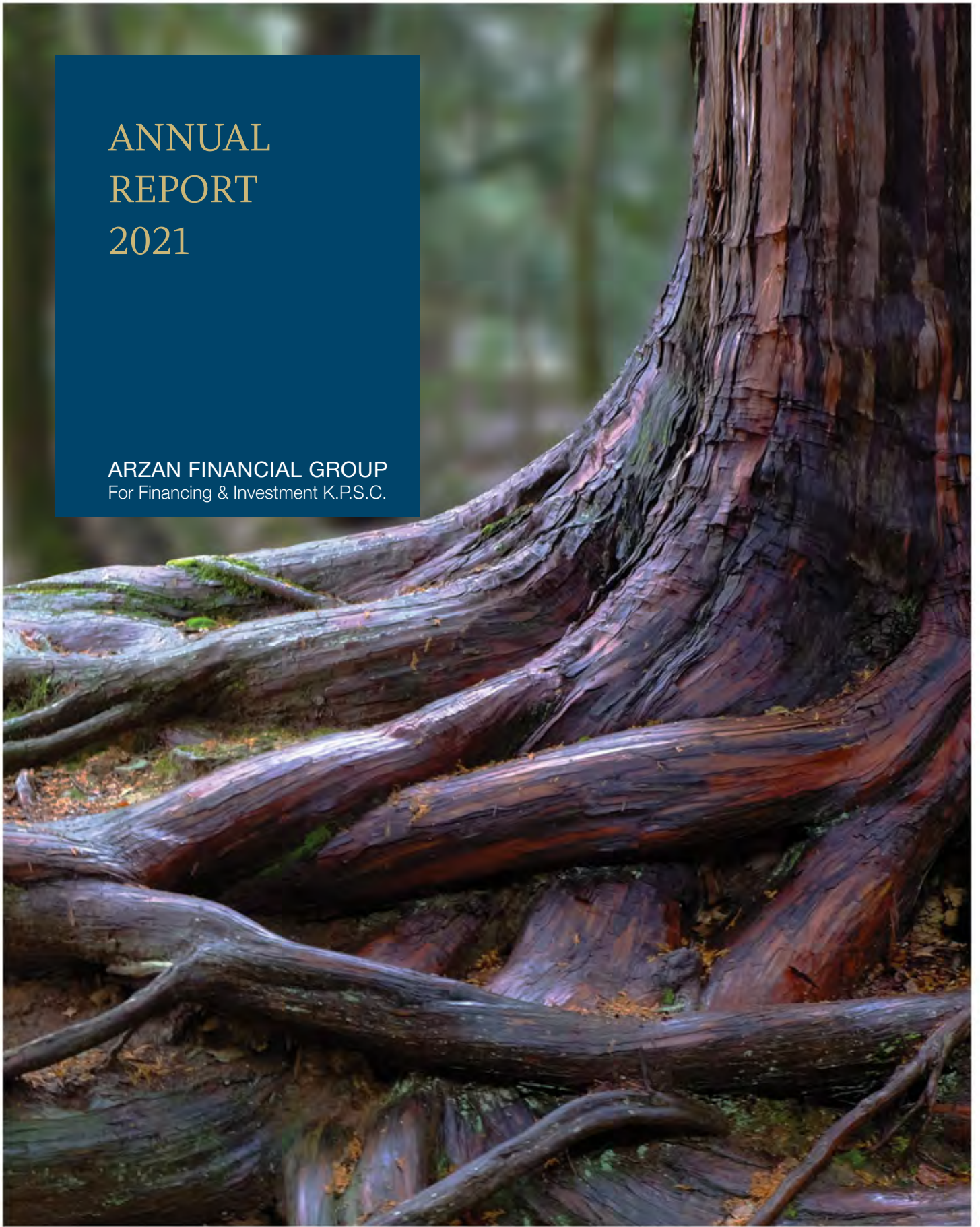


ANNUAL REPORT 2021

ARZAN FINANCIAL GROUP
For Financing & Investment K.P.S.C.



Arzan Financial Group for Financing and Investment K.S.P.C.
Established on 15th April 1980

Paid up Capital: KD 80,288,257
(Eighty million two hundred and eight thousand and two hundred and fifty seven thousand Kuwaiti Dinars)

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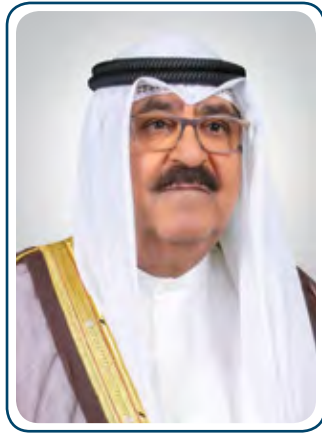
www.arzan.com.kw







H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT



Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah
CROWN PRINCE OF KUWAIT



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BOARD MEMBERS



Jassem Hasan Zainal
Vice Chairman & CEO

Ibrahim Saleh Al Tharban
Board Member

Emad Abdullah Al Essa
Board Member

Bader Jassem Al Hajri
Board Member

Mohammad Ahmad Al Qahtany
Board Member

Issa Abdullah Al Muzaini
Board Member

Ruba Fati Ghanem
Board Secretary

BOARD MESSAGE

Honorable Shareholders,

Honorable Shareholders,

The Board of Directors has the honor to present the annual report and consolidated financial statements of Arzan Financial Group and its subsidiary companies for the financial year ended on 31 December 2021. As the world economy started to recover during 2021, the Group resumed its progress and reap the fruits of its prudent and conservative financial and investment strategy implemented over the past years.

In 2021, the Group achieved a net profit of KD 8,822,608 compared to a net loss of KD 9,156,646 at the end of 2020. The earning per share were 9.492 Fils for the year and shareholders' equity rose to KD 165,283,955 against KD 122,622,915 for 2020.

The strong improvement was driven by a healthy improvement in the securities market in the State of Kuwait which rose by 27 % for the year, with an impressive increase of the Group's share in the profits of subsidiary and affiliate companies, in addition to achieving good gains from divestments and exists made during the year.

As signs of further recovery of the local, regional and global economies continued to be seen, we look forward to a healthy growth of the Group's business through its subsidiary and diversified companies. Indeed, we will offer further financial and investment services and tools that fulfill the needs and ambition of our shareholders. In consequence, we look forward to more sustainable achievements.

The year 2021 witnessed the establishment of Arzan Swiss Company. In addition, the Group succeeded in implementing 2019-2021 strategy and achieving our objectives specified in the plan despite the gravity of the most recent global crisis that resulted from the outbreak of the COVID-19 pandemic that brought about huge upheavals in the global markets.

The new strategy for 2022-2024 is to achieve the Board of Directors' vision for Arzan Financial Group attaining a prominent position in providing unique innovative financial and investment services to the Group's customers advanced and stable countries.

The new strategy is based on the continuity of the deeply rooted values of the Group. It is driven by continuous product innovation, digital platforms and the strategy of acquiring high-quality and low-risk assets and focusing on the customers' own values as well as realizing their needs and ambition while preserving and growing their wealth. The strategy also focuses on diversifying income in order to avoid crises and market upheavals that might affect the natural growth of the Group.

Given the financial results of the year, the Group Board of Directors has recommended the distribution of a cash dividend of 2.5% which is equal to 2.5 Fils per share in addition to the distribution of bonus shares at the rate of 3.5% , which is equal to 3.5 Shares for every 100 shares.

In conclusion, the Board of Directors express their sincere thanks and deepest gratitude and appreciation to His Highness the Amir of the State of Kuwait, Sheikh Nawwaf Al-Ahmad Al-Jaber Al Sabah, to His Highness the Crown Prince, Sheikh Mish'al Al-Ahmad Al-Jaber Al-Sabah, His Highness, Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah, the Prime Minister, His Excellency the Minister of Commerce and Industry, Mr. Fahed Mutlaq Al-Shuraian, His Excellency, the Governor of the Central Bank of Kuwait, Dr. Mohammed Yousef Al-Hashel and to the Chairman of the Board of Commissioners of the Capital Markets Authority, Dr. Ahmad Abdulrahman Al-Milhem for their continuous support and contribution to our achievements.

We seize this opportunity to express our sincere thanks and deep appreciation to our esteemed shareholders for their valuable trust and unlimited support. We equally thank and appreciate the Company's customers for their confidence and support to us. Last, but not least, we thank all the Company's employees for their loyalty and dedication. Finally, we thank God Almighty and pray for his divine guidance to attain further achievements and realize the ambitions of our shareholders.

BOD

ARZAN FINANCIAL GROUP



MANAGEMENT
REPORT

ARZAN WEALTH

Arzan Wealth (DIFC) Limited is a Dubai-based investment advisory firm regulated by the Dubai Financial Services Authority, and is a 100%-owned subsidiary of Arzan Capital (Holding) Limited, a holding company incorporated in the Dubai International Financial Center (DIFC). Arzan Capital successfully raised fresh capital in 2021 that will allow it to continue support the growth of Arzan Wealth by co-investing in our transactions, alongside our loyal client base. Arzan Wealth primarily advises on income-producing real estate investments in mature Western markets, with a secondary focus on specifically curated private equity opportunities that can generate attractive risk-adjusted capital gains.

The global economic recovery from the effects of the COVID-19 pandemic started during 2021 and is continuing with varied levels of success across the globe. New strains of coronavirus, such as Delta and Omicron, provided setbacks to the desired return to pre-pandemic economic and social activities, but also provided people with further experience on how to live with coronavirus long term. Vaccine access has been uneven across the world, and unfortunately in some countries of Europe and in the US, anti-vaccine sentiment amongst segments of the population will continue to create risk that the virus may be able to evolve itself into more threatening variants.

Inflationary pressures started building in a noticeable way during 2021, primarily as a result of supply chain constraints that started with pandemic-related production shutdowns and the reluctance of some people receiving state unemployment benefits to return to what they perceive as a risky work environment, thus increasing wage costs. Policy response to these inflationary pressures by major central banks will likely lead to a sharp rise in interest rates, putting further pressure on economic growth during 2022 and beyond.

At Arzan Wealth, we remain dedicated to working hard on behalf of our clients at all times, to reduce risks and maximize returns. During 2021, we continued to focus on addressing issues within the existing portfolio, and despite the pandemic our efforts were successful in putting several pandemic-impacted assets onto the correct path to performance recovery and value protection and enhancement. We also continued pursuing unique deals with attractive risk-reward dynamics, all within the context of our primary strategy of preserving and protecting the wealth of our clients. In 2021, we successfully advised on the acquisition of four new transactions under the Yielding Asset Platform, in The Netherlands and the US, in addition to two new REILS transactions in the US under the Debt Strategy Platform.

Furthermore, 2021 has proven to be a phenomenal year for our clients in terms of dispositions, as we were able to advise on five successful exits in the USA and one exit in The Netherlands for our clients, all at positive returns. Two of the US exits were also executed using the 1031 Exchange mechanism, which allowed our clients to defer payment of their capital gains taxes based on deploying the sale proceeds into two new acquisitions. Our use of the 1031 Exchange mechanism is a reflection of our constant pursuit of value-maximizing ways of serving our clients, and we are proud to have completed two such exchanged during 2021.

Under the Yielding Asset Platform, we advised on three acquisitions in the US, two of which were subject to the 1031 Exchange mechanism for exited deals. The first one was a Class A office building with extensive technology infrastructure located in one of the



strongest submarkets of St. Louis, Missouri and fully leased through 2030 to a diversified, multi-national healthcare enterprise and Fortune 50 company that provides a portfolio of services to government-sponsored and commercial healthcare programs.

The second acquisition was a trophy creative office building, located in the Entertainment & Media Business District of Beverly Hills, California, the prime hub for high-profile media and entertainment firms. The anchor tenant holds center stage as the world's largest ticket seller and promoter of live entertainment, providing secure visibility on cash flows from the investment.

The third acquisition in the US was a portfolio of two newly built state-of-the-art Assisted Living / Memory Care communities in an infill location in the San Francisco East Bay and Marin County, CA areas, with high barriers to entry. The portfolio is managed by an experienced operator which manages 40+ senior housing communities across the United States. Our entry into the senior living space at the end of 2021 was a conscious decision to take advantage of a temporary pricing dislocation triggered by the pandemic, as well as the opportunity to more effectively counteract rising inflation by targeting shorter lease length assets with a diverse source of rental revenue.

Outside the US, we continued in 2021 our cautious and highly selective approach to the UK and European markets. Nonetheless, we were able to successfully advise on the acquisition of a high-quality, multi-tenanted office building situated on top of Amersfoort Central Station, a strategic railway hub in the Netherlands that benefits from its excellent accessibility. With a diverse income stream from government, transport and healthcare tenancies, the asset should provide a good opportunity to increase rents during a holding period more likely impacted by higher inflation.

In the UK, we identified new opportunities late in 2021 which are expected, subject to due diligence, to be ready for investors during 2022, as we believe that in the long-term the UK will remain an important investment market for global investors.

Under the Real Estate Debt Platform, we successfully advised on the entry into two new REILS transactions. This type of investment utilizes the innovative Real Estate Index Linked Securities ("REILS") instrument, which is an amortizing mezzanine loan, offering a Sharia-compliant and tax efficient manner for our clients to gain exposure to equity-like returns from US real estate investment. The first REILS deal of 2021 financed the acquisition of a portfolio of 10 acute-care hospitals in the state of Louisiana, comprising 674-beds, and owned and operated by a rural acute-care hospitals leader in various specialty medical fields. The second REILS transaction financed a stable and well-performing portfolio of multi-family properties, consisting of 1,339 rental units in the states of New York, Nebraska, Missouri and New Hampshire and managed by a well experienced company with a reputation for excellence in the real estate industry.

We see a tremendous opportunity to grow our REILS transaction volume during 2022 and beyond, with an increased investment by Arzan Wealth in strengthening our deal sourcing and due diligence capabilities on the ground. The amortization structure inherent in the REILS instrument allows our clients to more quickly recover their investment principal, thus allowing a more efficient re-deployment into new investment opportunities, which is a feature that increases in importance during inflationary times.

On the exit side, under the Yielding Assets Platform, we were able to advise on the sale of The global headquarters of Heerema Marine Contractors, an office building in Leiden, The Netherlands that was acquired in mid-2016. This exit generated favorable returns for investors and protected their capital despite the turbulence created by the COVID-19 public health crisis and the increased volatility in oil prices.

In the US, 2021 was a record year for successful exits and also a breakthrough year in terms of redeploying sale proceeds in a tax-efficient manner using the 1031 Exchange mechanism. We advised on the sale of Magna Seating’s world headquarters in Oakland County, Michigan, the fifth property from the Single Tenant Portfolio in USA that was acquired in June 2017. The exit achieved the return expectations of investors.

The second exit was the sale of the Pharmaceutical Product Development (“PPD”) laboratories campus, located in the university town of Madison, Wisconsin, USA. This sale generated attractive returns that were comfortably ahead of the target for investors during the holding period of 4.3 years, and which were enhanced by using the 1031 Exchange mechanism to defer capital gains taxes when sale proceeds were redeployed into the Beverly Hills, CA asset mentioned above.

The third exit was the sale of a portfolio of four state-of-the-art micro-hospitals and medical office buildings leased to a joint venture between INTEGRIS Health and Emerus Holdings, located throughout Oklahoma City in Oklahoma, USA. The portfolio was sold at a price that has generated a net IRR that surpassed the original target, inclusive of the monthly yield payments that were distributed during the holding period of 2.5 years.

The fourth exit was the sale of the medical technology campus of Glaukos Corporation, located in Orange County, California and acquired in mid-2020 at the beginning of the pandemic at an opportunistic price. The sale was at a price that far exceeded initial expectations, achieving strong returns for investors, which were enhanced by redeploying proceeds under a 1031 Exchange into the aforementioned senior living portfolio in San Francisco. This exit is particularly noteworthy, as it reflected the nimbleness of Arzan Wealth in reacting to market conditions. The acquisition in mid-2020 of the Glaukos asset was concluded at an attractive price due to our boldness in not shying away from good transactions at a time of global crisis. Despite an intended holding period of 5 years, we recognized in 2021 that the return of capital markets to a healthy state allowed us to more rapidly achieve our return objectives for the entire holding period, and thus we adapted our strategy in order to crystallize profits and quickly redeploy the proceeds into a superior risk-reward situation.

As for the Real Estate Debt Platform, we successfully advised on the exit from a senior lending transaction in the United States, related to Bluejack, owner of a premier luxury-lifestyle community in Houston, and which includes the first Tiger Woods designed golf course in the United States. The sale generated attractive returns for the investors during the 2 ½ year holding period, despite the fact that the pandemic greatly impacted operations of Bluejack. Arzan Wealth worked hard with Bluejack to ensure that our clients’ cash flows and capital value were protected, and the intended returns from the investment were achieved, despite the pandemic.



Within the private equity business line, the Arzan Food & Beverage New Brands Vehicle invests in specialized food and consumer product companies in the US and was launched in Q4 2019. During 2021 we continued with our capital deployment strategy into innovative, organic, non-GMO and fast-growth brands in the F&B and consumer goods sectors, growing the portfolio to 15 companies. Currently, all but two of the companies in the portfolio are meeting or exceeding their growth targets, and we are hopeful that several of them will be able to achieve successful public or private market exits within the next 24 months. We expect the vehicle to fully deploy its remaining capital during the first half of 2022.

For 2022, we aim to grow our private equity business line with the planned launch of F&B New Brands Vehicle 2, as well as sourcing individual late-stage opportunities that can offer clients attractive capital gains within a 2-3 year horizon. The growth of this business line will be strengthened through the addition of dedicated human resources to the Arzan Wealth team.

Outlook for 2022

Looking forward towards 2022, we remain cautious as central banks try to grapple with the threat of longer-lasting rising inflation. Global risks include the potential for new, more deadly strains of coronavirus, increased economic disruption from unexpected effects of climate change, and the recent spike in geopolitical risk from the Russian invasion of and war against Ukraine.

The above risks will likely mean an unpredictable pace of recovery and continued volatility in capital markets globally. Against this backdrop, Arzan Wealth's primary focus on safe and income-producing real estate assets should continue to attract client interest, as the continuation of secure cash flows in times of uncertainty would serve investor portfolios well.

Arzan Wealth will continue to focus on improving the performance of all existing assets during 2022, and will selectively pursue new transactions that we believe will perform well in a higher inflation and more volatile environment. Investing into our growing private equity line of business during 2022 supports our long-term for the company and builds the fundamental basis for a diversified source of fee income over the long term. Arzan Wealth remains committed to its mission of providing high quality advisory services to its clients to diversify their international portfolios in a wise and cautious manner. The primary objective of Arzan Wealth is to preserve the wealth of its clients, to offer safety and regular income, and to achieve greater diversification in mature global markets.

Muhammad Abulhasan
Chief Executive Officer - Arzan Wealth

ARZAN CAPITAL

Arzan Capital (Holding) Limited was incorporated back in May of 2016 as a DIFC holding company, and as a wholly owned subsidiary of Arzan Financial Group for Financing and Investment KSCP to consolidate the alternative investment businesses of AFG and focus on growing our underlying operations through a synergistic approach. The company has since successfully broadened its shareholder base beyond the parent company by raising capital, which includes a selection of Middle Eastern HNWIs, family offices and institutions. Arzan Capital's advisory businesses through the entities level include venture capital, investments in yielding assets such as real estate, opportunistic investments, special development opportunities and private equity.

During 2021, Arzan Capital successfully raised fresh capital that accelerated the growth of its businesses. This additional capital was co-invested in the Arzan Group transactions, alongside our loyal client base. Arzan Capital has been continuously aiming to expand and diversify its client base organically and has determined that a foothold expansion into Europe will allow it to promote its multi asset class core product/competencies to the EU investor. As part of these efforts, Arzan Capital has successfully established a subsidiary in Switzerland named "Arzan Suisse SA". Arzan Suisse will act as a gateway for the Arzan Group to global investors, targeting Multifamily offices, UHNWIs and SME Asset Managers.

Arzan Suisse's goal is to become the base for Multi-Family Office (MFO) advisory services and solutions, and a springboard to expand the client base outside the Middle East, proposing a tailor-made portfolio and family office services, that leverages the capabilities and relationships of other Arzan Group companies.

Looking forward towards 2022, we'll continue to grow our business lines internationally and offer new products along with the existing ones. These products will not only serve the needs of our valuable clients globally but also help them to diversify their investments in the dynamic asset classes.



ARZAN ASSET MANAGEMENT

At Arzan asset management division, we strive to develop a client-centered business model, with the return expectation and risk tolerance profile. The current division focuses on managing investments in regional markets by providing portfolio management services, investment advisory services, as well as through Arzan financial group proprietary equities portfolio management.

In addition, our investment approach integrates methods combining bottom-up stock selection with top-down country allocation, whilst implementing a prudent risk management scheme. Our investment process is research-driven, hence, decisions relevant to asset allocation and portfolio construction are derived based on thorough fundamental and behavioral analysis.

Furthermore, our division is committed to meet the needs and expectations of our clients whilst complying with the rules and regulations applicable to our scope of work. Our newest project is crucially focused on the launching of Margin Trading Services in Boursa Kuwait, which stems from our confidence that Margin Trading will enhance returns while ensuring clients' satisfaction.

Our alternate strategy of focusing on the introduction of new products and investment solutions is due to the observed shift in the regional and international economy, which requires the development of a competitive edge in the current dynamic, and highly competitive market.

Talal Al Bahar
Deputy CEO

ARZAN BROKERAGE

In 2020, the COVID-19 pandemic rocked stock markets and impacted the global economy. However, in 2021 the global economy recovery from the pandemic has been evident. Governments, in collaboration with the central banks, played a major role through stimulus measures, such as direct fiscal and monetary support which led to improving investors' confidence, and their appetite to consider the introduction of new products through the new Global Trading service. These efforts cope well with the recent market developments and add value to clients while enriching business revenues.

Furthermore, one of the key objectives of our division is to monitor the following Brokerage Subsidiaries:

- EFG Hermes IFA (Kuwait),
- Arzan Securities Brokerage (Egypt), and
- International Financial Advisors (Jordan).

It is crucial that the brokerage subsidiaries generate quarter and annual based reports. It is also equally critical that we schedule annual visitations to ensure the efficiency and effectiveness of operations.

Talal Al Bahar
Deputy CEO

ARZAN COLLECTION

In 2021, Arzan Collection Co. Kuwaiti (S.P.) company was obtain new contracts with a several distinguished companies in Kuwait to provide them with all collection services. Arzan Collections Co built an overseas network of agents in 11 countries covering most of Arabian area plus some countries in Asia such as India, Pakistan, and Philippines. Arzan Collections Company is one of the group companies which provides all types of collections and follow-up services for Arzan Finance Group portfolio , other companies and banks in the Kuwaiti market.

Arzan Collections management has large experience in banking operations and products with the top banks in Kuwait and many other sectors such as finance companies, telecom, real estate, retailers, and insurance.

Talal Al Bahar
Deputy CEO

ARZAN CREDIT

During 2021, The credit department has been concentrating on developing the current portfolio of local corporate clients of SME's that are spread in several sectors and operating locally and globally. The strategy of the department is to develop the portfolio on annual basis at a progressive rate based on the quality of the financial statements and top management experience in their fields. The credit department constantly seeks potential new clients to increase the portfolio, reduce concentration risk and minimize impact of any delinquent account.

The quality of the loans and customers remains the obsession at all levels according to which strict screening measures and approval standards have been imposed by the credit policy and the Management Credit Committee. Such measures include the trend analysis of the audited financial statements, screening of bank statements, evaluating applicants assets as well as management expertise and the nature of business.

In effort to mitigate risks and in accordance to the executive management directions, The credit department strives to establish a close relationship with its clients to monitor the clients' performance and proper utilization of their financial and human resources as well as to assist in developing their business as actual partners by recommending finance conditions appropriate to their stability and growth.

The credit department is responsible for submitting monthly performance reports related to target, income, collaterals evaluation, and clients' commitment as well as clients under screening.

Talal Al Bahar
Deputy CEO



EASYBUY – INSTALLMENT SALES SERVICE

EasyBuy is a company that provides installment sale services to facilitate the customers' experience in shopping and owning goods with a flexible and easy payment method using the BNPL system (Buy Now, Pay Later). Easy Buy was launched by opening its first branch in 2017 and expanded to 44 branches during 2018 - 2019. Despite the COVID-19 pandemic during the years of 2020 and 2021, the company continued its growth, as the number of its branches reached 75 by 2021. The company also added new suppliers and partners and worked to increase the number of branches in several activities and commercial sectors, with the aim of Portfolio diversification.

EasyBuy portfolio include new products such as electronics, curtains and decorations, online education applications, bicycles, motorcycles, drones, coffee machines and related supplies, video games and toys, and our team also maintained during the pandemic continuity of operations by providing the best services to our clients.

EasyBuy services provides a new opportunity for business development in the targeted market, which will diversify the group's services portfolio, and it also provides a competitive advantage compared to the installment sales service providers currently in the local market. Our goal is to develop the installment sales industry (Buy Now, Pay Later) and participate in the growth of this sector in the Kuwaiti market.

Easy Buy focuses on customer satisfaction through ease and speed of transactions and prompt delivery, in addition to good competitive pricing. The growth in this sector and the provision of new services and innovation in finding financial solutions and improving competitive advantages are among the company's priorities to meet the needs of customers.

Talal Al Bahar
General Manager – Easy Buy

ARZAN VC

In 2021, Arzan VC made 6 new investments through its second fund (AVC II), bringing the total number of our portfolio companies to 40. Also, the volume of Arzan VC's new investments increased by 208% YoY. The 6 new investments are based in UAE, Saudi Arabia, Jordan and Egypt. We also made 5 follow-on investments in the existing AVC II portfolio.

Equally notable are the 4 exits Arzan VC recorded in 2021; 2 per each of our funds, bringing the total number of exits to 9 to-date. Here, I'd like to highlight the planned IPO of Swvl, which will become the 2nd company in the Middle East to go public via SPAC, and the acquisition of iKcon by Foodics.

While Arzan VC's first fund (AVC I) has been closed since 2017, we continued to support and add value to our portfolio companies. As mentioned above, we witnessed 2 exits from AVC I in 2021, which brought the remaining active companies to 7.

Our seed program continued to receive applications throughout the year, and we organized altogether 7 online seed events in Saudi Arabia, Jordan, Kuwait, Bahrain, Egypt and UAE. Overall, out of the 6 new investments we made in 2021, 3 were in seed-stage companies.

Overall, the global COVID-19 pandemic had a positive impact on Arzan VC and we continued to review investment opportunities in startups with a MENA angle.

Hasan J. Zainal
Managing Partner



MARKETING

In 2021, Arzan Financial Group continued the success and leadership in the market through implementing the strategies and plans aimed primarily at protecting the wealth of its clients and investors, enhancing their confidence and satisfying all their needs by providing all types of financial services and financial solutions.

Marketing and Public Relations Department succeeded in promoting the brand of the Group and enhancing AFG image internally and externally through AFG websites, social media channels, press conferences, press releases, and the participations in community service and social responsibilities throughout the year.

During 2021 the world faced many tough challenges due to the impact of covid-19 pandemic, many planned projects were stopped and many related activities to marketing & public relations were postponed in response to the instructions of health authorities in Kuwait to preserve public safety. Despite these circumstances, the Marketing and Public Relations Department successfully passed these challenges and continued by exploiting available technological solutions and through social media channels, press interviews and great media appearances throughout the year.

In addition, Arzan Financial Group provided a great appearance in press , social media channels & CSR participations by supporting national projects , social responsibility projects and allocating 1% of AFG profits to support the CSR activities in 2021 , That would contribute to the development of society through its contribution effective in many activities organized by civil society institutions and CSR campaigns of all kinds, which would serve all sectors of society, whether cultural, health, developmental, environmental, educational and others, with the aim of achieving the positive impact on society.

Fawaz Al Munaya
Marketing & PR Supervisor

ADMINISTRATION

In 2021, Administration Department in cooperation with its departments fulfilled all requirements and demands of Arzan Group and its subsidiaries and associated companies. Admin department is divided into three main categories according to the group's policy; general services, government relations, and general registration.

In government relations, Admin department team continuously follow up the decisions and instructions issued by government agencies due to the rapid developments resulting from the COVID pandemic and implement them in accordance with these decisions and instructions.

On the other hand, Administration department settled all the annual subscriptions to the Chamber of Commerce and industry, and updated all the data related to the related Ministry of Commerce and industry for the group and its subsidiaries and associates, through the renewal of expired commercial licenses, and the delivery of all budgets for the year 2020, in order to achieve the group's vision.

And with regards to general registration, and Archiving solutions, admin department completed the development of its various projects to achieve the required objectives as follows:

1. Completing the project of developing the electronic archiving system and distributing it to the departments to become each department responsible for archiving its own documents, and save them with high-quality technology, to keep them safely.
2. Keeping the documents, contracts and official government documents in a very secure manner, in a warehouse equipped with advanced specifications and technology, according to the instructions of the regulatory authorities to ensure that they are kept in strict confidentiality.
3. The development of new advanced cameras in line with the requirements of the Ministry of Interior and the regulatory authorities, to preserve its property and clients documents, and for the safety of the employees.

And with regards to the public services, admin department is continuously working to provide all necessary services for the comfort and safety of our employees. Also, admin department are working on a daily basis on maintaining Arzan tower, which reflect on preserving the safety and value of our tower based on our top management instructions.

At last, considering the corona pandemic, the Administration department provided the tower of Arzan Financial Group with all the precautions and sterilization requirements, in accordance with the decisions and instructions of the Ministry of Health, in order to protect its employees and customers from the risks of spreading the disease.

Ahmad AL Homaid
IT & Admin Manager



IT DEPARTMENT

In 2021, Information Technology (IT) department kept their focus on aligning and improving the core business needs with Arzan Financial Group's strategy. IT department, developed well-defined practice for conducting enterprise analysis, design, planning, and implementation, using a comprehensive approach for the successful development and execution of strategy in the areas of Software, hardware, Network, and information security to meet the organization needs.

During Pandemic breakout we swiftly adopted ourselves to perform all operational activities from home. IT department developed the standard operating procedure (SOP) to adopt work from home concept and circulate and provided appropriate knowledge transfer to the employees of all departments.

As a part of cost benefit strategy, the team worked towards cost reduction in various IT product, services, and subscription in an open negotiation with the service providers and eventually the team achieved the same quality of services with the better proposals. that's something added values to the organization during this pandemic.

During the fiscal year, AFG has implemented a cost-effective solution to replace existing solution due to outdated technology, New system fulfilled those gaps as we own & manage to streamline routine business processes for optimal efficiency with more features such as mobility, flexibility, and cost effective. Arzan Automation system operates our internal processes, to improve our services & delivery, it enables accountability and achieved digital transformation in align with AFG Vision. The system includes the following requests, Material Request, IT Service Request, Fund transfer, payment order, Purchase order etc. The system is secured, and we performed penetration testing on the application, and we fixed all the gaps before Going live. Our Next phase of project to implement QMS, Open Portfolio including Margin system workflows, contract management for legal department.

AFG IT team audited by external and internal audit for the year 2021, with no finding in addition to that we successfully conducted mandatory Swift CSP program with External Assessment. The organization care for Data Confidentiality, integrity, and Availability to enhance the maturity level.

AFG implemented MubasherTrade is the only trading platform in the world that provides you with online trading access to all Arab stock exchanges over a single platform. It brings you access to multi market funds, equities, and derivatives through a single account. Based on the business requirement the project is successfully live and its fully operational.

Further to above achievements we also carry out several other projects and enhancement in the infrastructure and security to combat several cyber security threats. We place ourselves current with the market demands especially in technology perspective.

Ahmad AL Homaïd
IT & Admin Manager

HUMAN RESOURCES

In 2021, Arzan Financial Group geared up and faced many challenges due to shift in work cultures but ensured commitment to attracting and retaining the most talented and diverse workforce. The HR department ensured to keep workflow in perspective and aligned with the core values of the Company – Integrity, Innovation, Stakeholders Focus, Employee Development, Team Spirit/Collaboration and Loyalty. We provided the right communication channels, support services, resources and training programs to retain employees and to help them develop professionally by providing exceptional growth opportunities.

The department followed the best practices to rise over these uncertain times and prepare Arzan and its employees for long-term growth and transformation. Arzan continued to emphasize on employee's development to expand capabilities and maximizing the potential of every individual employee while adhering to government regulations and providing a safe work environment to our employees.

The Human Resources team worked closely with department heads and senior management to enable employees to deliver objective, receive the experience, training and timely interventions that help in building long lasting and fruitful careers for them. Annual training plans are prepared in accordance to departmental and organizational requirements in order to make our employees more dynamic. We define every employee's role and our performance management system helps in recognizing and rewarding outstanding performances.

At Arzan, we attract, develop and retain a highly talented and motivated workforce to foster a healthy and productive work environment for employees in order to position Arzan as an employer of choice. Our employees are supported to take up Professional certifications and also identify ways in which the company can be improved or the working conditions can be enhanced. We at Arzan believe that employee satisfaction is the key to a successful and smooth running organization.

Abeer Botrous
Human Resources Manager



OPERATIONS DEPARTMENT

Operations department is considered one of the most vital departments of the company due to the nature of its work and the multiple tasks assigned to it, and allocated to the internal departments across the company, and to other entities, such as the company clients in their different categories, supervisory and official authorities, in addition to banks, companies, public or private enterprises on both; local and international levels, which all increase the significance of the operations management and the great responsibility the department takes. The operations department serves most of the department in the company, such as asset management, regarding the investment portfolios of the company and the clients, investment management regarding the company investments, credit, and collection regarding receiving the collected amounts and depositing them into the company's accounts. as well as top management regarding the concerning reports which is necessary to achieve the general strategy of the company. In addition to other several services offered.

The operations department main units: asset management, credit, remittances, cashier unit and shareholders unit.

In the year 2021, The operations department provided all the services and executing all the tasks assigned to it, despite the challenges of the Corona pandemic The challenges that burdened our society in 2020 and continued to 2021 affecting our company and other companies as well , enterprises, and authorities that we deal with.

We deal with several factors, the most important of which are time, efficiency, and professionalism, which are the important features of the operations department work.

We have also acted through this year to increase the efficiency of the management by developing and upgrading the electronic systems in use, to improve the work environment of the department on many levels, most important of which is developing the screens used in entering the daily processes, to achieve maximum speed, and reduce the human intervention which eliminates the potential errors, All this contributes to serving the main goal of the management which is accomplishing tasks professionally and efficiently in the shortest time possible, which eventually leads to the highest level of client satisfaction.

We also make sure in this year to attend many courses that focus on developing and sharpening the skills of the department staff and scaling-up their performance, besides attending special courses related to the function of the department to keep up with the latest updates in the business field.

Yasser Al Nahhas
Director of Operations Department

INTERNAL AUDIT

Arzan has an Internal Audit function that is commensurate with the size, nature and extent of business conducted by the Company. The Senior Manager - Internal Audit functionally reports to the Board Audit Committee and administratively to the Chief Executive Officer. A risk based audit approach is followed and the Board Audit Committee approves annual audit plans. The scope of work of the Internal Audit department is to determine whether Arzan's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning.

The Internal Audit function verifies the adequacy and effectiveness of internal controls from operation, financial and statutory compliance point of view through a blend of process and transactional audits.

A summary of significant observations along with any action plan identified by the management is placed quarterly before the Board Audit Committee for review and guidance.

Karthikeyan Palanisamy
Senior Manager - Internal Audit

LEGAL AND COMPLIANCE DEPARTMENT

A company's success depends largely on its ability to operate in harmony with society. Compliance is therefore an essential ingredient for the attainment of sustainable corporate growth. At AFG, we are constantly guided by the spirit of our Corporate Principles, the backbone of our corporate philosophy, as we strive to achieve sustainable economic, social and environmental value, in keeping with the expectations of our stakeholders.

Our corporate activities have always been conducted on the basis of integrity and fairness; one our Corporate Principles is interpreted as: "maintain principles of transparency and openness, conducting business with integrity and fairness," and in Corporate Strategy, we reiterated that exercising strict compliance remains a priority at AFG and that we will continue seeking to cultivate, at all levels, the type of personnel who execute their responsibilities with a strong sense of ethics.

During 2021, the Legal and compliance team has published 38 compliance tips to advise the AFG employees; Training sessions on combating money laundering and terrorist financing were also provided to all company employees and board members; In addition to a seminar on corporate governance has been given to members of the Board of Directors; A total of 202 Regulatory reports and inquiries submitted to authorities , No complaint by the clients has been submitted , No whistleblowing announced, The team has published 32 disclosure on Bursa Kuwait website, AFG Employees disclose total of 218 personal transactions and the team has reviewed 20 of Policies and procedures for deferent functions.

Ahmed Amin Ali
Senior Manager - Legal & Compliance



RISK MANAGEMENT

1. Arzan Risk Management Principles

The Risk Management is part of Arzan Strategic Management. We actively take risks in connecting with our business and follow stringent risk principles to preserve and enhance value for our shareholders.

Our Risk Strategy is based on the following principles.

- a. Risk is taken within Board of Directors defined risk appetite guidelines.
- b. Risk appetite should be defined and approved by the Board of Directors.
- c. Risk should be continuously monitored and managed.
- d. Spreading a strong risk culture between the employees and the executives within the organization.

2. Risk Management Governance

The Risk Management function is independent within the organizational governance structure and Risk Management works as Risk Advisory and doesn't participate in group lending or investment activities decision. The independence of the risk function is consistently monitored by Board Risk Management Committee to ensure that risk role is not compromised and/or influenced and an adequate balance between risk and return is achieved to accomplish our sustainable growth objectives.

During the year 2022, Arzan has taken several initiatives to enhance risk management by imparting different training courses to AFG staff. And implemented a strong Risk culture and committed to maintain this culture in the coming years by communicating different Risk training and awareness sessions to the employees.

3. Overall Risk Assessment

Key risk categories include financial risks such as credit risk, market risk, liquidity risk, business risk, and non-financial risks (NFRs) including reputational risk and operational risk (with important sub-categories such as compliance risk, legal risk, information security risks, fraud risks, and money laundering risks, ...etc).

Risk Management manages the identification, assessment, and mitigation of high and emerging risks through an internal governance process and the use of Risk Management tools. Risk Management approach to Risk Assessment aims to ensure the mitigation of these risks and doesn't impact our financial results, long-term strategic goals, and reputation.

The overall focus on Risk Management throughout 2021 was on maintaining our risk profile in line with the current circumstances. This approach is reflected in different risk metrics summarized below.

• Credit Risk Management

Credit Risk Management is very essential to Arzan due to our SME lending business. We have developed conservative credit risk policies to ensure that stringent due diligence processes are adopted and only customers with a strong credit history are selected.

In contrast to 2020, following the policy of reducing credit grants due to unstable conditions in 2021, The Arzan Group has resumed the expansion of granting credit facilities, while making

sure to prepare a conservative risk study and keen to select creditworthy clients that are in line with Arzan Group's strategy of developing the loan portfolio of small and medium companies.

Risk Management is keen on applying and developing standards for measuring customer risk rating and follow up to maintain the accepted risk levels as per the company's risk appetite in addition to ensure that it meets the required standards as the risk management submits a quarterly report to the risk committee that includes a comprehensive analysis of the status of the portfolio and the extent to which it embedded acceptable limits.

- Expected Credit Loss (ECL)

Risk Management implements IFRS 9 in coordination with KPMG for calculating the Expected Credit loss (ECL) using the general approach. Since day one of granting the credit facility, Risk Management classifies the facility to one of the three phases to calculate the required provision according to the standards. ECL is calculated, i.e., 12-month expected loss for all facilities in stage1 and lifetime expected credit loss for all facilities in stage 2 and stage 3 as per client commitment. The ECL is to be forward-looking in nature and inclusive of macroeconomic factors that affect ECL. Additionally, the ECL is to be probability weighted to scenarios.

With the volatility of the global economy during the year of 2021, the provision for the loan portfolio of AFG has increased significantly as a result of the stumble of some credit clients as a result of the Covid-19 Corona pandemic and its impact on the local economy in addition to that, one of the subsidiaries in the Republic of Lebanon, the International Finance Company (IFC) specialized in the granting of credit facilities, has been subjected to large provisions on its credit portfolio due to deterioration of the political and economic conditions since 2019 in addition to Covid-19 Corona pandemic which prompted IFC to fully suspend lending activities and focus on collection activities. As a result, Risk Management at AFG recommended that precautionary provisions should be calculated on the total value of the portfolio to cover any future losses.

- Market Risk Management

Arzan Group is exposed to market Risk due to adverse movement in the equity prices, FX rates and interest rates. The Market Risk is primarily managed and retained within the Board defined limit structure.

- Price Risk

Risk Management has worked out the Value at Risk (VaR) model by passing through different phases of testing and validation to ensure that the model delivers accurate and reliable results.

Risk Management calculates the VaR for equity Investment Exposure under different scenarios and assumptions. The information derived from the VaR calculation will help the company's management to take appropriate decisions and avoid excessive Risks. We have enhanced the model used, increasing its coverage to ensure that VaR findings become an integrated part of key decision making.

During 2021, an increase in the value at risk was observed because of the rise in the market values of some listed shares that are characterized by large fluctuations as a result of exposure to increased geopolitical risks in many regions and health conditions.

To manage price risks, the company diversifies its portfolio according to the limits set in the company's approved strategy.



- Foreign Currency

Arzan Group operates in the GCC, Middle Eastern countries, North Africa, Europe, and USA and is exposed to foreign currency Risk arising, recognized assets and liabilities and net investments in foreign operations.

During the year 2021, Arzan's assets were concentrated in several countries outside Kuwait at a rate of approximately 33%, representing approximately 22% in the United States of America

To mitigate the Group's exposure to foreign currency Risk, non-Kuwaiti Dinar cash flows were monitored during 2021 by Risk Department in accordance with Arzan Group's Risk Management policies.

- Capital Adequacy

Risk Management applied capital adequacy regulations issued by Capital Market Authority (CMA). Risk management also prepares a quarterly capital adequacy report and presents it to the Board of Directors, and Arzan Group has managed to maintain a sufficient capital ratio more than 100% as per the regulations of Capital Market Authority.

During 2021, the capital adequacy ratio coverage for the first, second , third quarters ranged with an average of 140% and 110% for the fourth quarter as the available regulatory capital based on Capital Market Authority rules & regulations.

- Liquidly Risk

Liquidity Risk is the Risk that the group will be unable to meet its liabilities when they fall due, and to limit this Risk, Risk Department monitors liquidity on a Quarterly basis in 2021 and Setting controls for the maturities of assets and liabilities to ensure that there is no actual deficit, and Arzan has rescheduled the maturity of some liabilities, which led to a significant improvement in liquidity by the end. 2021, which reflected a positive from the perspective of liquidity.

- Operational Risk Management

Arzan has devised and implemented a comprehensive framework for the Operational Risk Management. The following are the key elements of this comprehensive operational risk framework.

- a. Risk and Control Self-Assessment (RCSA).
- b. Residual Risk Registers.
- c. Key Risk Indicators (KRIs).
- d. Loss Data Collection and Incident Management.

The Risk team conducted regular workshops and brainstorming sessions for completing the Risk and Control Self-Assessments (RCSAs) for different departments. Inherent Risks, corresponding controls and residual Risks have been identified and assessed. The team also arrived at the Residual Risks register stating the summary of Risks required management attention. The Residual Risk Register is being used for monitoring the risk strategies (acceptance, avoidance, transfer, or reduction) and Risk migration on a periodic basis.

Risk Management has also started the process of collecting and analysing Key Risk Indicators (KRIs) and logging each operational Risk incident.

In addition, Risk Management is consistently trying to update the policies and procedures, Authority Matrix, and Organization Structure to guarantee the quality of Risk Management department.

- Business Continuity Risk and Disaster Recovery

With the lockdown that caused both the Corona virus during 2020 and Delta/Omicron viruses during 2021, electronic attacks and absence from work; the need to understand and implement comprehensive business continuity increased significantly, and although the Corona virus Delta/Omicron caused disturbance in global financial markets and the collapse of the economy, it has proven Arzan Group has its merit in implementing and testing business continuity and disaster response plans, which had a role in protecting its reputation, restarting operations and restoring revenue.

The Business Continuity and Disaster Response Committee continued its work during 2021 to ensure that the company continues to resolve unexpected interruption of business due to the spread of the Corona virus Delta/Omicron. AFG management has directed all its employees to strictly adhere to the instructions issued by Kuwait government in this regard.

Due to the development of the Corona virus Delta/Omicron, and health precaution procedures applied by Kuwait government to reduce the spread of this virus and ensure the continuity of AFG business activities, The BCP & DR committee has held several meetings and issued several procedures in this regard.

Risk Management informed AFG's Board of Directors on procedures taken and applied by the committee which includes the results of the practical application of the procedures used to operate the business and rehabilitation of work if the interruption of operations occurs, which has a role in reducing the Risks, Financial and Operational impacts resulting from interruptions. The Board of Directors praised what has been achieved by the relevant departments in this regard and requested the executive management to review the plan continuously and ensure the implementation of the its content to ensure the continuity of the company's work, and to ensure the availability of financial and human resources to make the plan a success and to re-energize the company in accordance with the instructions and guidance sought by the concerned authorities in the state of Kuwait to ensure the safety of the employees in the group.



- Compliance Risk

During the year 2021, Arzan has complied with CMA guidelines on Corporate Governance. The company has been subjected to periodic field inspection by the Capital Markets Authority in 2021 and no violations has been highlighted.

- Anti-Money Laundering (AML) Risk

Arzan gives utmost importance to AML policies, regulatory requirements and controls required to combat Anti-Money Laundering (AML) particularly keeping in view the various regional and international developments. During the year 2021, we have imparted AML training to all AFG employees which were 48 in addition to the Board of Directors including the customer screening process, enhanced due diligence and periodic reporting to different regulatory authorities. Risk Management assesses the Risk of Money Laundering and terrorist financing for Arzan Group clients and the company's products and services and has applied precautionary policy in 2021 to assess the Risks of Money Laundering and terrorist financing. The company was subject to periodic money laundering inspections from the Capital Markets Authority during 2021 and no violations were detected.

- Information security risks

As our dependence on digital financial services increases, the number of cyber attacks has more than doubled over the past years than ever before and financial services remain the most targeted. Cyber security risks have become a source of threat to financial stability and those cyber-attacks are one of the most potential risks globally. Therefore, progress and development can only be achieved through a series of steps that ensure the application of information security.

Therefore, in 2021, the Risk Management established the Information Security Unit, and the plan and strategic framework for implementing cybersecurity for the next three years was developed, including three phases to achieve the desired goals of the framework in line with the strategic objectives of Arzan Financial Group.

- Margin trading risk committee

During the last quarter of 2021, the company established a risk committee for margin trading at an administrative level in preparation for launching the margin trading service. Its objectives include: -

- The ability to understand and analyse the nature and size of the risks facing the margin trading service in accordance with the controls specified in the Capital Markets Authority Law and its Executive Regulations and their amendments to reduce them as much as possible, as well as determining the appropriate procedure to deal with them.
- Determining the internal or external factors that led or lead to the occurrence of such risks and developing methods to confront them, considering the specific strategies and policies established in this regard.

Nawal Baddar

Senior Manager - Risk Management & Information Security

FINANCE DEPARTMENT

The year 2021 was good for Arzan Financial Group. The year saw AFG overcome the events of 2020 which had resulted from the repercussions of Coronavirus pandemic and its negative impact on the global economy in general and the economies of the countries in which AFG operates, in particular. During 2021, the Group achieved profits of KD 8,823,000, compared to losses of KD 9,156,000 in 2020. This result was achieved mainly due to the following:

First: Revenues increased from KD 5,815,000 during the previous year to KD 14,626,000 in 2021.

Second: Expenses and other charges fell from KD 14,971,000 in 2020 to KD 5,785,000 in 2021.

Key factors for the increase in revenues during 2021:

1. Revenues from credit installments facilities rose by 46%, from KD 662,000 to KD 968,000 driven by an impressive growth of the credit portfolios.
2. Revenues from clients contracts rose from KD 1,781,000 to KD 3,801,000, with an increase of 113%, driven by the increase of those contracts.
3. Profits from selling investments in real estates under development, amounted to KD 1,806,000, as a result of a partial divestment from a certain real estate.
4. Profits from investments in associate companies rose by 26% from KD 1,768,000 to KD 2,235,000 due to improved performance of these companies
5. Realized and unrealized profits from investments classified as “financial assets at fair value through profits and losses” amounted to KD 3,135,000, compared to losses of KD 2,184,000 in 2020.

Key reasons for the decrease in expenses and other burdens during the year 2021:

1. There was a large decrease of 18% in general and administrative expenses, from KD 1,594,000 to KD 1,306,000.
2. Financing costs fell by 36%, from KD 1,667,000 to KD 1,069,000.
3. Reversing of the provision for credit facilities receivables and provision for real estate held for the purpose of trading in the amount of KD 2,743,000, compared to calculating provisions of KD 670,000 in 2020.
4. Decrease by 20% in the provision for doubtful debts and credit losses of cash and cash equivalents during the year 2021, amounting to KD 2,500,000, compared to KD 3,046,000.
5. Increase in impairment losses in the value of investment in a property under development, from KD 134,000 to KD 231,000 during the year 2021.
6. There are no losses in the value of investments in associate companies in the year 2021, compared to losses of KD 4,568,000 during the previous year.

The foregoing had a positive impact on increasing AFG's assets, amounting to KD 196,200,000, compared to KD 155,400,000 in 2020, with an increase of 26%. AFG has been able to reduce its liabilities during the year, amounting to KD 30,900,000, compared to KD 32,800,000 in 2020, due to the payment of part of its debts to the banks. This led to an increase of approximately 25% in the equity of the parent company's shareholders, which amounted to KD 120,800,000, compared to KD 96,800,000 in 2020.

The capital adequacy rate amounted to 110% compared to the required limit of 80% in accordance with the standards set by the Kuwaiti Capital Markets Authority.

The members of the Board of Directors proposed the distribution of cash dividends of 2.5 fils per share and the distribution of 3.5% bonus shares for the fiscal year ending on 31 December 2021, subject to the approval of the shareholders' general assembly and the concerned authorities.

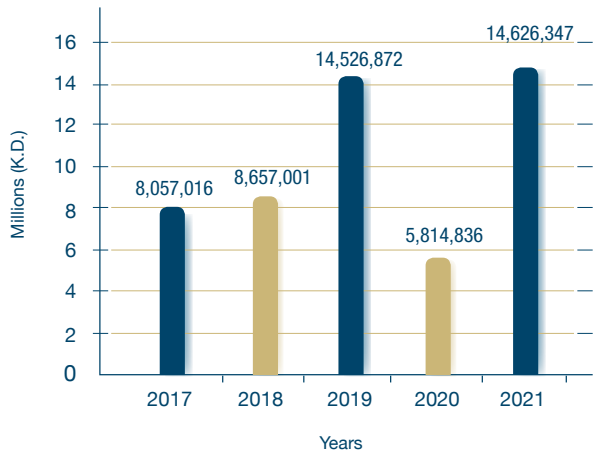
The following shows the performance of all the financial indicators that reflect the performance of Arzan Financial Group during the past five years:

Mohammed Farid
Executive Director - Financial Department

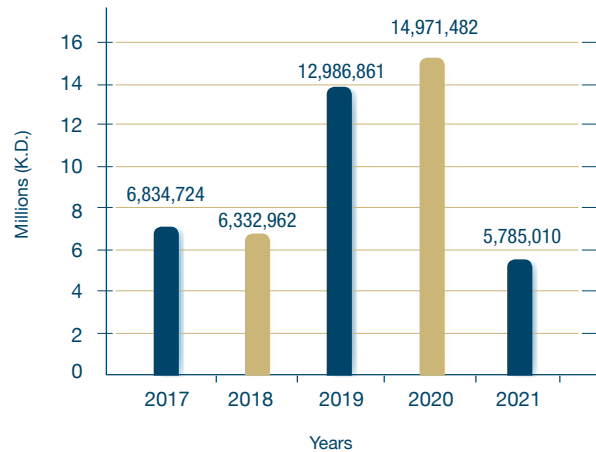


FINANCIAL REPORT ANALYSIS

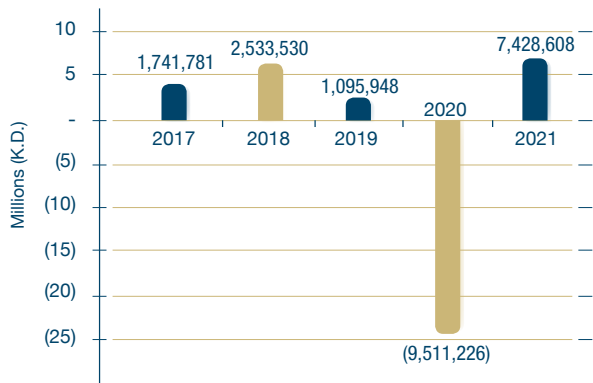
Total Income



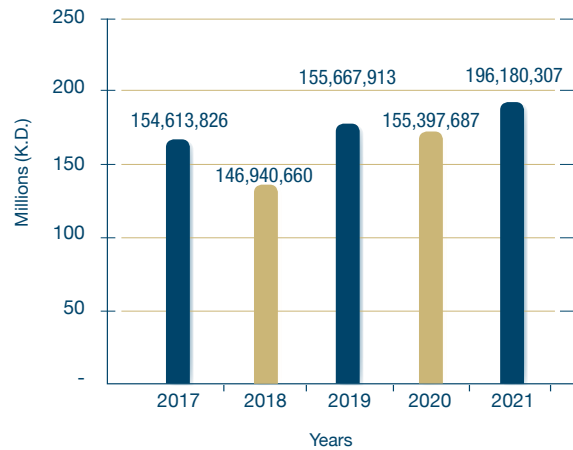
Total Expenses



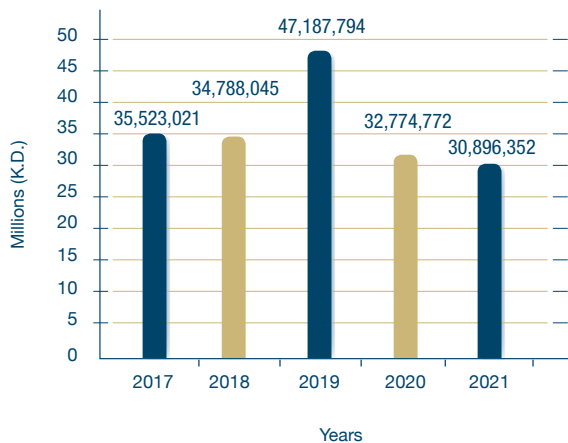
Net Income/(Loss) attributable to the parent company



Assets

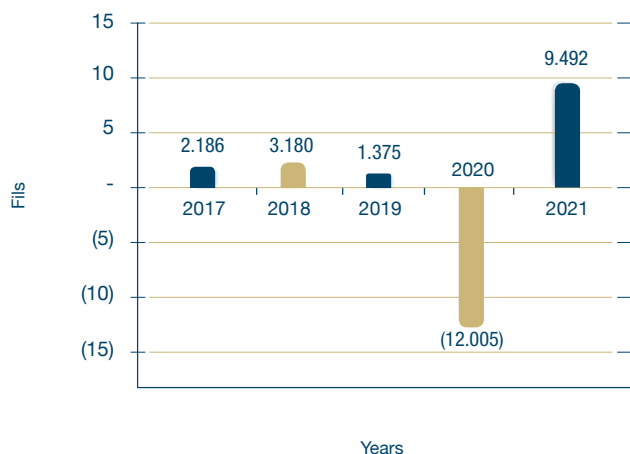


Total Liabilities

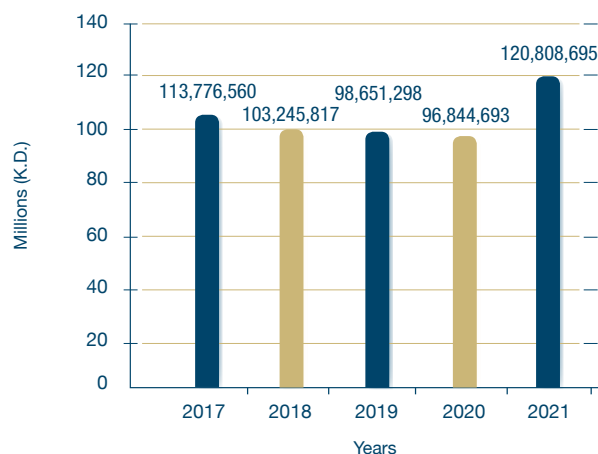


FINANCIAL REPORT ANALYSIS

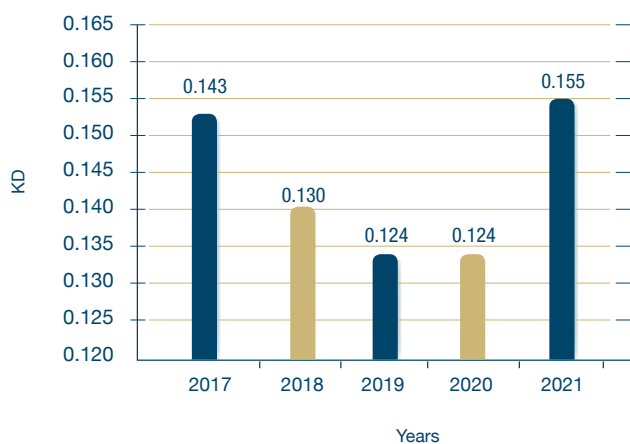
Basic earnings/(Loss) per Share attributable to owners of the parent Company



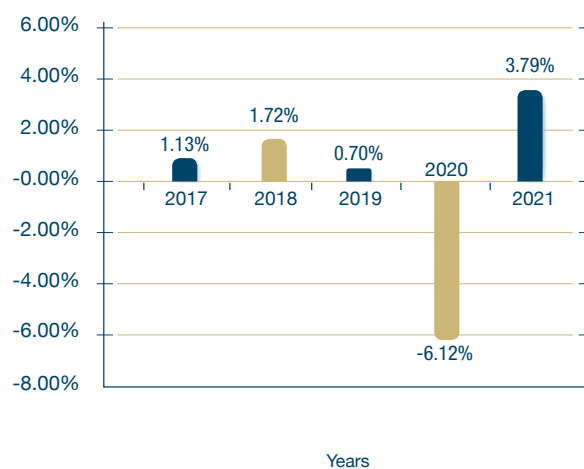
Shareholders' equity attributable to owners of the parent company



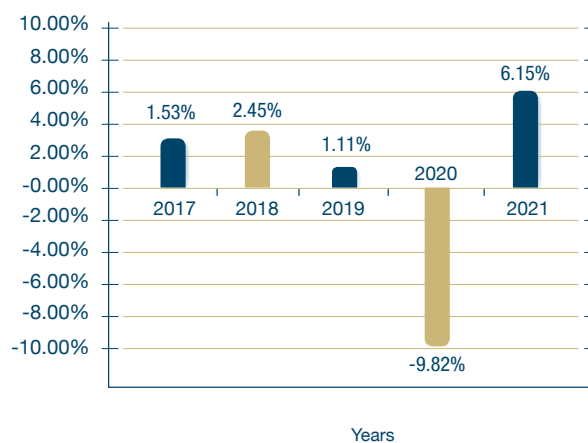
Book Value



Return on Assets



Return on Equity





CORPORATE
GOVERNANCE
REPORT

1. RULE ONE:

BUILDING A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS:

The role of the Board of Directors (the “Board”) represents the point of balance that works to achieve the shareholders’ goals and follow up the tasks of the Executive Management of the Company. Arzan Financial Group’s Board of Directors believes that the skills, experiences and characteristics of its members commensurate with their responsibilities and the Company’s activities.

Board members provide a range of expertise to the Board, including, for example:

- International, regional and local experience.
- Technical expertise related to the business, regulatory and economic environment in which Arzan Group operates.
- Experience and knowledge of the financial sector.

1.1 Formation of the Board of Directors

The decisions passed by the Board of Directors have a great impact on the Company’s performance and the integrity of its financial position. Therefore, the Company has been keen to ensure that its Board of Directors consists of a sufficient number of members that allows the formation of a number of committees emanating therefrom, within the requirements of wise governance.

The Board of Directors consists of seven (7) members, including independent members, for the 2020-2022 term.

Nomination and Remuneration Committee has examined the documents of the candidates nominated for the Board membership for the new 2020-2022 term and the applicants’ fulfilling the requirements of Kuwait Capital Markets Authority in terms of the rules of competence and integrity has been verified.

The Board shall be composed of one independent member. The Nomination and Remuneration Committee has ensured that the status of independence is fulfilled in accordance with the regulations of Kuwait Capital Markets Authority.



Name	Member Classification	Qualifications and Practical Expertise	Election Date
Jassem Hasan Zainal	Board Deputy Chairman and Chief Executive Officer Representative of International Financial Consulting Holding (Executive Member)	<ul style="list-style-type: none"> • Bachelor of Science - Civil Engineering, Miami University (1980), USA. • BA in General Studies - Mathematics, Miami University (1981), Miami, USA. • MA of Science - Civil Engineering, Kuwait University (1991), State of Kuwait. • 38 years of experience in banking, investment and financial institutions 	8 June 2020
Ibrahim Saleh Al-Tharban	Board Member. Representative of Manara Horizon Real Estate Company (Non-Executive Member)	<ul style="list-style-type: none"> • Bachelor of Commerce - Accounting, Kuwait University (1975), State of Kuwait. • 43 years of experience in banking, investment, real estate and financial institutions. 	8 June 2020
Emad Abdullah Al-Essa	Board Member. Representative of Kivan International (Non-Executive Member)	<ul style="list-style-type: none"> • Bachelor of Science - Business Administration, Polytechnic University (1986), Pomona, California, USA. • MA of Business Administration - Accounting, George Washington University (2004), Washington DC, USA. • 34 years of experience in investment, real estate and financial institutions. 	8 June 2020
Bader Jassim Al-Hajri	Board Member. Representative of Asgad Kuwait General Trading and Contracting (Non-Executive Member)	<ul style="list-style-type: none"> • Bachelor of Administrative Sciences, Marketing, Kuwait University, (1999), State of Kuwait. • 20 years of experience in banking, investment, real estate, financial and internet services. 	8 June 2020
Mohammad Ahmad Al-Qahtany	Board Member. Representative of Al-Faiha Real Estate Company (Non-Executive Member)	<ul style="list-style-type: none"> • Bachelor of Commerce, Accounting, Kuwait University, (1992), State of Kuwait. • Master of Professional Accounting, University of Miami, (1995), Miami, United States of America. • Certified Public Accountant Certificate - CPA, (1999), USA. • 23 years of experience in banking, investment and financial institutions. 	8 June 2020
Issa Abdullah Al-Muzaini	Independent Member	<ul style="list-style-type: none"> • Bachelor of Science, Civil Engineering, St. Martins College, (1983), USA. • 17 years of experience in banking, investment, educational and information technology institutions. 	8 June 2020
Ruba Ghanem	Secretary	<ul style="list-style-type: none"> • Bachelor of Business Administration - Banking, Granttown University 2014, USA. • 21 years of experience in banking, investment and financial institutions. 	10 Jan. 2013

* The company's board chairman, Mrs. Wafaa Ahmed Al Qatami, resigned on November 30, 2020, she is a representative of Al Nuzha International Real Estate Company, which retained the right to replace a member of the Board of Directors. Until now, Al Nuzha International Real Estate Company has not appointed a representative on the Board of Directors.

1.2 Meetings of the Board of Directors.

Six (6) Board meetings have been held during 2021, as follows:

Member Name	Meeting No. (1) on 30/03/21	Meeting No. (2) on 04/05/21	Meeting No. (3) on 28/06/21	Meeting No. (4) on 11/08/21	Meeting No. (5) on 08/11/21	Meeting No. (6) on 26/12/21	Total
Jassem Hasan Zainal	√	√	√	√	√	√	6
Ibrahim Saleh Al-Tharban	√	√	√	√	√	√	6
Emad Abdullah Al-Essa	√	√	√	√	√	√	6
Bader Jassim Al-Hajri	√	√	√	√	√	√	6
Mohammad Ahmad Al-Qahtany	√	√	√	√	√	√	6
Issa Abdullah * Al-Muzaini	√	√	√	×	√	×	4

1.3 Application of the requirements for registration, coordination and keeping minutes of the Board meetings.

The Board of Directors shall devote sufficient time to carry out the tasks and responsibilities entrusted thereto, including preparing for the meeting of the Board and the committees emanating therefrom and keenness to attend these meetings, in addition to organizing the Board meetings in consecutive numbers for the year in which they are held, indicating the venue, date and starting and ending hours of the meeting, as well as preparing the minutes of discussions and deliberations, including the voting process, to be signed by all Board members and the Secretary. All Board minutes of meetings, records, books and reports of the Company, submitted from/to the Board, shall be kept, ensuring a full and rapid access of the members thereto. The Board has appointed a Secretary to the Board from among the Company's employees, specifying her functions in accordance with the Company's corporate governance rules and in line with the responsibilities assigned thereto.

The Board shall hold the least of six (6) meetings annually, with the minimum of one meeting per schedule. Where Sufficient documents shall be provided to the Board members to enable them assessing the topics for which decisions are required. Among the key documents submitted to the Board:

- Quarterly financial statements
- Minutes of the previous Board meeting
- Minutes of the Board committees
- Aspects / developments within each department of the Company
- Reports of regulatory violations.



1.4 Acknowledgment of the Independent Board Member:

Independent Board Member Acknowledgement

As an independent member in Arzan Financial Group's Board of Directors, I hereby declare the below:

1. I do not hold 5% or more of the Company's shares.
2. I do not have a first-degree relation with any of the Members of a Board of Directors or executive management members in the Company or any other company in its Group or the relevant main parties.
3. I am not a Member of a Board of Directors in any company of the Group.
4. I am not an employee in the Company or any company in the Group or for any of the Stakeholders.
5. I am not an employee for corporate entities who own Control shares in the Company.
6. As an independent member, I have the qualifications, experiences and technical skills which are constituent with the Company's activity.
7. I do meet all board member independence requirements (of which the above serve as a non-exhaustive list) and I do not have any matter that contravenes with the independence requirements.
8. I pledge to notify the Company upon non-compliance to any of the above-mentioned independence requirements or any requirement determined by the regulatory entities (Ministry of Commerce and Industry, and/or Capital Markets Authority).
9. The Company shall have right to take all required procedures should it be deemed that the above acknowledgement is not true.

Name of Independent Board Member: Issa Abdullah Al-Muzaini

Signature:

A handwritten signature in black ink, appearing to be "Issa Abdullah Al-Muzaini", written over a light blue horizontal line.

Date: 28/03/2022

2. RULE TWO: PROPER SPECIFICATION OF TASKS AND RESPONSIBILITIES

2.1 Company's policy for the tasks, responsibilities and duties of each of the Board members and the Executive Management, as well as the powers and authorities delegated to the Executive Management

The Company's Board of Directors is a balance point that works to achieve the shareholders' objectives and follow up the Executive Management performance, since the Board seeks to achieve the Company's strategic objectives by ensuring that the Executive Management carries out its tasks to the fullest and that it works to enhance the competitiveness of the Company, in addition to achieving high growth rates, working to maximize profits and that the Executive Management decisions and procedures always work to the interests of the shareholders.

The Board has approved the Company's Governance Policy, which clearly includes the tasks and responsibilities assigned to both the Board of Directors and the Executive Management, as well as a matrix of powers that promotes the separation of the terms of reference between the Board and the Executive Management, in a manner that guarantees full independence, so that the Board of Directors may effectively carry out its responsibilities. This includes the powers and authorities delegated to the Executive Management.

2.2 Board achievements during the year.

Worth noting is that the Board operates in accordance with an approved code that includes the main responsibilities, as well as other responsibilities as provided for in the relevant regulations and laws. Among the most prominent actions undertaken by the Board during 2021, for example:

- Approving Arzan's financing and borrowing requirements.
- Approving the annual and interim budget and ensuring that performance is measured in accordance with the budget and action plans.
- Examining the annual financial statements, temporary lists, dividend announcements and notifications to shareholders, in accordance with the recommendations of the Board's Audit Committee and its approvals.
- Ensuring the risk management, internal control, financial and operational systems.
- Reviewing, amending and approving the organizational structure of the Company.
- Reviewing and approving the amendment of the Company's internal policies and procedures.
- Discussing the report on the business continuity and disaster response plan test results.
- Ensuring the Company's compliance with the policies and procedures that ensure the Company's respect for the rights of shareholders, the applicable internal activities and regulations and the Company's commitment to implementing the governance system.
- Approving the provision of margin trading service to clients' portfolios.
- Following up on the performance of each member of the Board of Directors and the Executive Management according to the key performance indicators.
- Assessing the performance of the Board, board members, board committees, committee members and the CEO.
- Approving the annual/semi-annual reports sent to government/supervisory entities.
- Approving the reports submitted to the General Assembly.



2.3 Implementation of the requirements for the Board's formation of specialized independent committees and relevant information on each committee.

Arzan's internal control and management system is based on the directives and regulations issued by the Capital Markets Authority, the Central Bank of Kuwait, Kuwait Stock Exchange, the Company's Memorandum of Association, Articles of Association and internal practices. The Board shall bear full responsibility for the operations of the Company's operations and may delegate some of its powers to the Board Committees. The Board has formed three committees to assist it in monitoring the decision-making process and functions of Arzan. Each Board Committee shall perform its functions in accordance with its own code, as specified in the Code of the Board of Directors and in accordance with the regulations approved by the Board.

The Audit Committee:

The Audit Committee is responsible for assisting the Board in effectively performing its responsibilities in terms of financial reporting, internal controls and internal and external audit, in addition to developing the Company's culture of compliance by ensuring the external auditors' independence and the integrity and fairness of the Company's financial statements, in addition to ensuring the adequacy and efficiency of the Company's internal controls. The Committee operates on the basis of a code approved by the Board. Among the prominent works practices in the year 2021, for example:

- Reviewing and discussing the interim and final financial statements before submitting them to the Board and expressing pinion thereon as at 31/12/2020, 31/03/2021, 30/06/2021 and 30/09/2021, in addition to studying auditors' observations on the financial statements and follow them up.
- Reviewing the internal control systems' evaluation report for the year ending in 31/12/2020.
- Recommending to the Board to appoint/reappoint the external auditors.
- Approving the audit committee report for the financial year ending in 31/12/2020 and submitting recommendation to the Board.
- Approving the internal audit plan for the year 2021.
- Reviewing the results of internal audit reports and ensure corrective actions are taken.
- Reviewing the results of the Internal Audit Department review and evaluation report.
- Reviewing the results of the report and evaluation of the internal control systems.

The Audit Committee shall consist of:

Four (4) members appointed by a resolution of the Board of Directors, issued in its Minutes No. 04/2020, dated 15/06/2020, for (2020-2022) term:

- Ibrahim Saleh Al-Tharban - Chairman of the Committee (Non-Executive Member).
- Emad Abdullah Al-Essa - Deputy Chairman of the Committee (Non-Executive Member).
- Bader Jassim Al-Hajri – Committee Member (Non-Executive Member).
- Issa Abdullah Al-Muzaini - Committee Member - Independent (Non-Executive Member).

During the year 2021, the Audit Committee has convened four (4) meetings as follows:

Member Name	Meeting No. (1) on 30/03/21	Meeting No. (2) on 04/05/21	Meeting No. (3) on 11/08/21	Meeting No. (4) on 08/11/21	No. of Meetings
Ibrahim Saleh Al-Tharban (Chairman of the Committee)	√	√	√	√	4
Emad Abdullah Al-Essa (Deputy Chairman of the Committee)	√	√	√	√	4
Bader Jassim Al-Hajri (Committee Member)	√	√	√	√	4
Issa Abdullah Al-Muzaini (Committee Member)	√	√	√	√	4
External Auditor	√	√	√	√	4
Internal Auditor	√	√	√	√	4

Risk Committee:

The Risk Committee shall be responsible for assisting the Board in performing the special control and monitoring responsibility for the Company's risk management function, including identifying, assessing, controlling and mitigating the risks the Company is exposed to. The Committee assists the Board in developing the Company's risk management approach and strategy, as well as the overall risk management framework and monitoring the implementation of the executive management of this strategy. The Committee operates on the basis of a code approved by the Board of Directors. The following are examples to the key works undertaken by the Committee during 2021:

- Reviewing periodic reports about the nature of the risks the Company is exposed to and submitting them to the Board of Directors.
- Reviewing the external penetration test report.
- Reviewing the report on the business continuity and disaster response plan test results and submitting it to the Board.
- Reviewing and amending the Company's internal policies and procedures and submitting them to the Board for approval.
- Reviewing the information security framework and strategy and submitting it to the Board of Directors for approval.
- Reviewing the risk management strategy for the next three years 2022-2024, and submitting it to the Board of Directors for approval.



Risk Committee shall consist of:

Four (4) members appointed by a resolution of the Board of Directors, issued in its Minutes No. 04/2020, dated 15/06/2020, for (2020-2022) term:

- Ibrahim Saleh Al-Tharban - Chairman of the Committee (Non-Executive Member).
- Jassem Hasan Zainal - Deputy Chairman of the Committee (Executive Member).
- Emad Abdullah Al-Essa - Committee Member (Non-Executive member).
- Mohammad Ahmad Al-Qahtany – Committee Member (Non-Executive Member).

During the year 2021, the Risk Committee has convened six (6) meetings as follows:

Member Name	Meeting No. (1) on 30/03/21	Meeting No. (2) on 04/05/21	Meeting No. (3) on 28/06/21	Meeting No. (4) on 11/08/21	Meeting No. (5) on 08/11/21	Meeting No. (6) on 26/12/21	No. of Meetings
Ibrahim Saleh Al-Tharban (Chairman of the Committee)	√	√	√	√	√	√	6
Jassem Hasan Zainal (Deputy Chairman)	√	√	√	√	√	√	6
Emad Abdullah Al-Essa (Committee Member)	√	√	√	√	√	√	6
Mohammad Ahmad Al-Qahtany (Committee Member)	√	√	√	√	√	√	6

Nomination and Remuneration Committee:

This Committee shall assume the responsibilities related to the fees of the Arzan Board of Directors and its Executive Management, in line with their performance, qualifications and levels of expertise. The Committee shall also assume additional responsibilities related to the nominations in accordance with CMA regulations and the other laws. The Committee operates on the basis of a code approved by the Board of Directors. Among the key works undertaken by the Committee during 2021, for example:

- Discussing the results of the self-evaluation of the members of the Board of Directors
- Approving the annual report on remunerations, salaries and benefits for members of the Board and the Executive Management, submitting the recommendation regarding the proposed remuneration to the Board for approval.
- Defining and approving objective indicators and behavioral competencies for the Board of Directors and each member of the Board of Directors, including the independents, the Nominations and Remunerations Committee, the Risk Management Committee, the Audit Committee and the CEO for the year 2021
- Reviewing amendments to the ESOP Stock Option Program Policy for the Company's employees, submitting them to the Board for approval.
- Approving the job description of the Executive Deputy Chairman - Kuwait, and submitting it to the Board of Directors for approval.
- Reviewing the governance report and submitting it to the Board of Directors in preparation for its inclusion in the annual report and its reading in the General Assembly.

The Nomination and Remuneration Committee shall consists of four (3) members, appointed by a resolution of the Board, issued in its minutes No. 04/2020, dated 15/06/2020, as follows:

- Jassem Hasan Zainal – Deputy Chairman of the Committee (Executive Member)
- Bader Jassim Al-Hajri – Committee Member (Non-Executive Member)
- Issa Abdullah Al-Muzaini - Member of the Committee (Independent Member)

During the year 2021, the Nomination and Remuneration Committee has convened one (1) meeting, as follows:

Member Name	Meeting No. (1) on 29/03/21	No. of Meetings
Jassem Hasan Zainal (Vice Chairman)	√	1
Bader Jassim Al-Hajri (Committee Member)	√	1
Issa Abdullah Al-Muzaini (Committee Member)	√	1

2.4 Implementation of the requirements for allowing Board members to obtain accurate and timely information and data

The Executive Management works to provide complete, accurate and timely information and data to all Board members in general and to the non-executive and independent Board members in particular, through the Secretary of the Board, who provides the members of the Board with all the documents that will be discussed during the Board meeting sufficiently during the Board meeting, so as to obtain all basic information and data to enable the members of the Council to undertake and carry out their duties and tasks efficiently and effectively.

3. RULE THREE:

SELECTING QUALIFIED PERSONS FOR THE MEMBERSHIP OF THE BOARD AND THE EXECUTIVE MANAGEMENT

3.1 Nomination and Remuneration Committee formation requirements

Following its selection by the General Assembly, the Board has formed the Nomination and Remuneration Committee, consisting of four (4) members, where one of them is an independent member and its Chairman is a Non-Executive Board member. The Board has defined the term of the Committee's membership and its method of work, as well as the powers and responsibilities of the Committee within its code of work, as adopted by the Board.



3.2 Report on the remunerations granted to the members of the Board of Directors, the Executive Management and Managers.

3.2.1 Summary of the Nomination and Remuneration Policy at the company, specially for the Board of directors, Executive Management and the Managers

The Company's Articles of Association stipulate a clear policy for the remunerations of the Board Chairman and the Board members. Further, the company's remuneration policy is based on the following principles:

- Observing the provisions of Companies Law and related laws.
- Recruitment and retention of the best staff.
- Ensuring equality within the Company and competitiveness outside it.
- Transparency in awarding remunerations.

Board Members' Remuneration:

The Company adheres to the remuneration system of the Board of Directors as stipulated in Article 198 of Companies Law No. (01/ 2016) and the approval of the General Assembly shall be taken regarding the remuneration of the Board members.

Executive Management and Managers Remuneration and Incentives:

Fixed Remuneration: Includes salaries and benefits (including end of service benefits), which are awarded under the scale of salaries approved by the Board of Directors, the applicable laws and regulations and the Human Resources Management Policies and Procedures Manual.

Variable Remuneration: Variable remunerations are linked to the achievement of previously determined objectives. This kind of remuneration is designed to motivate and reward Executive Management members. Variable remuneration is allocated according to the performance of the Executive Management member and the overall performance of the Company. Variable rewards are paid in cash.

Remunerations and incentives of Company's employees

1. One of the most important objectives of awarding bonuses and remunerations is to establish the principle of belonging to the Company and motivate the employees towards working to achieve the objectives of the Company and raise its level. The Company seeks to ensure that the remunerations system reflects and is commensurate with the functions and responsibilities and is fair and equitable.
2. Remunerations to the employees of the Company shall be adopted based on an evaluation of the level of performance, where remunerations are awarded in accordance with an approved policy, in order to achieve the operational and financial objectives, and based on the employees' individual performance and contribution to achieve the strategic objectives.

3.2.2 Remunerations Schedule:

First: The Annual remuneration and sitting fees allowance for the Committees paid to all members of the Board during the period from 1st of January 2021 to 31 of December 2021

The rewards and benefits through the mother company		The rewards and benefits through the subsidiary companies						
Number	The fixed rewards and Benefits	The variable rewards and Benefits		The fixed rewards and Benefits		The variable rewards and Benefits		
	Medical Insurance	Annual remunerations	Sitting fees	Committee rewards	Medical insurance	The total monthly salaries through the year	Annual remunerations	Committee rewards
7	0	37,000	27,300	0	0	0	0	0

Second: The total remunerations and benefits granted to five senior executives who received the highest remuneration, in addition to the CEO and the Chief Financial Officer or his representative, if they are not among them, for the financial year ending on December 31, 2021

The rewards and benefits through the mother company													The rewards and benefits through the subsidiary companies						
Number	The fixed rewards and Benefits							The variable rewards and Benefits					The fixed rewards and Benefits					The variable rewards and Benefits	
	Annual salaries	Social Insurance	Life Insurance	Medical Insurance	Air Tickets	Accrued leave	Business trips	End of Service allowance	Remuneration Provision	ESS	ESOP	Business calls	Other Benefits	Annual salaries	Medical Insurance	Air Tickets	Other Benefits	Annual remunerations	
5	319,967	10,058	4,157	5,655	10,400	40,544	379	69,871	212,100	26,265	20,092	2,467	449	86,922	0	0	8,942	195,447	

3.2.3 there is no substantial deviations from remuneration policy approved by Board of Directors.



4. RULE FOUR: ENSURING INTEGRITY OF FINANCIAL REPORTS

4.1 Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports

The Board of Directors is responsible for monitoring and reviewing the credibility of the financial statements, accounting policies and information contained in the annual report. In undertaking that responsibility, Board members receive continuous support through certain processes to identify and assess the risks faced by the Company. The independent monitoring process is carried out to ensure the effectiveness of the Executive Management in conducting Company's business and achieving its objectives by the Internal Audit Department, the Risk Management Department and other Board subcommittees.

The credibility and integrity of the financial statements of the Company are among the most important indicators that to the Company's integrity and credibility in presenting its financial position, which increases the confidence of shareholders and investors in the data and information provided by the Company and disclosed to the shareholders. The Executive Management acknowledges to the Board, in writing, that the submitted financial reports are correct and fair and that they include all financial aspects of the Company in terms of data and operating results. These reports are also prepared in accordance with the international accounting standards adopted by the Authority. The annual report submitted to the shareholders from the Board of Directors acknowledges the credibility and integrity of all financial statements and reports related to the Company's activity. These undertakings and acknowledgements contribute to enhancing accountability; whether of the Executive Management to the Board or of the Board to the shareholders.

4.2 Audit Committee formation requirements

The Board has formed the Audit Committee and determined the term of its membership and the method of work. The Committee's powers and responsibilities were stated in its code of work as approved by the Board. The Committee consists of four (4) members, including an independent member, and the Committee's membership does not include the Chairman of the Board of Directors or any of the Executive Members. Among the members of the Committee are members with academic qualifications and/or practical experience in the accounting and financial fields. The Committee meets regularly at least four times annually and on a quarterly basis, where minutes of the meetings shall be recorded. The Committee holds meetings with the external auditor and at least four times with the internal auditor.

4.3 There was no conflict of interest, in 2021, between the Audit Committee recommendations and the decisions of the Board

4.4 Emphasizing the independence and impartiality of the external auditor

The Company's Ordinary General Assembly appoints/reappoints the external auditor on the recommendation of the Board. The nomination of the auditor shall be based on the recommendation of the Audit Committee, which shall ensure that auditor is registered in the special register at the Authority, so that he would fulfill all the conditions stipulated in the Authority's requirements regarding the system of recording the auditors. The Committee shall also ensure that the external auditor is independent of the Company and its Board and that he is not performing any other works to the Company that are not within the scope of auditing, which may affect neutrality or independence. The Audit Committee shall discuss with the external auditor before submitting the annual financial statements to the Board for decision.

Mr. Abdul Latif Muhammad Al-Aiban, from Al-Qatami, Al-Aiban and Partners Office (Grant Thornton), were appointed in the capacity of the Group's auditor for the current year ending in 31/12/2021, by a decision issued by the Company's ordinary general assembly, held on 27/05/2021.

The external auditor shall attend the Annual General Assembly meeting and shall recite his report to the shareholders of the Company.

5. RULE FIVE:

ESTABLISHING SOUND SYSTEMS FOR RISK MANAGEMENT AND INTERNAL CONTROL

5.1 Implementing the requirements for forming an independent risk management department/office/unit.

The organizational structure of the Company includes risk management that enjoys complete independence and the Risk Management Committee, in turn, reports to the Board of Directors.

Arzan has a comprehensive risk management framework that is applied to ensure proper governance of the Company and its related entities. The Board directs the policy and procedures framework and is responsible for risk management and all existing risk control systems in Arzan.

Arzan's Board of Directors ensures integrating the risk management concept into the Company's culture, policies and processes. Risk Management Department enjoy broad powers to perform their duties without granting them any powers and executive and financial powers.

Risk Management Department identifies, evaluates, assesses and reports on all the significant risks to which Arzan is exposed, through key risk indicators identified according to the relevant risk categories, in addition to implementing periodic risk control and monitoring activities, with the preparation and implementation of new audit and control policies. The Department aims to enhance its risk control capabilities through the use of the best IT programs in the field of risk management and assessment. The Risk Management Department reports quarterly to the Board and semi-annually to the Capital Markets Authority.

5.2 Risk Management Committee formation requirements

The Board has formed a Risk Management Committee, consisting of four (4) members, where the Chairman of the Committee is a non-executive member and the Chairman of the Board of Directors is not a member of the Committee. The Board has determined the term of the Committee's membership, its method of work, responsibilities in the Committee's code of work as approved by the Board.

5.3 Internal Control and Monitoring Systems

The integrity and credibility of the internal control systems shall be achieved through policies and procedures, automating the processes in line with the policies and procedures adopted by the Company, wise selection of employees and raising their awareness, as well as an organizational structure that separates responsibilities. Internal control procedures are established to protect the Company's assets and to ensure the approval of the decisions and procedures. Periodic risk assessments are carried out by the Risk Management Department and compliance is being reviewed periodically by the Compliance Department.



5.4 Implementing the requirements for forming an independent internal audit department/ office/unit

The organizational structure of the Company includes an internal Audit Department that enjoys complete technical independence, which reports to the Audit Committee and, thus, the Board of Directors. The Internal Audit Department submits its reports independently to the Audit Committee, emanating from the Board of Directors. Audits are performed by an internal audit team within the Company, in accordance with the internal audit plan approved by the Audit Committee. Comprehensive reports are to be submitted by the internal auditors directly to the Audit Committee, in addition to adopting appropriate corrective policies and procedures where necessary. The internal audit plan shall be implemented through assessing the effectiveness of the risk control instruments, the risk management and the control and governance systems.

6. RULE SIX: ENHANCING G PROFESSIONAL BEHAVIOR AND ETHICAL VALUES

6.1 Code of Ethics that includes the standards and determinants of professional conduct and ethical values

Arzan adopts a Code of Professional Conduct, to which the Board, the Executive Management and all employees of the Company are committed. The Code defines the following topics:

- 1. Compliance with laws, rules and regulations:** The Board of Directors and the Executive Management shall comply with the laws, rules and regulations in force at Arzan and its subsidiaries.
- 2. Trading on the basis of internal information:** All Board members and officials shall not use any special data and information that are not intended for publication or use them for the purpose of trading in shares and achieving commercial gains through such data and information.
- 3. Interests of the Company:** The members of the Board and the officials shall not use the Company's property, information or positions in order to achieve personal interests and gains and shall not compete with the Company, either directly or indirectly.
- 4. Competitiveness and fair dealing:** The Board and the Company's management are committed to fair treatment and respect for the rights of the Company's customers, suppliers, competitors and employees. Members of the Board or the officials shall not make unfair gains from any party by manipulating or concealing information, misusing any confidential information, misrepresenting fundamental facts or committing any other illegal business practices.
- 5. Recordkeeping, financial controls and disclosures:** The Company's books, records, accounts and financial statements shall be kept in detail and shall reflect the Company's transactions properly. They may be disclosed in accordance with any applicable laws and regulations, with full compliance with the applicable legal requirements and with the Company's internal regulations.
- 6. Confidentiality of information:** The members of the Board, the Executive Management and the employees of the Company shall maintain the confidentiality of information and any information owned by the Company and entrusted to them by the Company, its customers or suppliers, unless the disclosure of such information is licensed/required by laws or regulations or if disclosed in accordance with the "need to know" rule.

7. Protection and proper use of the Company's assets: The Board and Executive Management members are committed to protect the Company's assets, including the Company's proprietary information, including intellectual property rights; such as trade secrets, patents, trademarks and copyrights, as well as service, marketing and trade plans, databases, records, payroll information and any financial statements and unannounced reports. Unauthorized disclosure and distribution is an infringement of the Company's policy and it may also be considered unlawful and would result in civil and criminal penalties.

8. Financial reporting: The Board of Directors and the Executive Management are responsible for the preparation of financial reports professionally and in accordance international standards, in addition to responding to any inquiries regarding general disclosure requirements to shareholders, stakeholders and any other parties.

6.2 Policies and mechanisms for limiting conflict of interest cases

The Board has developed policies and mechanisms to reduce cases of conflict of interest, as well as the methods of dealing with them within the framework of corporate governance, taking into account the provisions of the Companies Law. The Company, in its policies, has observed the existence of a clear separation between the interests of the Company and those associated with the Board members, through the Board's establishing mechanisms to put the interests of the Company before the interests of its members. All Board members shall disclose to the Board any interests shared with him the Company, whether directly or indirectly. It is also prohibited for Board members to participate in any discussion, express opinion or vote on any subjects presented to the Board, where the member has a joint interest, directly or indirectly, with the Company. Employees of the Company may also report, internally, their doubts about any improper practices or suspicious matters in the financial reports, internal control systems or any other matters. The Company shall allow an independent and fair investigation of any matter brought to its attention, ensuring the good-faith reporter shall be protected against any adverse reaction or damage that may result from his reporting of such practices.

7. RULE SEVEN:

ACCURATE AND TIMELY DISCLOSURE AND TRANSPARENCY

7.1 Accurate and transparent presentation and disclosure mechanisms that define the aspects, fields and characteristics of disclosure

The Company is committed to the highest levels of transparency, where the Board has adopted disclosure policies and procedures to ensure accurate and timely information provision to shareholders and stakeholders. The Compliance Department shall coordinate with all departments of the Company to disclose information accurately and in a timely manner to the Capital Markets Authority and Kuwait Stock Exchange.



7.2 Board of Directors, Executive Management members' and Managers Disclosure Register requirements

The Company has a special register that regulates the disclosures by the Board, Executive Management members and Managers. IT infrastructure has been developed to suit the Company's position, this register includes all data related to bonuses, salaries, incentives, and other financial benefits that were granted directly or indirectly by the company or subsidiary companies. This record is updated periodically to reflect the reality of the conditions of the parties involved.

All shareholders of the company can view this record during the normal working hours of the company without any fee or charge.

7.3 Implementation of Investor Affairs Unit formation requirements

The Investors Affairs Unit has been established to provide communication and transparency with the shareholders and to respond to their complaints in accordance with approved policies and procedures. In addition, the Unit:

- Supervises the performance of the registrar and the stock transfer agent in the Company.
- Recommends the general development measures in the quality of the services provided to investors.

7.4 Information technology infrastructure development and reliance thereon in disclosures

The Company has dedicated part of the Company's website to corporate governance, where all latest information and data are presented to help the shareholders and current and prospective investors exercising their rights. This page includes information about the Company, the Board of Directors and the Executive Management, as well as a section on governance and a link to the Insider Disclosure Form. Disclosures of material information and financial statements are also presented through the Company's website.

8. RULE EIGHT: RESPECT FOR SHAREHOLDERS' RIGHTS:

8.1 Requirements to define and protect the general rights of shareholders, in order to ensure fairness and equality among all shareholders

The Company is committed to protecting shareholders' rights through a policy approved by the Board that guarantees protecting their rights and providing them with the exercise of those rights granted by the Commercial Companies Law in the State of Kuwait and the instructions of the Capital Market Authority in the state.

The Company treats all shareholders equally and without any discrimination. In no case the Company shall withhold any information from the shareholders or any of their rights. The general rights of the shareholders guaranteed by the Company include the following:

1. Registering the shareholders' propriety value in the Company's records.
2. Shareholders' right to dispose of the shares; ownership registration, assigning and/or transfer.
3. Shareholders' right to receive their share of dividends.
4. Shareholders' right to receive a share of the Company's assets in case of liquidation.
5. Shareholders' right to obtain data and information about the Company's activity and its operational and investment strategy in a regular and easy manner.
6. Shareholders' right to participate in the meetings of the General Assembly of shareholders and vote on their decisions.
7. Shareholders' right to elect the members of the Board of Directors

8.2 Clearing Agency's register to ensure continuous follow-up of shareholders data

For the purpose of continuous follow-up of all matters related to shareholders' data, the Company maintains a special register at Kuwait Clearing Company, listing the names, nationality and domicile of shareholders, and the number of shares owned by each of them. Any changes in the registered data shall be noted in the Shareholders Register, as per the data received by the Company or the Kuwait Clearing Company. Any interested party may request the Company or the clearing agency any data from the said register.

Data contained in the Company's Shareholders' Register is be treated with the utmost protection and confidentiality, in a manner consistent with the law, the executive regulations and the instructions and controls issued by the Authority.

Clearing Agency Details:

Kuwait Clearing Company
POB: 22077
13081 Safat
Kuwait
info@maqasa.com



8.3 Encouraging shareholders' participation and voting in the Company's assemblies meetings

The Company establishes a mechanism for participating in the meetings of the shareholders' General Assembly, where the following shall be considered upon conducting those meetings:

1. Inviting the shareholders to attend the General Assembly meeting, where the invitation shall include the agenda, time and venue of the meeting, through announcing according to the mechanism specified in the executive regulations of the Companies Law.
2. The Company shall make it clear to the shareholders that the shareholders are entitled to appoint another person in the presence of the General Assembly, under a special power of attorney or an authorization prepared by the Clearing Agency for this purpose.
3. The Company shall allow the shareholders an opportunity, sufficiently prior to the General Assembly, to obtain all information and data related to the agenda items, with a view to enable the shareholders to make their decisions properly.
4. The Company shall allow the shareholders to participate actively and effectively in the meetings of the General Assembly, discuss the issues on the agenda and the related queries on the different aspects of the activities, addressing the questions thereon to the members of the Board of Directors and the External Auditor. The Board of Directors or the External Auditor shall answer such questions to the possible extent that does not expose the Company's interests.
5. The Company shall allow all shareholders to exercise the right to vote without putting any obstacles that may hinder that voting, since voting is an inherent right of the shareholder and cannot be canceled in any way. The Company guarantees the exercise of all shareholders' rights through the following:
 - Shareholders' enjoying the voting rights granted to them, with the same treatment by the Company.
 - Shareholders' ability to vote in person or by proxy, with the same shareholders' rights and duties, whether in person or by proxy.
 - Inform the shareholders of all rules governing the voting procedures.
 - Providing all voting rights information to both existing shareholders and potential investors.
 - All shareholders are entitled to vote on any changes in shareholders' rights by calling for a General Assembly meeting of shareholders.
 - Voting to select the members for the Board of Directors during the General Assembly shall be carried out through the mechanisms stipulated in the Company's Memorandum and Articles of Association, in accordance with the provisions of the Companies Law and its Executive Regulations. In addition, the Company shall give a brief on the nominees for the Board membership before voting, giving the stakeholders a clear idea of the professional and technical skills, experience and other qualifications of their candidates.

- All categories of shareholders shall have the opportunity to hold the Board accountable for the tasks entrusted to them.
- No fees shall be imposed for the attendance of any class of shareholders in the General Assembly meetings, nor they shall be given any preferential advantage to any other shareholders category.

9. RULE NINE: RECOGNIZING STAKEHOLDERS ROLE

9.1 Systems and policies that guarantee protection and recognition of stakeholders' rights

Arzan recognizes the rights of stakeholders and guarantees the protection and acknowledgement of their rights in the various fields. The Company's Board of Directors has approved a Stakeholder Rights Policy and a link has also been placed on the Company's website allowing stakeholders to report any act that may constitute a violation of their rights.

9.2 Encouraging stakeholders' participation in following up the Company's various activities

In order to avoid any conflict between stakeholders' transactions, whether they are contracts or deals with the Company and the interests of the shareholders, it shall be observed that none of the stakeholders may be granted any advantage in dealing with the contracts and transactions that fall within the Company's usual activities. The Company sets internal policies and regulations, including a clear mechanism for awarding the contracts and transactions of various types, through tenders or various purchase orders.

The Company has also established mechanisms to ensure maximum benefit from the contributions of stakeholders, encouraging them to participate in following-up the Company's activities, consistently with the full achievement of their interests. The Company provides its stakeholders with access to all information and data relevant to their activities, to be relied upon in a timely and on a regular basis. The Company has also facilitated stakeholders' reporting of any improper practices they may be exposed to by the Company, along with providing appropriate protection for the reporting parties.



10. RULE TEN: PERFORMANCE ENHANCEMENT AND IMPROVEMENT

10.1 Implementation of the requirements for establishing mechanisms to grant the Board and the Executive Management members continuous training programs and courses

Arzan has developed training plans for the members of the Board and the Executive Management, as well as for all the employees of the Company. Training programs are carried out on a regular basis in accordance with the Company's approved training plan.

10.2 Board of Directors performance evaluation and the performance of each Board of Directors and the Executive Management member

Evaluation of the performance of the Board of Directors and its Committees:

The Company has adopted policies and procedures approved by the Board of Directors, through which a formal process of reviewing the annual performance of the Board and its Committees is carried out, along with reviewing the effectiveness of their performance and their contribution to the affairs of Arzan Finance Group. The purpose of the performance appraisal process is to have a formal, structured and consistent way of evaluating the performance of the Board and its Committees, with a view to take steps to improve the performance of the Board. This process will also be used in submitting the Board's recommendations to the shareholders in the members' re-election phase.

Executive Management Performance Evaluation:

Performance evaluation is a powerful tool for translating business plans into actions, developing the Company's culture to achieve its strategic objectives. The Company evaluate the Executive Management through the human resources system (MENAME) according to the key performance indicators approved for each department at the beginning of each year. The performance data obtained during the year shall be consolidated and summarized for a comprehensive annual assessment of all that has been achieved and how such results have been attained.

This process consists of questionnaires covering broad requirements/expectations under the Corporate Governance Guidelines methodology, for the Board's performance self-evaluation, with a special evaluation of its committees, and an evaluation of the overall performance of the Board; in order to take steps to improve the performance of the Board. In addition, this evaluation includes the requirements set forth in the Code of the Board of Directors and its Committees, the Company's Code and the Conflict of Interest policies and procedures, which shall be accomplished through filling out the below questionnaires by the Board members:

- A. Self-Assessment Questionnaire
- B. Committee Evaluation Questionnaire
- C. Board of Directors' Evaluation Questionnaire

The Nominations and Remuneration Committee shall review these evaluations and submit a brief report to the Board of Directors with its recommendations.

10.3 Efforts of the Board to establish corporate values within the Company's employees, through achieving strategic goals and improving performance rates

The Board of Directors promotes corporate values and transmits them to the employees of the Company through achieving strategic goals and improving performance rates, in addition to the annual training programs that Arzan Group provides its employees with, in order to improve their performance and develop their skills.

11. RULE ELEVEN: FOCUSING ON SOCIAL RESPONSIBILITY

11.1 Setting a policy to ensure balance the Company's and society's objectives

The Company is committed to achieving sustainable development for society and the economy, in general, and for its employees in particular. The Company adopts a social responsibility policy approved by the Board of Directors to ensure its contribution to sustainable social and economic development.

11.2 Used programs and mechanisms that help highlighting the Company's efforts in the field of social work

Arzan Group uses social media and its own website so as to demonstrate its efforts on a large scale, in addition to utilizing local newspapers and magazines to achieve this goal.

- May 2021 - Arzan Financial Group invited a number of fresh graduates from the Kuwait Investment Authority for a training program under the supervision of the group, due to its interest in investing in the Kuwaiti youth energies, developing and transferring knowledge and experiences.
- September 2021 - Arzan Financial Group for Finance and Investment announced its donation and participation as a humanitarian contributor with the Kuwait Red Crescent Society in its 2021 campaign: Education for children of needy families for the academic year 2021/2022, in addition to several other humanitarian donations within the same participation inside Kuwait.



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Kuwait

OPINION LETTER

The Board of Directors
Arzan Financial Group for Financing and Investment - K.P.S.C.
P.O.Box 13152
State of Kuwait

20 March, 2022

Dear Sirs,

Internal Control Review

In accordance with our letter of engagement dated 30 November 2021, we have examined and reviewed the internal controls systems of Arzan Financial Group K.P.S.C for the year ended 31 December 2021.

The review covered the following areas:

- Governance
- Investment
- Finance and Accounts
- Corporate Credit
- Human Resources
- Legal and Compliance
- Risk
- Information Technology & Administration
- Asset Management & Brokerage
- Marketing
- Operation
- Internal Audit

Our examination has been carried out as per the requirements of the Executive regulations of Kuwait Capital Market Authority (Book No. 15 “Corporate Governance” article 6-9).

As members of the company, you are responsible for establishing and maintaining adequate internal control systems, taking into consideration the expected benefits and relative costs of establishing such systems and complying with the requirements contained in the CMA instructions mentioned in the above paragraph. The objective of this report is to provide reasonable, but not absolute, assurance on the extent to which the adopted procedures and systems are adequate to safeguard the assets against loss from unauthorized use or disposition; that key risks are properly monitored and evaluated; that transactions are executed in accordance with established authorization procedures and are recorded properly; and to enable you to conduct the business in a prudent manner.



OPINION LETTER (CONTINUED)

Because of inherent limitations in any internal controls system; errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

With the exception of the matters set out in the accompanying report, and having regard to the nature and volumes of the Company's operations, during the year ended 31 December 2021, and the materiality and risk rating of our findings, in our opinion:

- a) The internal controls systems of the Company were established and maintained in accordance with the requirements of the Capital Market Authority and the sound governance rules.
- b) The findings raised in the examination and assessment of the internal controls do not have a material impact on the fair presentation of the financial statements of the Company for the year ended 31 December 2021, and
- c) The actions taken by the company to address the findings referred in the report are satisfactory.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Qais M. Al Nisf', written over a light blue horizontal line.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners



BOARD DECLARATION






on the Integrity and Fairness of
the financial statements

March 30, 2022

We, the Board of Directors hereby certify that to the best of our knowledge and belief, the consolidated financial statements of Arzan Financial Group for Financing & Investment KPSC (“the Parent Company”) and its subsidiaries (collectively, the “Group”), which comprise:

- Consolidated statement of financial position as at 31 December 2021,
- Consolidated statement of profit or loss,
- Consolidated statement of profit or loss and other comprehensive income,
- Consolidated statement of changes in equity,
- Consolidated statement of cash flows,

for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Members Name	Position	Signature
Jassem Hasan Zainal	Vice Chairman	
Ibrahim Saleh Al-Tharban	Member – B.O.D.	
Emad Abdullah Al-Essa	Member – B.O.D.	
Bader Jassim Al Hajri	Member – B.O.D.	
Issa Abdullah Al-Muzaini	Member – B.O.D.	
Mohammad Ahmad Al-Qahtany	Member – B.O.D.	

CEO AND EXECUTIVE DIRECTOR - FINANCE DECLARATION

on the Integrity and Fairness of
the financial statements

March 30, 2022

We, the CEO and Executive Director - Finance hereby certify that to the best of our knowledge and belief, the consolidated financial statements of Arzan Financial Group for Financing & Investment KPSC (“the Parent Company”) and its subsidiaries (collectively, the “Group”), which comprise:

- a) Consolidated statement of financial position as at 31 December 2021,
- b) Consolidated statement of profit or loss,
- c) Consolidated statement of profit or loss and other comprehensive income,
- d) Consolidated statement of changes in equity,
- e) Consolidated statement of cash flows,

for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.



Jassem Hassan Zainal
Chief Executive Officer



Mohammed Farid
Executive Director - Finance

FINANCIAL STATEMENTS

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Auditors & Consultants

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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.

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

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.

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.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

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.

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 (continued)

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

Year ended 31 December 2021

	Notes	2021 KD	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 December 2021

	2021 KD	2020 KD
(Profit/(loss) for the year	8,822,608	(9,156,646)
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 year	30,412,592	20,586,899
<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 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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 KD	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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to the shareholders 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	(10,917,552)	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 shareholders of the parent company										Non-		Total
	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 KD	Accumulated losses KD	Sub-Total KD	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

Year ended 31 December 2021

	Notes	2021 KD	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



CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2021

	Notes	2021 KD	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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 Bursa 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 sukuk 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

31 December 2021

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

31 December 2021

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (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.

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. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4 Significant accounting policies (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4 Significant accounting policies (continued)

4.3 Business combinations (continued)

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

31 December 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4 Significant accounting policies (continued)

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.12 Taxation (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.13 Financial instruments (continued)

4.13.1 Recognition, initial measurement and derecognition (continued)

Subsequent measurement of financial assets and financial liabilities are described below.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, 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:

- 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. Significant accounting policies (continued)

4.13 Financial instruments (continued)

4.13.2 Classification of financial assets (continued)

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

31 December 2021

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).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.13 Financial instruments (continued)

4.13.3 Subsequent measurement of financial assets (continued)

- **Financial assets at FVTOCI (continued)**

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.

- **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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.13 Financial instruments (continued)

4.13.4 Impairment of financial assets (continued)

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.13 Financial instruments (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

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, liabilities 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

31 December 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued) 4.20 Investment properties (continued)

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.

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 depreciation 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.22 Leased assets (continued)

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 contracts. 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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.23 Impairment testing of goodwill and non-financial assets (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.25 Equity, reserves and dividend payments (continued)

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 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

4.27 Share-based payments (continued)

Equity-settled transactions (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

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:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

5. Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

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

31 December 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

5. Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

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**

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6. Subsidiaries**6.1 Composition of the group**

Set out below are details of subsidiaries held directly by the Group:

Name of the subsidiary	Voting capital held		Place of incorporation	Principal activities	Reporting date
	as at 31 December 2021	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

6. Subsidiaries (continued)

6.1 Composition of the group (continued)

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

31 December 2021

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	31 Dec. 2020
	KD	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	Year ended
	31 Dec. 2021	31 Dec. 2020
	KD	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 recognised 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

31 December 2021

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	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	%	%	KD	KD	KD	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	31 Dec. 2020
	KD	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	Year ended 31 Dec. 2020
	KD	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)

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

6. Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

b) Arzan Capital (Holding) Ltd

	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

31 December 2021

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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

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
<i>On financial liabilities at amortised cost:</i>		
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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 KD	Year ended 31 Dec. 2020 KD
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)

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 includes the reversal of provision of KD2,345,748 related to IFC Lebanon (note 13)

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



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31 December 2021

12 Cash and cash equivalents

12.1 Cash and cash equivalents

	31 Dec. 2021	31 Dec. 2020
	KD	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

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	31 Dec. 2020
	KD	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.

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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

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 KD	General provision KD	Total KD	Specific provision KD	General provision KD	Total 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).



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31 December 2021

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.

15 Accounts receivable and other assets

	31 Dec. 2021	31 Dec. 2020
	KD	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	31 Dec. 2020
	KD	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.

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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	31 Dec. 2020
	KD	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

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	31 Dec. 2020
	KD	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:



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

	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.

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.

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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 December 2021	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	31 Dec. 2020
	KD	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.



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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				
CuCurrent	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.

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18. Investment in associates (continued)

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

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

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).



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19 Investments in real estate under development

	31 Dec. 2021	31 Dec. 2020
	KD	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.

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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

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).


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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
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).

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22 Accounts payable and other liabilities

	31 Dec. 2021	31 Dec. 2020
	KD	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	31 Dec. 2020
	KD	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 instalments 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).

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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	31 Dec. 2020
	KD	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.

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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.

28. 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.

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.



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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 2020	-	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

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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).



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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
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

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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



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

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31 December 2021

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:

	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	



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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:

	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	-	-	-	9,612,072	-	1,484,962	1,484,962	-
	306,250	6,549,500	2,756,322		14,357,500	8,805,200	32,774,772	

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% KD	-1% KD	+ 1% KD	- 1% KD
Results for the year	(164,690)	164,690	(93,901)	93,901

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31 December 2021

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

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	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
	KD	KD	KD	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:

	31 Dec. 2021	31 Dec. 2020
	KD	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


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31 December 2021

34 Risk management objectives and policies (continued)
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
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
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

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31 December 2021

34 Risk management objectives and policies (continued)

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:

Maturity profile of assets and liabilities at 31 December 2021:

	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
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


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31 December 2021

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 KD	1-3 months KD	3-12 months KD	Sub-total Up to 1 year KD	Over 1 year KD	Total 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

31 December 2021

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:

31 December 2021	Sub-total						Total
	Up to 1 month	1-3 months	3-12 months	Up to 1 year	Over 1 year		
Financial liabilities	KD	KD	KD	KD	KD	KD	KD
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	Sub-total						Total
	Up to 1 month	1-3 months	3-12 months	Up to 1 year	Over 1 year		
Financial liabilities	KD	KD	KD	KD	KD	KD	KD
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	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

31 December 2021

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).

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	31 Dec. 2020
	KD	KD
Financial assets:		
<i>At amortised cost:</i>		
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
<i>At fair value:</i>		
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:		
<i>At amortised cost:</i>		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments (continued)

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:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2021				
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
31 December 2020				
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.



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31 December 2021

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments (continued)

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).

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.

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35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments (continued)

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	31 Dec. 2020
	KD	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 valutors 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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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.

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	31 Dec. 2020
	KD	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

38 Effect of COVID-19 (continued)

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.