facility:

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 2021: 7.25% and 30 June 2021: 7.5%) per annum. The loan was repayable in full by February 2021. During 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 30 June 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. During the period the subsidiary settled the final instalment of USD1,000,000.

During the period, a subsidiary Company has obtained a new loan of USD11,000,000 equivalent to (KD3,373,700) was obtained by one of the Group's foreign subsidiaries from a local company in Kuwait on 16 May 2022. The loan is unsecured and carries an interest rate of 7.0% per annum. The loan is repayable in full by 16 May 2023.

Notes to the interim condensed consolidated financial information (continued)

14 Murabaha payables

The Murabaha payables outstanding balance represents Islamic financings obtained in Kuwaiti Dinar from a local bank carrying effective profit rates of 3.25% - 3.75% (31 December 2021: 3% - 4.5% and 30 June 2021: 3.25% - 4.5%) per annum. These financings are secured against pledge of cash in managed portfolios (Note 7), certain financial assets at fair value through profit or loss (Note 9), financial assets at fair value through other comprehensive income (Note 10), investment in associates (Note 11), investment properties and property and equipment and are repayable in various instalments ending in December 2026.

Murabaha payables are due as follows:

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Within one year	2,291,300	2,291,300	2,562,572
After one year	13,103,550	13,457,700	9,591,250
	15,394,850	15,749,000	12,153,822

15 Share capital

As at 30 June 2022, the authorised, issued and paid up share capital of the Parent Company consists of 830,983,445 shares of 100 fils each (31 December 2021 and 30 June 2021: 802,882,556 shares of 100 fils each). All shares are in cash (refer Note 22).

16 Treasury shares

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Number of treasury shares	26,868,335	21,125,000	20,125,000
Percentage of ownership	3.233%	2.631%	2.507%
Market value (KD)	3,815,197	3,337,750	2,757,125
Cost (KD)	2,273,231	1,472,845	1,326,621

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

17 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 interim condensed consolidated statement of financial position. Total fiduciary assets as at the financial position date were KD34,777,116 (31 December 2021: KD31,472,234 and 30 June 2021: KD30,129,056) out of which, assets amounting to KD14,227,252 are managed on behalf of Group's related parties (31 December 2021: KD16,481,398 and 30 June 2021: KD9,463,805).

18 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 the Group's profit or loss.

Notes to the interim condensed consolidated financial information (continued)

18 Segmental information (continued)

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 period, 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
Six months ended 30 June 2022					
Total revenues	736,121	12,773,078	526,680	269,440	14,305,319
(Loss)/profit for the period	(349,857)	10,653,380	275,177	175,541	10,754,241
Three months ended 30 June 2022					
Total revenues	286,308	7,619,182	383,352	52,534	8,341,376
(Loss)/profit for the period	(30,618)	6,662,488	300,722	14,795	6,947,387
As at 30 June 2022					
Total assets	859,309	178,508,418	12,652,158	5,915,761	197,935,646
Total liabilities	(406,658)	(32,632,908)	(615,407)	(240,516)	(33,895,489)
Net assets	452,651	145,875,510	12,036,751	5,675,245	164,040,157
Six months ended 30 June 2021					
Total revenues	458,422	5,590,870	327,219	77,606	6,454,117
(Loss)/profit for the period	(542,810)	4,877,658	187,344	7,753	4,529,945
Three months ended 30 June 2021					
Total revenues	97,353	3,693,725	102,876	37,808	3,931,762
(Loss)/profit for the period	(476,599)	3,344,627	29,942	2,985	2,900,955
As at 30 June 2021					
Total assets	2,281,077	145,556,506	11,380,563	8,610,746	167,828,892
Total liabilities	(584,577)	(28,699,025)	(784,355)	(944,957)	(31,012,914)
Net assets	1,696,500	116,857,481	10,596,208	7,665,789	136,815,978

19 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.

Notes to the interim condensed consolidated financial information (continued)

19 Related party balances and transactions (continued)

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

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Balances included in the interim condensed consolidated statement of financial position			
Instalment credit debtors-gross (Note 8)	100,000	449,938	549,938
Due from related parties (included in accounts receivable and other assets)	3,892,056	5,627,411	1,406,503
Due to shareholders (Note 12)	718,209	361,314	361,314
Due to related parties (Note 12)	113,075	14,160	129,929
<hr/>			
Fiduciary assets of related parties managed by the Group (note 17)	14,227,252	16,481,398	9,463,805

	Three months ended		Six months ended	
	30 June 2022 (Unaudited) KD	30 June 2021 (Unaudited) KD	30 June 2022 (Unaudited) KD	30 June 2021 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss				
Income from instalment credit debtors	1,483	(3,451)	4,285	-
Revenue from contracts with customers	10,936	11,053	22,048	19,530
Rental income	13,888	8,688	17,376	17,376
Interest income	78,779	64,278	156,081	126,661
General and administrative expenses	9,424	4,872	100,194	48,209
<hr/>				
Key management compensation:				
Salaries and other short-term benefits	63,861	161,992	606,136	534,645
Board of directors' and committees' remuneration (included in general and administrative expenses)	60,850	70,700	60,850	70,700
End of service benefits	15,697	31,236	31,395	46,470
Share based compensation	36,149	20,092	36,149	20,092
	176,557	284,020	734,530	671,907

20 Fair value measurement

20.1 Fair value measurement of financial instruments

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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.1 Fair value measurement of financial instruments (continued)

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Financial assets:			
<i>At amortised cost:</i>			
Cash and cash equivalents	13,004,894	11,507,246	7,098,061
Restricted cash and cash equivalents	-	-	1,183,404
Instalments credit debtors	574,588	962,324	811,333
Accounts receivable and other assets	7,869,751	10,917,259	4,408,748
<i>At fair value:</i>			
Financial assets at fair value through profit or loss	23,883,077	17,347,526	14,583,603
Financial assets at fair value through other comprehensive income	113,786,483	116,855,376	99,720,415
Total	159,118,793	157,589,731	127,805,564
Financial liabilities:			
<i>At amortised cost:</i>			
Accounts payable and other liabilities	6,544,277	7,848,074	7,208,920
Term loans	10,277,534	5,706,334	10,104,700
Murabaha payable	15,394,850	15,749,000	12,153,822
Provision for employees' end of service benefits	1,678,828	1,592,944	1,545,472
Total	33,895,489	30,896,352	31,012,914

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

20.2 Fair value measurement

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

20.3 Fair value hierarchy

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

- 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 interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.3 Fair value hierarchy (continued)

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 interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 June 2022 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted shares	1,086,551	-	-	1,086,551
Foreign quoted shares	439,290	-	-	439,290
Foreign unquoted shares	-	-	8,065,819	8,065,819
Investment in managed portfolios	11,794,046	-	-	11,794,046
Investment in managed funds	-	2,497,371	-	2,497,371
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted shares	7,318,444	52,343,784	-	59,662,228
Local unquoted shares	-	-	5,809,330	5,809,330
Foreign unquoted shares	-	-	39,121,326	39,121,326
Investment in managed portfolios	5,687,084	-	-	5,687,084
Debt instruments	-	-	3,177,189	3,177,189
Investment funds	-	329,326	-	329,326
	26,325,415	55,170,481	56,173,664	137,669,560

31 December 2021 (Audited)

<i>Financial assets at fair value through profit or loss:</i>				
Local quoted shares	923,451	-	-	923,451
Foreign quoted shares	490,502	-	-	490,502
Foreign unquoted shares	-	-	2,397,198	2,397,198
Investment in managed portfolios	11,987,591	-	-	11,987,591
Investment in managed fund	-	1,548,784	-	1,548,784
<i>Financial assets at fair value through other comprehensive income:</i>				
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
Investment 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 interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.3 Fair value hierarchy (continued)

30 June 2021 (Unaudited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted shares	788,603	-	-	788,603
Foreign quoted shares	337,212	-	-	337,212
Foreign unquoted shares	-	-	1,759,473	1,759,473
Investment in managed portfolios	10,895,948	-	-	10,895,948
Investment in managed funds	-	802,367	-	802,367
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted shares	41,854,787	-	-	41,854,787
Local unquoted shares	-	-	4,989,670	4,989,670
Foreign unquoted shares	-	-	42,016,966	42,016,966
Investment in managed portfolios	7,982,340	-	-	7,982,340
Debt instruments	-	-	2,788,380	2,788,380
Investment in managed fund	-	88,272	-	88,272
	61,858,890	890,639	51,554,489	114,304,018

The Group does not have any financial liabilities measured at fair value.

Measurement at fair value

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

a) Quoted shares

All the listed equity shares are publicly traded on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date except for the Group's investment in Bursa Kuwait Securities Company – KSCP as disclosed in Note 10.

b) Managed funds

The underlying investments of managed funds primarily comprise of quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by fund managers. All significant inputs into the model are based on observable market prices.

c) Unquoted shares

Unquoted shares are measured at fair value estimated using various models like discounted cash flow model, and market multiples which include some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

Level 3 fair value measurement

The Group's financial assets classified in Level 3 uses valuation techniques based on significant 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:

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.3 Fair value hierarchy (continued)

Level 3 fair value measurement (continued)

	30 June 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 June 2021 (Unaudited) KD
Opening balance	46,519,951	48,170,275	48,170,275
Purchases	7,072,206	11,614,304	6,452,666
Sales	(2,655,585)	(11,324,733)	(3,590,712)
Change in fair value	5,237,092	(1,939,895)	522,260
Closing balance	56,173,664	46,519,951	51,554,489

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the interim condensed consolidated statement of profit or loss, total assets, total liabilities or total equity.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

21 Capital commitments

At the date of the interim condensed consolidated statement of financial position, the Group had capital commitments amounting to KD282,396 (31 December 2021 and 30 June 2021: KD282,396) for real estate under development.

22 Annual ordinary general assembly and extraordinary general assembly

The annual ordinary general assembly of the shareholders of Parent Company held on 9 May 2022 approved the consolidated financial statements for the year ended 31 December 2021 and the board of directors' proposal to distribute a cash dividend of 2.5 Fils per share amounting to KD1,943,885 and 3.5% bonus shares amounting to KD2,810,089 for the year ended 31 December 2021 (2020: no dividend). Further, the annual general assembly approved the board of directors' and committees' remuneration of KD60,850 for the year ended 31 December 2021 which has been recorded under expenses in the interim condensed consolidated statement of profit or loss of the current period.

Also, the Extra-ordinary general assembly of the shareholders held on 9 May 2022 approved to increase the authorized share capital of the Parent Company from KD80,288,256 to KD83,098,345 through issuance of 28,100,889 bonus shares of 100 Fils each to be distributed to the shareholders of the Parent Company.

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