ANNUAL REPORT 2022

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

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

Paid up Capital: KD 83,098,344.500
(Eighty-three million and ninety-eight thousand and three hundred and forty-four Kuwaiti Dinars and five hundred fils)

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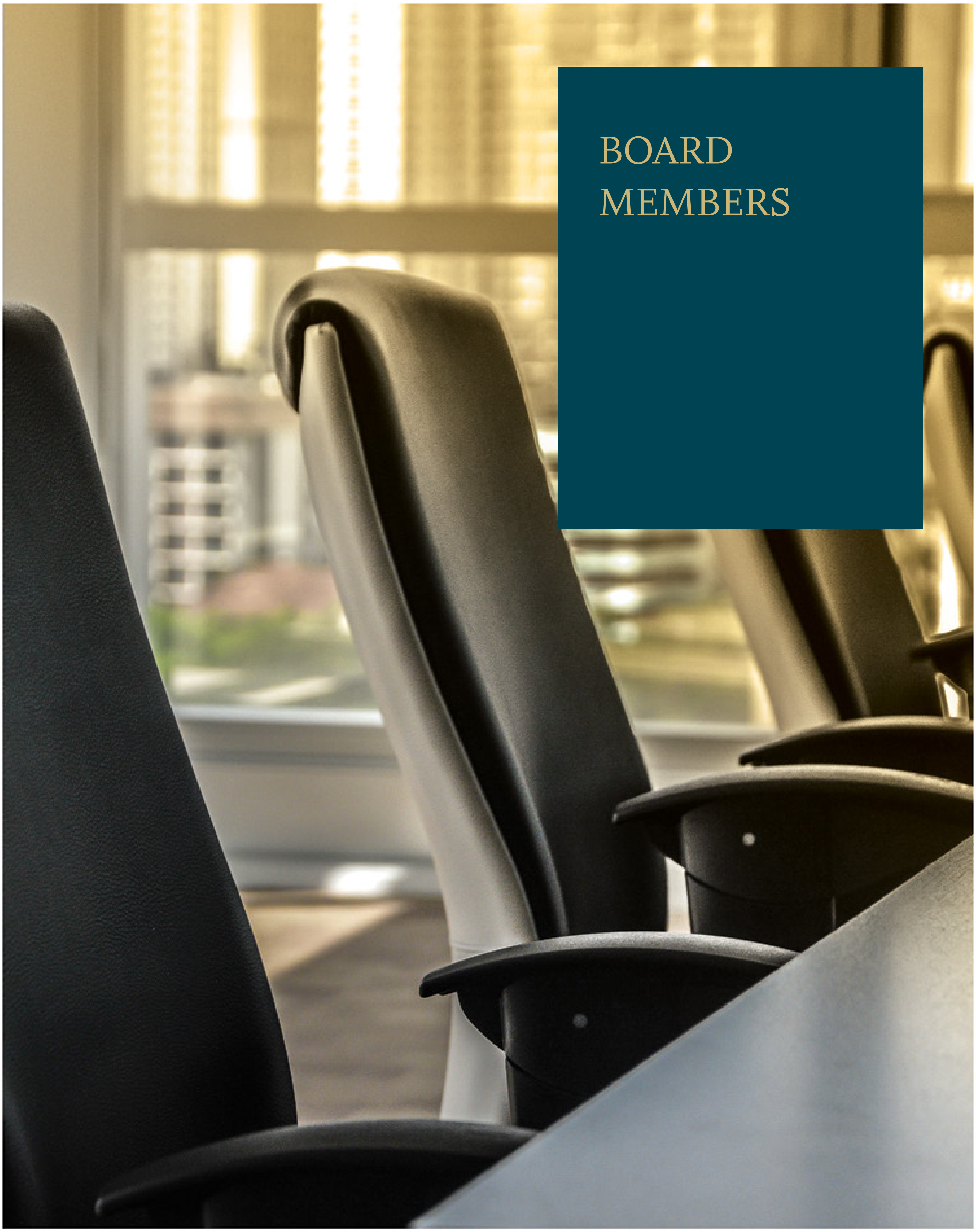
H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT

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

Content



BOARD MEMBERS

Jassem Hasan Zainal
Vice Chairman & CEO

Ibrahim Saleh Al Tharban
Board Member

Emad Abdullah Al Essa
Board Member

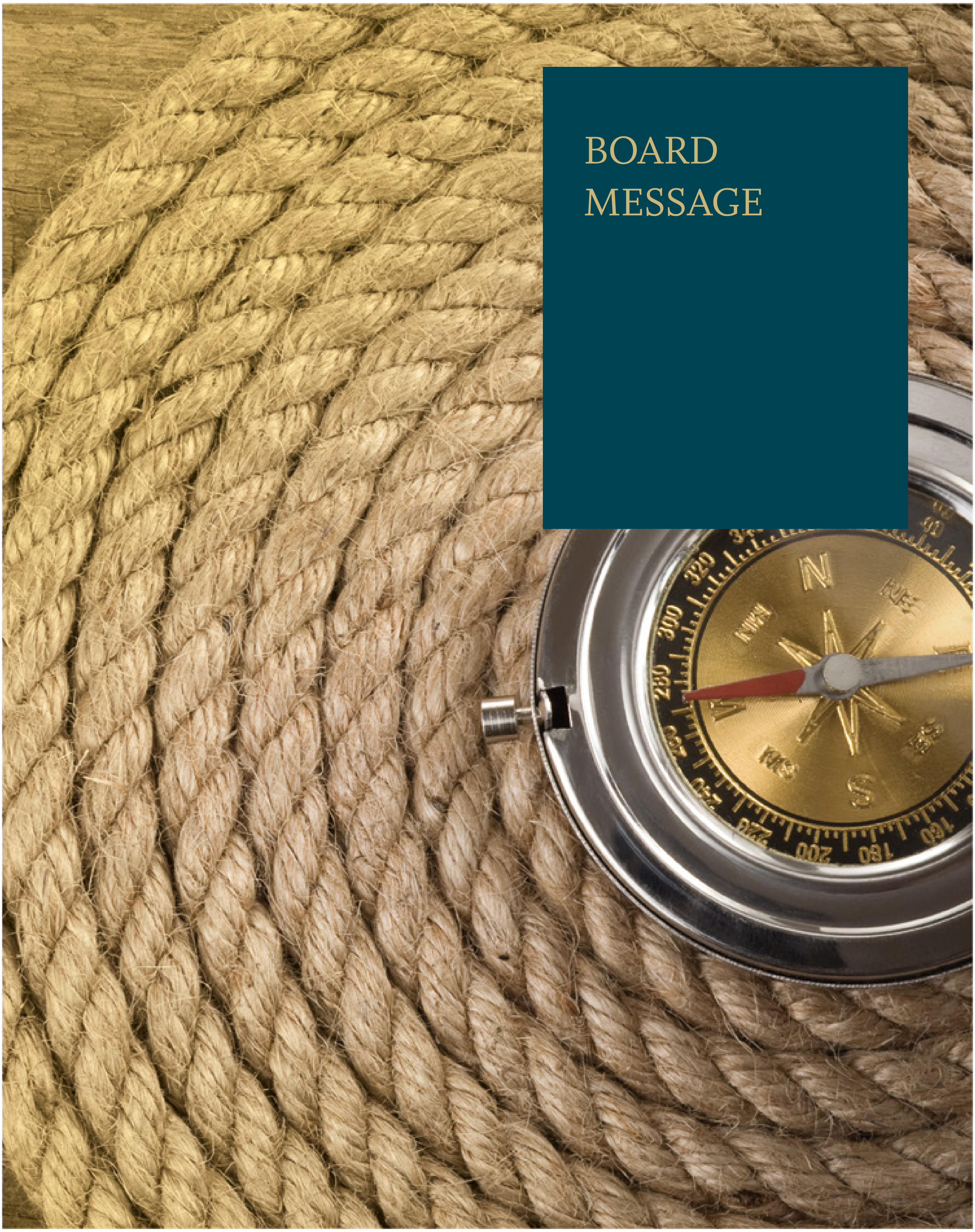
Bader Jassem Al Hajri
Board Member

Issa Abdullah Al Muzaini
Board Member

Mohammed Ahmad Al Qahtany
Board Member

Ruba Fati Ghanem
Board Secretary

BOARD MESSAGE



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Honorable Shareholders,

The Board of Directors of Arzan Financial Group are honored to submit the Annual Report and the Consolidated Financial Statements of the Group and its affiliates for the fiscal year ending on 31 December 2022.

Even though year 2022 faced difficult challenges with the escalation of geopolitical tensions in Europe after the outbreak of the Russian-Ukrainian war and the consequent crisis in energy and food, in addition to the strict monetary tightening policies speedily followed by most central banks around the world to contain high inflation rates, a record slowdown in economic growth rates during the year 2023 is threateningly possible. GCC region is one of the few regions in the world that achieved a good performance in 2022, as the rise in oil prices resulted in increased revenues, which gave the states of the region the opportunity to move forward with their economic program.

However, Arzan strategy's prudent policy, based on the distribution of investment risks, diversification of income sources and preparedness for all exceptional circumstances within the available capabilities of the Group, it was possible for Arzan at the end of 2022 to achieve growth in operational profits by 13.3% compared to the end of 2021, achieving a net profit of KD 8,149.403, compared to KD 7,428,608 at the end of 2021. This is equivalent to a basic return per share amounting to 10,115 Fils. Indicators of the return on assets increased to 5.17%, from 4.5%, and return on shareholders' rights increased to 7.1%, from 6.15%, as at the end of 2022, while retaining the leverage rate within the minimum limits of 1:0.183 and a high liquidity ratio of 1:3.6 .

The Improvement in Arzan's results is attributed to an impressive revenues increase of 14.9%, where Group total revenues amounted to KD 16,811.876, compared to KD 14,626.347, as at the end of 2021, resulting from profits from financial assets at fair value and the Group's share in the profits of affiliate companies, in addition to revenues from advisory services and asset management during the year.

In 2022, Arzan focused on implementing its new (2022 – 2024) Strategy and achieving the Board's vision for Arzan Financial Group to be a leading company in providing distinctive and innovative financial and investment services for its customers. Therefore, Arzan created a specialized department to follow up on its strategy, yet the global economic conditions and their negative impact during the year led to staying some investment activities. Hence, we resorted to enhancing our efforts exerted in addressing the challenges related to asset management and re-financing of loans and selecting some distinguished investments compatible with our conservative risk policy.

Further, Arzan is looking for high-quality and low-risk investment opportunities that economic conditions may make available in order to increase and diversify Arzan's sources of income and to avoid market fluctuations and possible financial crises that may affect the Group's growth.

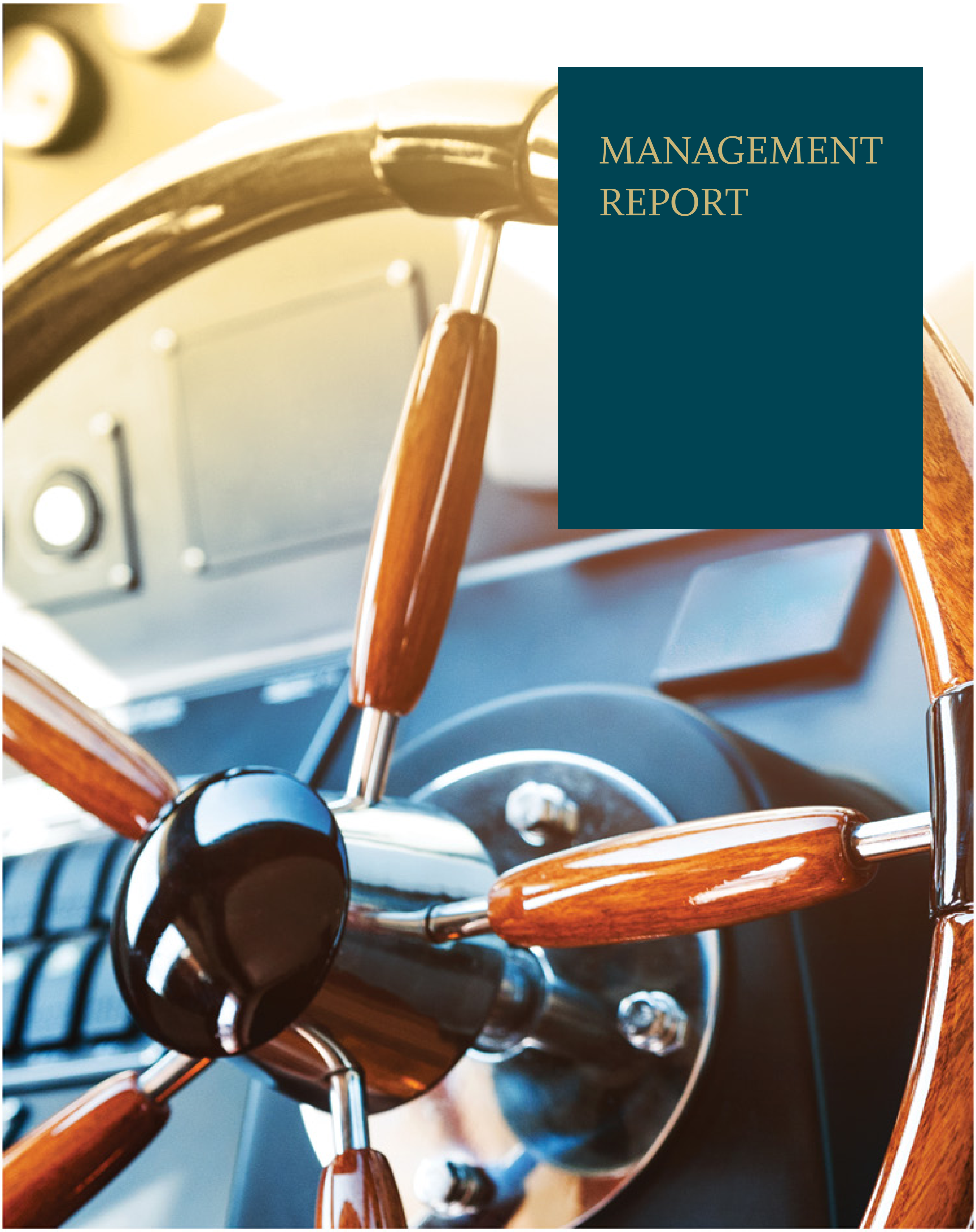
Arzan shall also continue to provide its clients with distinguished services and achieve their requirements and ambitions, as well as to maintain and develop their wealth.
Arzan emphasizes the corporate identity of Arzan Financial Group and continues to work with full dedication to achieve its ambitious goals in adopting professional principles and high values and establishing a culture of equal opportunities at work, which increases employees' productivity, enhances stability and job satisfaction and promotes the development and progress process in the Group. Arzan also believes in the importance of increasing the percentage of national cadres and developing national talents and competencies by providing high-quality executive programs to enhance their skills and support the advancement of their career paths.

Based on current year's financial results, Arzan's Board of Directors recommended distributing cash dividends to shareholders by 4% in cash, amounting to 4 Fils per share, in addition to 2% grant shares, by 2 shares per every one hundred treasury shares.

Finally, as members of the Board of Directors, we extend our sincere thanks, great gratitude and appreciation to His Highness the Emir of the State of Kuwait, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, may Allah protect and preserve him, His Highness the trustworthy Crown Prince, Sheikh Mishaal Al-Ahmad Al-Jaber Al-Sabah, may Allah protect him, His Highness Sheikh Ahmed Al-Nawaf Al-Ahmad Al-Sabah, the Prime Minister, His Excellency the Minister of Commerce, Mr. Mazen Al-Nahedh, His Excellency the Governor of the Central Bank, Mr. Basil Al-Haroun and to the Chief Commissioner of the Capital Markets Authority, Prof. Dr. Ahmed Al Melhem, for their continuous support and contribution to Arzan's achievements.

We would also like to seize this opportunity to express our sincere thanks and appreciation to the shareholders for their precious confidence and unlimited support to us. Our sincere gratitude and appreciation are also extended to all our customers for their trust and support, as well as to all our employees for their sincerity and dedication to their work, May Allah Almighty help us achieve more successes and reach shareholders' aspirations.

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 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 economy was hit by a sequence of adverse shocks during 2022. The increase in interest rates led to a slowdown in commercial real estate investment activity that began in the second half of 2022. Financing has been difficult to obtain as the cost of capital increased and lender appetite diminished amid volatility in financial markets. Also, Russia's invasion of and continuing war in Ukraine, China's evolving zero-COVID policy, and the resulting energy and food crises saw optimism for the global economy dwindle in the latter half of the year.

At Arzan Wealth, we focused on addressing any asset management and debt refinancing issues within the existing portfolio, but also cautiously pursued unique deals with attractive risk-reward dynamics. Within the context of our primary strategy of preserving and protecting the wealth of our clients, we successfully advised on three new debt transactions in the US under the Debt Strategy Platform. Furthermore, we were able to advise on three successful exits in the USA for our clients, all at positive returns.

Organizationally, Arzan Wealth started the process of expanding its physical presence via the establishment of a wholly-owned entity, Arzan Wealth US, to provide more effective sourcing and oversight of debt transactions undertaken with third party managers in USA.

Under the Yielding Asset Platform, 2022 was a slow year in our key markets of US, UK, Germany and The Netherlands, and did not offer attractive opportunities that fall within our quality and risk guidelines. The market is going through a period of repricing and with that, we are timing our re-entry into the market carefully. While economic fundamentals have generally remained solid and tenants were broadly healthy, capital markets were turbulent. Therefore, as soon as financial markets start stabilizing and inflation is under control, a re-entry of capital is expected as this will give us the possibility to price-in risk and return expectations more clearly again.

Under the Real Estate Debt Platform, we successfully advised on three new debt transactions. The first debt deal financed the acquisition of a portfolio of 11 medical assets in the State of Louisiana by a company that specializes in home health and hospice care, rehabilitation and other therapy services. Our borrower is a well-established healthcare operator with over 40 different locations across six US states.

The second debt transaction involved a mezzanine loan to a US based Sponsor and backed by a portfolio of hospitality and residential properties in Chicago, Illinois. Our mezzanine loan is senior to equity in a portfolio of two full-service luxury hotels and a luxury and stabilized apartment building with average occupancy of 95%.

The third deal provided a mezzanine loan to a Class A healthcare facility located in Houston, Texas. Fully renovated in 2022, The Property is 100% leased to two premier healthcare tenants with a weighted average remaining lease term of 12.7 years. The property features high acuity uses with significant building costs and barriers to entry and relocation. We see a tremendous opportunity to grow our debt transaction volume further during 2023 and beyond, supported by the increased investment by Arzan Wealth in strengthening our deal sourcing and due diligence capabilities on the ground.

On the exit side, under the Yielding Assets Platform, we were able to advise on the sale of the sixth and last asset from our US Single Tenant Portfolio at favorable returns. The sold asset is an office building let to Siemens Corporation and was acquired in June 2017 as part of a Portfolio consisting of 6 single-tenant net-leased buildings, located in 6 states in the US, and sectorally diversified with healthcare, industrial, and office assets, and with tenants that enjoy strong credit ratings and reputations in their markets.

As for the Real Estate Debt Platform, we successfully advised on the exit from two REILS mezzanine transactions, which were structured as amortizing mezzanine loans. The first exited deal was an amortizing mezzanine lending transaction in the US related to a portfolio of multifamily properties owned and operated by Calamar, consisting of 1,339 residential units. This deal was entered in Jan 2022 and was designed as a 4-year amortizing mezzanine loan, but was repaid sooner than expected when the borrower, Calamar, sold their entire portfolio to an unsolicited buyer offering a highly attractive price. The exit of this investment generated a higher return than the maximum contractual IRR and Equity Multiple in a short holding period of 6 months.

The second exit was an amortizing mezzanine loan related to REILS Jackson Multifamily Portfolio, which was initially provided in December 2017 to finance the acquisition of a portfolio comprising three multifamily properties consisting of 399 apartments located in Jackson, Mississippi. Despite the headwinds from the coronavirus pandemic, this investment generated a favorable return from quarterly coupons and the escalating amortization payments as per initial projections. In addition, the participation in the upside of the associated property index has provided our investors with an additional return.

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 2022 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. The fund investment window is now closed, and the fund will no longer be making any new portfolio company investments. The fund has entered the harvesting period by completing the first exit for one of the companies, which was sold at a 3X total return. This successful disposition allowed the fund to distribute a cash portion to investors.

Most of the remaining 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.

For 2023, we aim to grow our private equity business line with the planned launch of new investment vehicles, as well as sourcing individual late-stage opportunities that can offer clients attractive capital gains within a 2-3 year horizon. We will also explore avenues to strengthen our geographic coverage and human resource capabilities within the private equity space.

Outlook for 2023: Looking forward, high interest rates and the potential for recessionary pressures will make 2023 a challenging year for commercial real estate. 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 2023 and will selectively pursue new transactions that we believe will perform well in a higher inflation and more volatile environment. Expanding our debt platform and investing into our growing private equity line of business during 2023 supports our long-term objectives 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.

Muhannad Abulhasan
Chief Executive Officer – Arzan Wealth

ARZAN CAPITAL

Incorporated in the Dubai International Financial Centre (DIFC) back in 2016 as an investment holding company, Arzan Capital (Holding) Limited operates as the consolidating vehicle for Arzan Financial Group's non-Kuwaiti alternative investment business operations.

As a subsidiary of AFG, the company currently provides comprehensive advisory services in areas such as yielding assets (largely commercial real estate in mature Western markets), tech-focused venture capital opportunities in the MENA region, private equity in the US, as well a recently launched hedge fund product focused on US capital markets.

Over the past few years, the Arzan Capital Group investor base has been steadily expanding to include several HNWIs, family offices and institutions based in the Middle East. Additionally, the company has been meticulously developing its alternative assets portfolio via its operating subsidiaries Arzan Wealth, Arzan Venture Capital and Arzan Suisse.

Given the economic circumstances of 2022, a more conservative strategy has been adopted over the past 12 months within all the operating subsidiaries of Arzan Capital. This more prudent approach reduced the overall number of new transactions that were undertaken during the year and slowed down certain elements of expansion into new business areas. As rising global interest rates and supply chain pressures continue to create economic instability, our cautiousness of 2022 will be carried forward into our activities during 2023, where we will focus on risk minimization and the pursuit of appropriately priced new investments.

Arzan Capital will continue implementing efforts to protect and enhance shareholders' interests, whilst simultaneously preparing to gear up internally for new opportunities that economic dislocations inevitably produce.

ARZAN ASSET MANAGEMENT

At Arzan Asset Management Division, we strive to be the pioneer in the sector by developing products and services that would optimize and enhance our client's investing experience. The current division focuses on managing investments in regional and international markets by providing portfolio management services, investment advisory services, as well as proprietary equity portfolio management.

- **Discretionary Accounts**

Discretionary portfolios follow a client-customized investment philosophy that is developed to match client's return and risk objectives and liquidity needs. Our analysis integrates methods from fundamental to systematic approach with either bottom-up stock selection or top-down country allocation based on account mandates, while adhering to portfolios overall risk profile. We screen global and local equity markets through our in-house research to cater to our decisions on asset allocation and portfolio construction.

- **Non-Discretionary Accounts**

In non-discretionary portfolios or client's managed accounts, we work closely with clients to meet their needs and optimize their order execution requests on a daily basis. Client's requests are channeled immediately to our division for execution while complying with the rules and regulations applicable to these accounts.

- **Margin Trading Accounts**

Margin Trading accounts allow our clients to invest in local securities enjoying larger purchasing power. The Clients are provided with a wide range of eligible shares which assist the client to reduce associated risks. Those classified eligible shares which cover market segments and sectors are providing professional clients with a scale of opportunities beside the flexibility to enhance return on their investments.

After successfully becoming the first mover in launching Margin Trading in Kuwait, we are focused on improving our products and solutions as well as developing new and innovative products and services to meet our clients' expectations.

- **Custody Accounts**

We also offer custodian services through our custody accounts. Client will enjoy safe keeping of his/ her holdings in addition to collecting the rights (Cash Dividends, Bonus shares) and participate in corporate actions on behalf of the client beside regular reporting of client's holdings. The division assists the client in setting up these accounts and transfer the holdings from any type of accounts to Arzan Custody Account at favorable rates.
Further to our existing products, we are undergoing a strategy that focuses on introducing new products and investment solutions. Arzan Asset Management prioritizes having a competitive edge in the current dynamic, and highly competitive market to accommodate the observed shift in regional and international economies.

Talal Al Bahar
Deputy CEO - Kuwait

ARZAN BROKERAGE

We have set goals and milestones to satisfy our ambitions and have a competitive edge among peers in the market. Those include improving our existing products as well as creating new products to ensure clients' satisfaction. Furthermore, one of the key objectives of our division is to oversee and develop the following Brokerage Subsidiaries: EFG Hermes IFA (Kuwait), Arzan Securities Brokerage (Egypt), and International Financial Advisors (Jordan).

Talal Al Bahar
Deputy CEO - Kuwait

ARZAN COLLECTION

In 2022, Arzan Collection Co. (S.P.) company signed multiple agreements 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 region and some countries in Asia such as India, Pakistan, and Philippines.

Arzan Collections Company provides all types of collections and follow-up services for AFG portfolio, banks and other companies in the Kuwaiti market.

Arzan Collections team have a large experience in banking operations and products, financial companies, telecom, real estate, retailers, insurance, and logistics companies.

Talal Al Bahar
Deputy CEO - Kuwait

ARZAN CREDIT

Arzan Credit at Arzan Financial Group is one of the distinguished departments in terms of providing innovative financial services and solutions to SME companies , through building and developing a diversified credit portfolio across several sectors. Arzan Credit implements a rigorous credit screening process at the same time growing a healthy credit portfolio while maintaining the highest customer satisfaction.

Moreover, Arzan Credit witnessed rapid growth, maintaining the quality and performance of the companies included in its portfolios. Arzan Credit strives to attract the largest number of clients from various sectors, locally, regionally and globally, which was positively reflected in portfolio growth at an annual rate in line with market requirements and quality factors and in compliance with the laws and regulations issued by the Central Bank of Kuwait and the relevant regulatory authorities.

During 2022, focus was on retaining existing clients, who have proven their solid financial position, good management and commitment to repayment and financing terms, in addition to attracting new clients in order to reduce credit concentration risks and any provisions that may adversely impact the growth plan. Customers are selected based on financial data quality, cash flows, bank account transactions and clients' market and administrative expertise, in addition to an analysis of credit information network data and evaluation of reports issued by the Central Bank of Kuwait for various sectors in the state. Arzan Credit seeks to support clients and find innovative and appropriate credit solutions for them that contribute to improving the quality of their financial status and guarantees provided thereby. Further, Arzan Credit submits monthly performance reports related to the desired goals, income and guarantees, as well as reports that reflect the extent of customer commitment and a list of new customers under study or approval.
Strict measures have been developed to study financing applications, along with periodic review of approval criteria imposed by the Credit Policy and Administrative Credit Committee, in cooperation with the Risk Management and Compliance Management Departments. These measures include credit analysis of audited financial statements and bank statements and evaluation of management staff experience, asset quality and business nature. In order to mitigate risks and pursuant to the instructions of the executive management and the directives of the Central Bank of Kuwait, Arzan Credit shall seek to establish a close relationship with its customers with a view to ensure the proper utilization of financing, thus increasing the chances of success for partners' investments in their fields, following up on their performance and good management of financial and human resources and developing their business as actual partners.

Talal Al Bahar
Deputy CEO - Kuwait

EASY BUY – BNPL SERVICES

Easy Buy is a company that provides installments sales services (Buy Now .. Pay Later) to facilitate the clients shopping experience and let them own the products with a flexible and easy payment method through the BNPL system.

Easy Buy services was launched in 2017 and expanded to 75 branches throughout 2018-2021 , currently in 2022 we have more than 104 branches and partnership with 71 Kuwaiti companies from several sectors. Despite the worldwide pandemic during 2020 and 2021, the company continued its growth by adding new vendors and new branches to diversify its portfolio with new products and services such as electronics, curtains and wall coverings, online teaching apps, motorcycles, bicycles, gaming, coffee machines, accessories, sea and desert tools, drones, cosmetics, vehicles, and spare parts.

Furthermore, Easy Buy is in the process of launching the Easy Buy premium card and the online marketplace during the next year to cope with the fintech world and provide the easiest and most convenient service for the clients.

Easy Buy is targeting a new segment in the market that would diversify the group's services portfolio and provide a competitive advantage to Kuwaiti market compared to existing local installment sales providers in the market.
Our goal is to improve the installment sales industry (BNPL) in the Kuwaiti market and focusing on clients satisfaction by offering a competitive pricing and simplified installment plans with less requirements.

Talal Al Bahar
General Manager – Easy Buy

ARZAN VC

In 2022, the volume of Arzan VC's investments increased by 80.50% YoY. We made 4 new and 3 follow-on investments through our second fund (AVC II) and we also warehoused 3 new investments for our upcoming third fund (AVC III), bringing the total size of Arzan VC's portfolio to 46 companies.

The new investments were made into the following startups: Khazenly (Egypt), Lucky (Egypt) and Haseel (KSA) (all AVC II), and Nearpay (KSA), Money Fellows (Egypt) and (all AVC III). We also invested in Hala (KSA) via both AVC II and AVC III. Repzo (Jordan), SubsBase (Egypt) and Zid (KSA) each received a follow-on investment.

We made several exits in 2022, which included the acquisition of Fatura (Egypt).

While Arzan VC's first fund (AVC I) has been closed since 2017, we continued to support and add value to the remaining 5 active companies in the fund.

When it comes to our Seed program, we had screened 246 seed-stage deals in 2022, which represented 46% of the total screened deals. Overall, out of the 9 investments we made in 2022, 4 were in seed-stage startups.
Finally, we are now in the final stages of launching our new fund: AVC III. The fund is based in Abu Dhabi Global Market (ADGM), its focus is MENA + Pakistan (MENAP) region and it will invest in Seed- up to Series B-stage startups. As mentioned above, we have already made 3 investments through this fund with Money Fellows being our largest single ticket to-date.

Hasan J. Zainal
Managing Partner

MARKETING & PUBLIC RELATIONS

In 2022, 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 2022 Arzan Financial Group faced many tough challenges. 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 2022 , 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 Almunaya
Marketing & PR Manager

ADMINISTRATION DEPARTMENT

In cooperation with all departments, Administration Department achieved the required objectives of Arzan Finance Group, and its subsidiaries, to be in line with top management strategy and vision.

Administration department is divided into three main categories according to the approved organization structure, which are:

1- Government relations.
2- General services.
3- General registration and Archiving.

Under the framework of government relations, Admin team are always working to implement the required decisions and instructions regulated by government officials. Admin team updated all its relevant data at the ministries and banks to avoid any licenses violation for the group. Furthermore, the Administration department settled all the annual subscriptions to Kuwait Chamber of Commerce & Industry for 2022.

Admin department worked on training and developing their specialized employees under government relations division, to be in line with the newly developed rules and regulations, in order to achieve the required goals of the group and its subsidiaries.

In the domain of general register and Archiving division, the team completed multiple projects to achieve the required objectives which are the following:

1- Focus on digital transformation by implementing the necessary options to apply all requirements at admin department, to avoid any policy and procedures violation.

2- Transfer the cycle of contracts and documents from traditional method into digital.

3- Focusing on installing advanced cameras according to the requirements of the Ministry of Interior and regulatory authorities, in order to maintain the safety of AFG properties.

In addition, regarding general services, Maintenance team is always following up the periodical maintenance to secure the properties of AFG and maintaining the safety of its personnel in order to fulfil the teams' duties with high efficiency and quality.

Ahmad AL Homaid
IT & Admin Manager

IT DEPARTMENT

In 2022, Information Technology (IT) department kept their focus on aligning and improving the core business needs with Arzan Financial Group's strategy. Our main vision is to continue our digital transformation by enhancing our digital experience and expand our services to offer new products digitally.

During 2022, IT department successfully developed Arzan Automation System which is a unique product developed in house as a web dashboard with a mobile app. Building AFG Automation system was our goal to increase productivity and enable easiness in performing all transactions with BYOD (Bring Your Own Devices) like mobile phones, tablets, etc. through a mobile application. Arzan Automation System enables you to easily build a group of processes by facilitating communication and reducing paperwork using Dynamic Modules to produce specific Forms and Processes.

In order to complete our digital transformation strategy, we strictly implemented AFG policies and procedures through our Automation system to ensure all employees follow the same confirmed workflow. That is going to tremendously reduce human errors.

IT department divided this project to sub-projects by digitizing many business processes to be fully automated, where the system records every log and action taken by an employee. Example of our processes are as follows:

- Payments procedures for Arzan and its subsidiaries and authorized signatories' approvals with high security standards that align with AFG Policies and procedures.
- Contract Management Module, which has become the main way to review any contract that Arzan will sign and goes in certain workflow that starts with any department to the regulatory departments to the authorized signatory and finally archiving department. Plus, the system will send reminder notifications when the contract is nearly finished.
- Ticketing Module for Admin and IT Help desk support.
- Material Requisition full cycle with purchase order and stock management and delivery options.
- Meeting rooms booking options and minutes of meeting.
- System access request, to have all the approvals and granting access steps automated.
- custody requests where we can track any custody item such as laptop, phone, etc. that we buy for employees with the serial number and all required approvals.
- AFG Policies & Procedures are added in the system and enabling departments requests for amending them electronically.

Furthermore, to apply the vision of our subsidiary company Easy buy, IT department upgraded Easy buy website to become new E-commerce marketplace website. Any vendor can add their items through our website in a secured dashboard, and customers may request any items in very simple and quick steps. All documents could be uploaded easily without going to any Easy buy branch. By developing the E-commece website, we believe that we will attract more vendors and customers and expand our services.

Further to above achievements, IT department is strictly following its 3-year strategy that includes digital transformation plan, multiple backup solutions, Cloud DR site, and more cyber security solutions that aligns with CBK and CMA regulatory. We place ourselves current with the market demands especially in technology perspective.

Ahmad AL Homaid
IT & Admin Manager

HUMAN RESOURCES

In 2022, The Human Resources Department of Arzan Financial Group demonstrated its commitment to attracting and retaining the most talented and diverse workforce. Given the fact that the change the world witnessed due to the covid crisis had extended to reach 2022, it was a challenging year for the labor market generally, and the financial sector specifically – due to scarcity of financial analysts. However, we were able to hire high caliber employees, after thoroughly reviewing resumes and shortlisting candidates, with the help of the Heads of Departments. In the same context, sharpening the skills of our staff members and offering opportunities to the national workforce were given the maximum priority, as we always aim to foster an inclusive and enriching culture at AFG, which starts from the hiring process.

Another role for the HR department is to train employees to reach their full potentials. Since it is crucial to make sure that employees are constantly growing in both; technical and soft skills, we – In a post Covid world – are fortunately transitioning back to in-person training, which increases interaction and engagement, as well as brings employees together into a network that builds professional relationships. As we are strong believers in the role education plays in bridging gaps in many areas such as; use of technology, interpersonal relationships, time management, productivity, and overall creativity by widening perspectives, We always thrive to provide our staff with the most attractive opportunities for training, consistently demonstrating the importance of lifelong learning.

In addition, we actively promote employees' engagement at workplace. Since we, at Arzan Financial Group, regard our employees as our most valuable resource that helps us provide the most competitive services in the market, We regularly measure engagement by conducting surveys through which employees voice their opinions on areas that we can improve to ensure that they are engaged and have high levels of work satisfaction.

One of the recurring suggestions was to increase social interactions at work. We took this opportunity and organized Several Social events and activities to increase employee engagement and workplace interest. It is ultimately our goal to make sure our company remains the employer of choice, and that we always motivate our employees to grow and reach higher milestones for their personal fulfillment, and for the company to achieve its goals.

For results to be achieved consistently, all employees, from the most senior to junior levels, should be aligned with the AFG strategy. As an HR department, we strive to reeducate employees on AFG's strategy, mission, and vision, to create a state of oneness, and to make sure employees know what is expected from them. This helps employees in implementing yearly plans that deliver higher results needed to keep AFG at the lead in terms of delivering the best-in-practice services and maximizing strategic stakeholder alignment and satisfaction.

Abeer Botrous
Senior Manager - Human Resources

OPERATIONS DEPARTMENT

Operations Department is considered as one of the most vital departments of the company due to the nature of its work and the multiple tasks assigned to it that allocated to the internal departments across the company, and to other entities such as clients , regulatory and official authorities, banks, companies, public and private enterprises locally and internationally , which increase the significance of the operations management and the great responsibilities that the department handled.

The Operations Department serves most of the company departments, such as asset management regarding the investment portfolios of the company and the clients, investment management regarding the company investments, credit regarding opening and following up the credit client accounts, Collection regarding receiving the collected amounts and depositing transactions for the company's accounts. In addition, the Operations Department provides the related departments with the reports which are necessary to conduct business and to achieve the general strategy of the company and matching the authority laws and regulations.

The Operations Department main units: Asset Management Operations, Credit Operations, Remittances, Cashier Unit and Shareholders Unit.

In the year of 2022, The Operations Department provided all of the services and executing all of the tasks assigned to it including the new tasks of "margin account service" for client portfolio and preparing for new products which are expected to be provided soon for clients, considering several factors : time, efficiency, and professionalism.

The Operations Department through 2022 increased the efficiency of the management by developing and upgrading the electronic systems to improve the work environment and developing the screens of the daily processes to achieve the maximum speed and reduce the human intervention to avoid any potential errors, All this contributes to serving the main goal of the department which is accomplishing tasks professionally and efficiently in the shortest time possible, which eventually leads to the highest level of client satisfaction.

The Operations Department team attended many courses in 2022 that focusing on developing the skills of the staff and scaling-up their performance, besides attending special technical courses related to the function of the department to keep up with the latest updates in the business field.

Yasser Al Nahhas
Director - 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 of 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.

During the year 2022, KPMG has conducted the quality assessment review of the internal audit department as required by Module 15 Article 6-9 on Corporate Governance issued by Kuwait Capital Market Authority and the report was presented to the Board Audit Committee & Board of Directors.

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

This report provides an overview of Arzan Financial Group (AFG) Group's Compliance efforts. We at AFG believe that our success depends mainly on its ability to operate harmoniously with society. Therefore, compliance is an essential ingredient for attaining sustainable group growth. At AFG, we are constantly guided by the spirit of our principles, the backbone of our group philosophy. We strive to achieve sustainable economic, social, and environmental value, keeping with our stakeholders' expectations.

Our group activities have always been conducted based on integrity and fairness; one of our important group Principles is to "maintain principles of transparency and openness, conducting financial business with integrity and fairness," and in AFG Strategy, we reiterated that exercising strict compliance remains a priority at AFG and that we will continue seeking to cultivate our personnel who execute their responsibilities with a strong sense of ethics.

During 2022, the Legal and Compliance team ensured the group's compliance with all laws and legislations issued by the relevant regulatory authorities and the rules specified by the Exchange, Clearing Agencies, and clients' contracts. Also, the team prepared and executed plans related to compatibility and compliance to ensure that the group's regulatory requirements were met, its contractual obligations were met, and other legal requirements of relevance. In addition, the team executed the requirements of the Anti-Money Laundering and Combating Terrorism Financing Law.

The compliance team provided plenty of compliance tips and training, which enhanced the group's compliance culture and helped the employees. The training sessions on combating money laundering and terrorist financing were also provided to all company employees and board members. In addition, a seminar on corporate governance has been given.

All required regulatory reports and inquiries were submitted to authorities, No complaint by the clients has been submitted, and No stakeholder whistleblowing was announced.

Ahmad Amin Ali
Senior Manager – Legal & Compliance

RISK MANAGEMENT & INFORMATION SECURITY

AFG Risk Management Principles

Risk Management is part of Arzan Financial Group Strategic Management Which includes the main aspects that enable AFG to identify, analyze, measure, evaluate, and manage Risks. We developed mechanisms for following up and reporting to ensure protection that adds value to the company and the shareholders. We actively take risks connecting with our business and follow stringent risk principles to preserve and enhance shareholder value.
Our Risk Strategy is based on the following principles.

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

Risk Management Governance

The Risk Management function is independent within the organizational governance structure. Risk Management works as an Advisory and doesn't participate in group lending or investment activities decisions. Board Risk Management Committee consistently monitors the independence of the risk function to ensure that the risk role is not compromised or influenced and that an adequate balance between Risk and return is achieved to accomplish our sustainable growth objectives.
During 2022, AFG has taken several initiatives to enhance risk management by Developing automated systems and applying Governance accurately with a tight mechanism that compiles with the CMA requirements and AFG internal regulations.
The Risk department developed and implemented a strong Risk culture and committed to maintaining this culture in the coming years by conducting different Risk training and awareness sessions for all employees.

Risk Assessment Overview

Key risk categories include financial risks such as credit risk, market risk, liquidity risk, business risk, and non-financial risks (NFRs), including reputational and operational Risk (with important sub-categories such as compliance risk, legal Risk, information security risks, fraud risks, money laundering risks, and Sustainability risks ...etc).
Risk Management managing, identifying, assessing, and mitigating high and emerging risks through an internal governance process and using Risk Management tools.
Risk Management approach to Risk Assessment aims to mitigate these risks and doesn't impact the financial results, long-term strategic goals, and reputation.
The overall focus on Risk Management throughout 2022 was reducing our risk profile in line with the current economic and geopolitical circumstances. This approach is reflected in different risk metrics summarised below.

- **Credit Risk Management**

Credit Risk Management is essential to AFG due to the corporate lending business expansion. 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.

Risk management is keen to set and develop standards for measuring customer risks and continuous follow-up to ensure that an acceptable level of Risk is maintained based on risk appetite and meets the required standards.

The Risk Department also 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 has acceptable limits.

Expected Credit Loss (ECL)

The department implements IFRS 9 to calculate the Expected Credit loss (ECL) using the general approach. Since day one of granting the credit facility, Risk Management classifies the facility into one of the three phases to calculate the required provision according to the standards. ECL calculated the 12-month expected loss for all facilities in stage 1 and the lifetime expected credit loss for all facilities in stage 2 and stage 3 as per client commitment. The ECL is to be forward-looking and inclusive of macroeconomic factors that affect ECL. Additionally, the ECL is to be probability weighted to scenarios.

- **Market Risk Management**

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

The Risk Department submits a quarterly report to the Risk Committee that includes a comprehensive analysis of market risk and the extent to which it meets acceptable limits.

Price Risk

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

Risk Management calculates the VaR for equity Investment Exposure with a 95% confidence level. The information derived from the VaR calculation will help AFG management make appropriate decisions and avoid excessive Risks.

During 2022, the value at Risk was between 40% to 50% of the portfolio's total value due to the volatility in the market values of some listed shares characterized by large fluctuations due to exposure to increased geopolitical risks in many regions.

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 the USA. It is exposed to foreign currency risk arising, recognized assets and liabilities and net investments in foreign operations.

During 2022, AFG assets were concentrated in several countries outside Kuwait at a rate of approximately 37%, representing around 24% in the United States of America.
To mitigate the Group's exposure to foreign currency Risk "non-Kuwaiti Dinar cash flows" were monitored during 2022 by Risk Department in accordance with Arzan Group's Risk Management policies.

- **Capital Adequacy**

The Risk Management Department 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. In addition, Risk management monitors the economic indicators to take proper action in order to maintain an adequate capital adequacy ratio within CMA limits. The Capital Adequacy Ratio recorded 120% as of 30 September 2022.

- **Liquidly Risk**

To limit liquidity Risk, Risk Department monitors liquidity on a Quarterly basis in 2022. It Sets controls for the maturities of assets and liabilities to ensure no actual deficit. AFG has rescheduled the maturity of some liabilities, which led to a significant improvement in liquidity during 2022, which enhanced the liquidity situation.

- **Operational Risk Management**

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

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

The Risk department 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 used to monitor risk strategies (acceptance, avoidance, transfer, or reduction) and Risk migration periodically.
The risk department has also started analyzing Key Risk Indicators (KRIs) and logging each operational Risk incident.
In addition, the Risk department is consistently updating the policies and procedures, Authority Matrix, and Organization Structure to guarantee the quality of the Risk Management department.

- **Business Continuity Risk and Disaster Recovery**

The Risk Department has developed a business continuity and disaster recovery policy and procedure manual to keep pace with business requirements. The Risk management department also conducts a semi-annual test to ensure the readiness of the plan if it must be activated and then submits the Report to the BOD.

Risk Management keeps informing AFG's Board of Directors on the procedures applied to operate the business and rehabilitation of work if the interruption of operations occurs, which has a role in reducing the 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 its content to ensure the continuity of AFG work and to ensure the availability of financial and human resources to make the plan a success and to re-energize AFG 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 2022, AFG has complied with CMA guidelines of Corporate Governance as per the Report submitted to BOD by the Compliance department.

- **AML & CTF Risk**

AFG gives utmost importance to AML policies, regulatory requirements and controls required to combat Anti-Money Laundering (AML), particularly considering the various regional and international developments. During 2022, AFG conducted AML training for 46 AFG employees, including managers and executives. In addition to BOD members, we are working progressively to enhance the AML Policy in terms of Sorting customer data and enhancing the diligence and periodic reporting of different regulatory authorities. The Risk Management department assesses the Risk of Money Laundering and terrorist financing for Arzan Group clients and the groups products and services. AFG applied a precautionary policy in 2022 to assess the Risks of Money Laundering and terrorist financing.

AFG was subject to periodic money laundering inspections from the Capital Markets Authority in 2022, and no violations were detected for the second year in row.

- **Information security risks**

With the global dependence on digital financial services, the number of cyber-attacks has increased over the past years than ever before. During 2022, international organizations and companies faced many cyber-attacks, including, but not limited to (the attack on Uber "In September 2022", the National Health Service in the United Kingdom "In April 2022", and Twitter "In January 2022".

Since 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 to ensure the application of information security.

During 2022, the management succeeded in developing the policies and procedures and starting to implement them to adhere to the approved cybersecurity framework to reach the best practices and enhance AFG cybersecurity structure.

The Risk department started to spread awareness regarding cyber security to enable AFG employees to work safely through technological means and know how to act in the event of a cyber-attack. This includes building general skills in cyber issues at Arzan by providing employee workshops that increase awareness.

- **Margin trading risk committee**

During 2022, the management enhanced the monitoring system of margin trading service by allowing the committee members to monitor the status of the portfolio on a daily basis and ensure compliance with the approved limits, in addition to the below objectives:

- Reinforce the ability to understand and analyze 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 it.
- Determining the internal or external factors that could lead to such risks and developing methods to confront them, considering the specific strategies and policies established in this regard.

- **AFG New Services Risk**

By the end of 2022, AFG prepared to launch several new financial services locally and regionally, which contributes to increasing the AFG revenues, diversifying its sources of income, and creating added value for AFG, which benefits clients and shareholders. The risk management team has developed a several studies of the risks related to any new service by setting the suitable policies and procedures to mitigate these risks, and matching the AML regulations, clients contracts, know your client forms and any related electronic services.

- **Sustainability Risk**

The concept of sustainability emerged with the modern environmental movement that criticized the unsustainable character of societies where resource use, growth and consumption threaten the safety of ecosystems and the well-being of future generations. Current social standards determine the extent to which destructive practices are avoided and transform the status to promote the development of a more sustainable environment and link them to financial markets.

The department seeks to measure and assess sustainability risks next year to include them in AFG periodic risk measurement and follow-up reports.

Nawal Baddar
Senior Manager - Risk Management & Information Security

FINANCE DEPARTMENT

Arzan Financial Group for Financing and Investment achieved the best results in 2022 compared to previous years, during which Arzan succeeded in achieving profits of KD 10 million, compared to KD 8.8 million in 2021. This success is attributable to the following:

First: Revenues increase from KD 14.6 million in 2021 to KD 16.8 million in 2022.

Second: Expenses and other charges were Increase from KD 5.8 million in 2021 to KD 6.8 million in 2022.

Key factors for the revenues increase in 2022 were:

1. Increase in realized profits from installments sales from KD 524 thousand to KD 619 thousand, with an increase of 18%.
2. Increase in share of results of associates from KD 2.2 million to KD 2.5 million, with an increase of 12.6%.
3. Increase in realized and unrealized profits of financial assets at fair value through profit and loss from KD 3.1 million to KD 5.6 million, with an increase of 77.5%.
4. Increase in dividends income from KD 2.7 million to KD 4.0 million, with an increase of 47%.

Key reasons for the increase in expenses and other burdens during the year 2022 were:

1. An increase in general and administrative expenses from KD 1.3 million to KD 1.5 million, at a percentage of 17%.
2. Decrease in reversal of provision for installments credit debtors from KD 2.6 million to KD 827 thousand, at a percentage of 68%.
3. Decrease in the provision for doubtful debts and credit losses for restricted cash and cash equivalents, from KD 2.5 million to KD 1.4 million, at a percentage of 46%.
4. Increase in impairment of investment in real estates under development from KD 231 thousand to KD 414 thousand, at a percentage of 79%.

In addition to the above, Arzan's total assets amounted to KD 193.6 million, compared to KD 196.2 million in 2021, while its total liabilities this year amounted to KD 36.9 million, compared to KD 30.9 million in 2021. The total Equity attributable to shareholders of the parent company also amounted to KD 115.2 million, compared to KD 120.8 million in 2021.

The capital adequacy ratio was 110% compared to the required limit of 100%, according to the standards set by the Capital Markets Authority in the State of Kuwait.

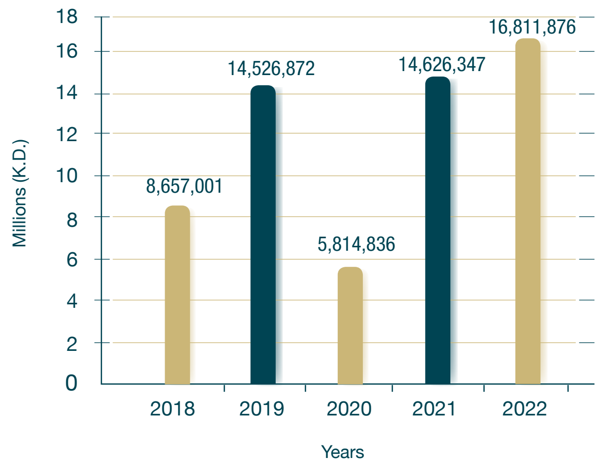
For the year ended 31 December 2022, the Board of Directors of the parent company recommended a cash dividend of 4 Fils per share and the distribution of 2% bonus shares from the treasury shares to shareholders of the parent company, without increase in the capital or increase in the number of issued shares as of 31 December 2022. This recommendation is subject to approval by the regulatory authorities and the general assembly of shareholders.

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

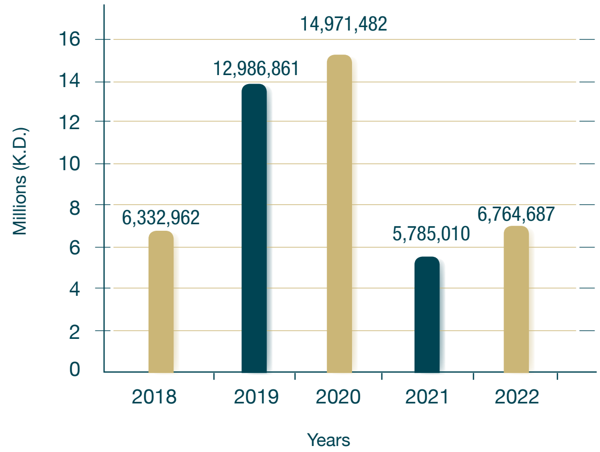
Mohammed Farid
Executive Director - Financial Department

FINANCIAL REPORT ANALYSIS

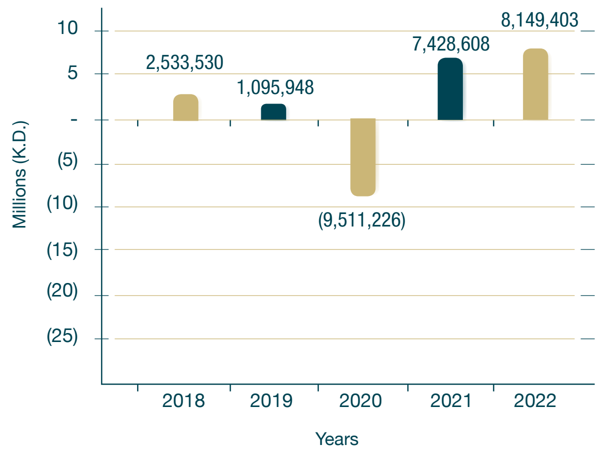
Total Income



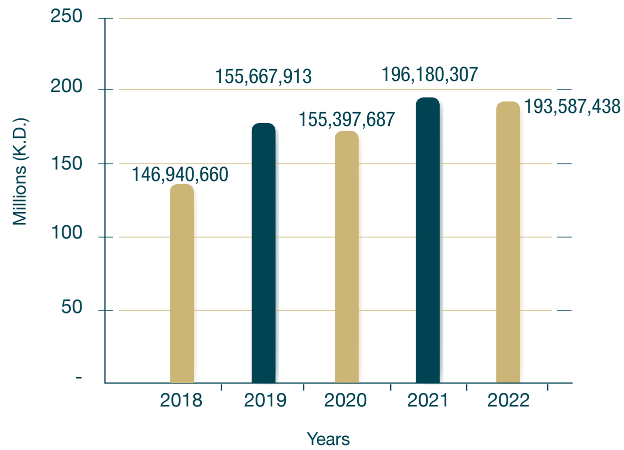
Total Expenses



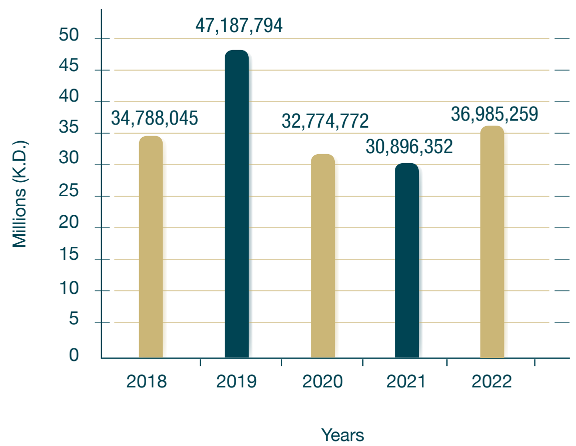
Net Income/(Loss) attributable to the parent company



Assets

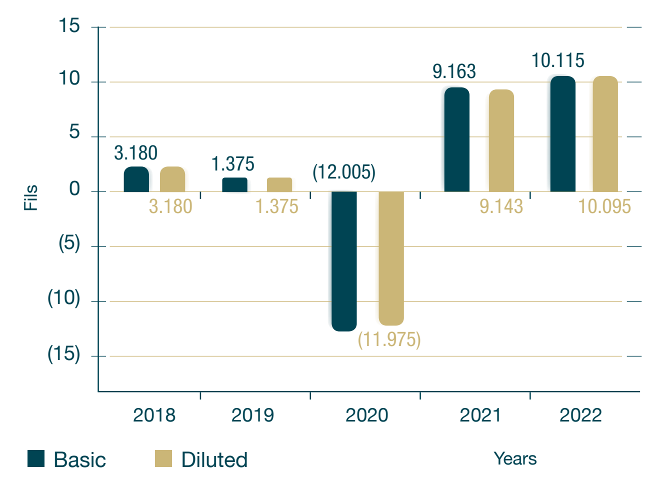


Total Liabilities

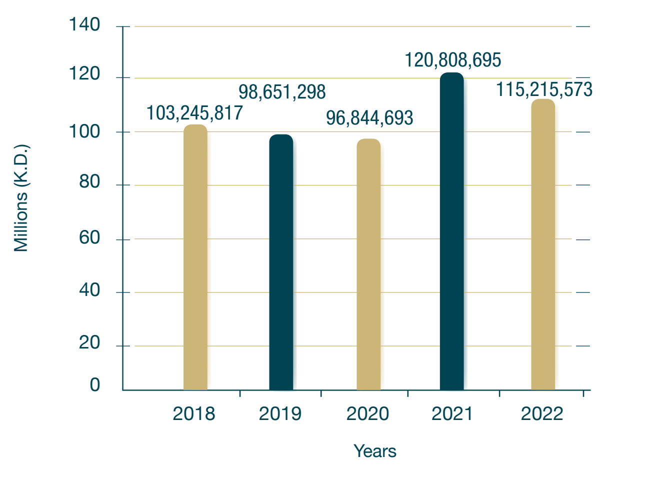


FINANCIAL REPORT ANALYSIS

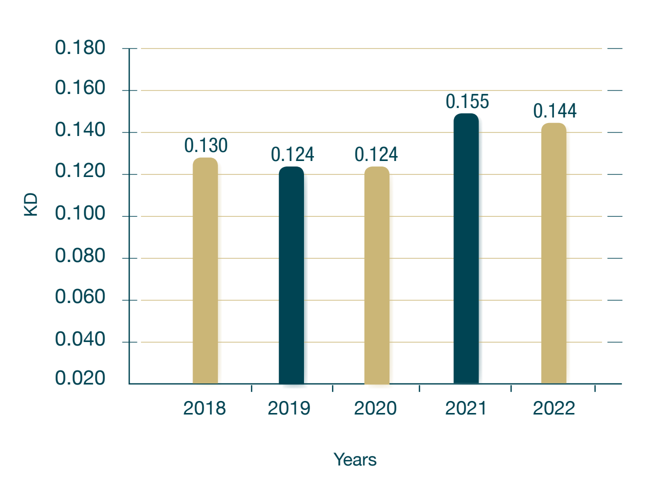
Basic earnings/(Loss) per Share attributable to owners of the parent Company



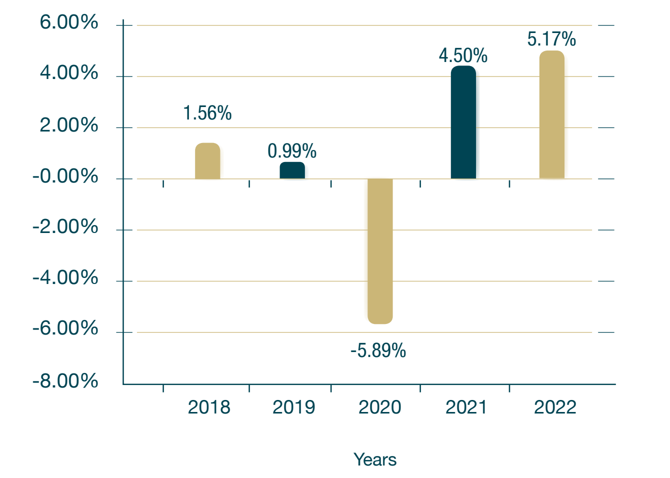
Shareholders' equity attributable to owners of the parent company



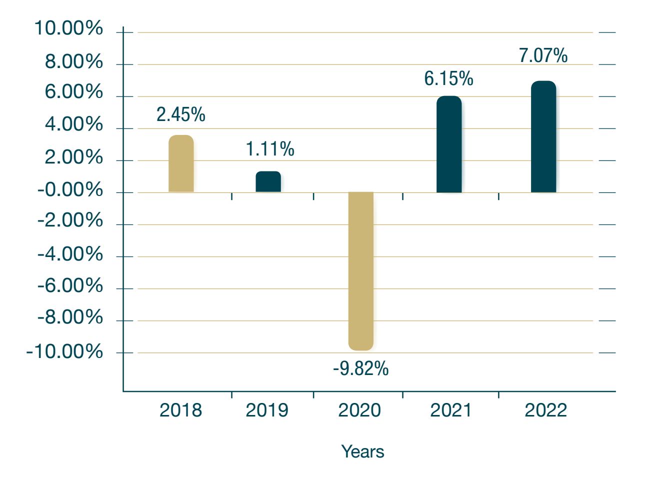
Book Value per share attributable to owners of the parent Company

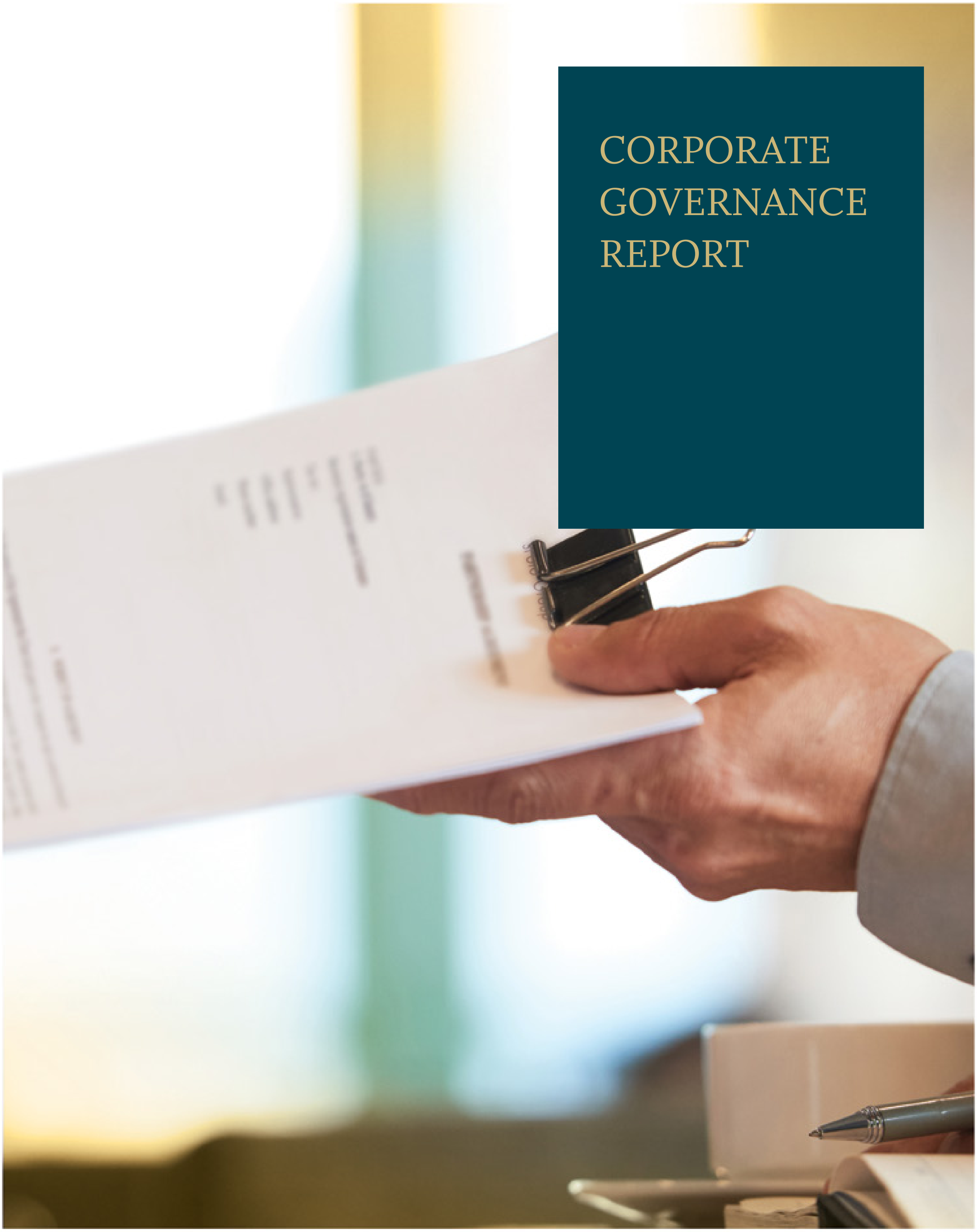


Return on Assets



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 s 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)	• 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. • 39 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)	• Bachelor of Commerce - Accounting, Kuwait University (1975), State of Kuwait. • 44 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)	• Bachelor of Science - Business Administration, Polytechnic University (1986), Pomona, California, USA. • MA of Business Administration - Accounting, George Washington University (2004), Washington DC, USA. • 35 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)	• Bachelor of Administrative Sciences, Marketing, Kuwait University, (1999), State of Kuwait. • 21 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)	• 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. • 24 years of experience in banking, investment and financial institutions.	8 June 2020
Issa Abdullah Al-Muzaini	Independent Member	• Bachelor of Science, Civil Engineering, St. Martins College, (1983), USA. • 18 years of experience in banking, investment, educational and information technology institutions.	8 June 2020
Ruba Ghanem	Secretary	• Bachelor of Business Administration - Banking, Granttown University 2014, USA. • 22 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.

Nine (9) Board meetings have been held during 2022, as follows:

Member Name	Meeting No. (1) on 09/02/2022	Meeting No. (2) on 28/03/2022	Meeting No. (3) on 26/04/2022	Meeting No. (4) on 07/06/2022	Meeting No. (5) on 03/08/2022	Meeting No. (6) on 28/08/2022	Meeting No. (7) on 30/10/2022	Meeting No. (8) on 27/11/2022	Meeting No. (9) on 26/12/2022	Total
Jassem Hasan Zainal	√	√	√	√	√	√	√	√	√	9
Ibrahim Saleh Al-Tharban	√	√	√	√	×	×	×	×	×	4
Emad Abdullah Al-Essa	√	√	√	√	√	√	√	√	√	9
Bader Jassim Al-Hajri	×	√	√	√	√	√	√	√	√	8
Mohammad Ahmad Al-Qahtany	√	√	√	×	×	√	√	√	√	7
Issa Abdullah * Al-Muzaini	×	×	√	√	√	√	√	√	√	7

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 hole 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. I do meet all board member independence requirements as stated in Article (2-3) of Chapter Three of Module Fifteen of the Executive Regulations of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and Regulating Securities Activity and their amendments, of which the above serve as a non-exhaustive list, and I do not have any matter that contravenes with the independence requirements.

7. As an independent member, I have the qualifications, experiences and technical skills which are constituent with the Company’s activity.

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:

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 2022, for example:

- Recommending to the General Assembly the distribution of cash dividends and a bonus to shareholders for the end of the fiscal year 31/12/2021.
- 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.
- 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.
- Discussing and approving the company's strategy for the next three years.
- Discussing and approving proposed transactions with related parties.
- Discussing and approving the launch of the regional and international trading service (Arzan Trader).
- Discussing and approving obtaining a subscription agent license.
- Following up on the performance of each member of the Board of Directors and the Executive Management according to the key performance indicators (KPI's).
- 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.
- Reviewing, amending and approving the organizational structure of the Company.
- Reviewing and approving the amendment of the Company's internal policies and procedures.
- Reviewing reports submitted by committees emanating from the Board of Directors.

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 2022, for example:

- Reviewing and discussing the interim and final financial statements before presenting them to the Board of Directors, expressing an opinion on them, and studying the external auditors' observations on the financial statements and following them up.
- Reviewing the internal control systems' evaluation report for the year ending 31/12/2021.
- Recommending to the Board to appoint/reappoint the external auditors.
- Approving the audit committee report for the financial year ending 31/12/2022 and submitting recommendation to the Board.
- Approving the internal audit plan for the year 2022-2023.
- Evaluating the performance of the internal audit manager for the period ending on 31/12/2021 and approving the objectives of the audit department for the year 2023.
- Reviewing the results of internal audit reports and ensuring corrective actions are taken.
- Approving the proposed amendments to the policies and procedures manual for the internal audit department.
- Reviewing the results of the report and evaluating the performance of the Internal Audit Department.

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 2022, the Audit Committee has convened four (4) meetings as follows:

Member Name	Meeting No. (1) on 28/03/22	Meeting No. (2) on 26/04/22	Meeting No. (3) on 03/08/22	Meeting No. (4) on 30/10/22	No. of Meetings
Ibrahim Saleh Al-Tharban (Chairman of the Committee)	√	√	×	×	2
Emad Abdullah Al-Essa (Deputy Chairman of the Committee)	√	√	√	√	4
Bader Jassim Al-Hajri (Committee Member)	√	√	√	√	4
Issa Abdullah Al-Muzaini (Committee Member)	√	×	√	√	3
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 2022:

- Discussing the annual money laundering risk assessment study 2021/2022 and submitting it to the Board of Directors for approval.
- Discussing the proposed amendments to the organizational structure of the company and making recommendations to the Board of Directors.
- Discussing the risk report of investment and credit proposals and making recommendations to the Board of Directors.
- Reviewing and amending the Company's internal policies and procedures and submitting a recommendation to the Board.
- Reviewing capital adequacy reports and submitting them to the Board of Directors.
- Reviewing the external penetration test and the stored data retrieval test reports.
- Reviewing the report on the business continuity and disaster response plan test results and submitting it to the Board.
- Reviewing periodic reports about the nature of the risks the Company is exposed to and submitting them to the Board of Directors.

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 2022, the Risk Committee has convened four (4) meetings as follows:

Member Name	Meeting No. (1) on 27/03/22	Meeting No. (2) on 07/06/22	Meeting No. (3) on 28/08/22	Meeting No. (4) on 27/11/22	No. of Meetings
Ibrahim Saleh Al-Tharban (Chairman of the Committee)	√	√	×	×	2
Jassem Hasan Zainal (Deputy Chairman)	√	√	√	√	4
Emad Abdullah Al-Essa (Committee Member)	√	√	√	√	4
Mohammad Ahmad Al-Qahtany (Committee Member)	√	×	√	√	3

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 2022, for example:

- Approval of the governance report for the fiscal year ending on 31/12/2021, including a report on bonuses, salaries, and benefits for members of the Board of Directors and the executive staff, and a submission to the General Assembly.
- 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 2022.
- Reviewing amendments to the ESS employee savings program policy and submitting them to the Board of Directors for approval.
- Approving the evaluation report of the Board of Directors, members of the Board and affiliated committees for the year 2021 and submitting it to the Board of Directors.

The Nomination and Remuneration Committee shall consist of three (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 2022, the Nomination and Remuneration Committee has convened one (1) meeting, as follows:

Member Name	Meeting No. (1) on 27/03/22	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, especially 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 Bard 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, as well as through the authorized stock option purchase..

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
6	0	35,500	25,350	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	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	316,014	10,058	4,304	5,240	8,409	41,300	700	54,773	164,300	28,560	36,658	2,871	1,295	77,781	0	0	19,877	358,362

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 2022, 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 31/12/2022, by a decision issued by the Company's ordinary general assembly, held on 09/05/2022.

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 are 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 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 on 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. Shareholders 'right to monitor the company's performance in general and the work of the Board of Directors in particular.
9. Shareholders 'right to question the members of the Board of Directors of the company or the executive management and file a liability suit, in the event of their failure to perform the tasks entrusted to them.
10. Shareholders' right to approve any sale, purchase or disposal in any way of the company's assets if this transaction amounts to 50% or more of the total value of the company's assets.

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 company for this purpose, and the members of the Board of Directors may not participate in voting on the decisions of the General Assembly regarding absolving them of responsibility for their management or those related to With a special benefit for themselves, their spouses or relatives of the first degree, or a dispute between them and the company.

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, in particular the reports of the Board of Directors, the auditor and the financial statements.

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. Shareholders who own (5%) of the company's capital are able to add items to the agenda of the General Assembly meetings.

6. The Company shall allow shareholders to view all data contained in the register of disclosures of members of the Board of Directors and members of the Executive Management.

7. The issues presented to the General Assembly should be accompanied by sufficient information that enables the shareholders to make their decisions properly.

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 taking 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.

- March 2022 - 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.
- May 2022 - Arzan Financial Group for Finance and Investment announced its donation and participation as a humanitarian contributor with the Kuwait Red Crescent Society in its 2022 campaign, In addition Arzan support the Kuwaiti Heart Association and its contribution to several other donations inside Kuwait, which included support for youth, recent graduates, and Kuwait University students.
- October 2022 - Arzan Financial Group for Finance and Investment announced its sponsorship and participation in many humanitarian projects and community development projects in medical awareness, as it contributed as an official sponsor with the Kuwait Medical Association in the awareness campaign on the occasion of World Mental Health Day, as one of its main campaigns for the year 2022.

BOARD DECLARATION
on the Integrity and Fairness of the financial statements

March, 2023

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 of 31 December 2022.
- 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 2022, 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 EXECTIVE DIRECTOR - FINANCE DECLARATION
on the Integrity and Fairness of the financial statements

March, 2023

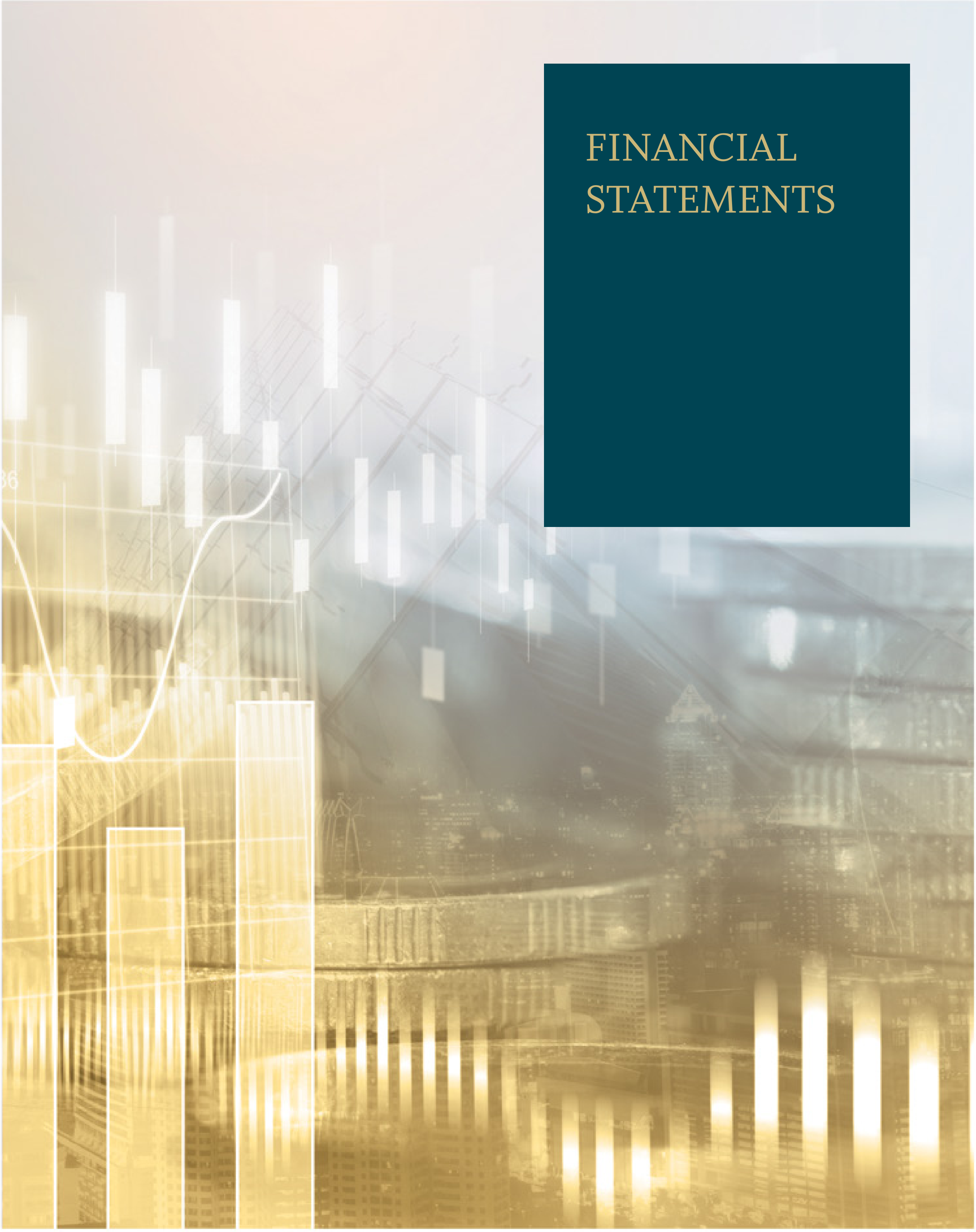
We, the CEO and Executive Director - Finance hereby certify that to the best of our knowledge and belief, the consolidated financial statements of Arzan Financial Group for Financing & Investment KPSC ("the Parent Company") and its subsidiaries (collectively, the "Group"), which comprise:

a) Consolidated statement of financial position as at 31 December 2022.
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 2022, 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
Exective Director - Finance



FINANCIAL STATEMENTS

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Content

Grant Thornton
Al-Qatami, Al-Aiban & Partners
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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 2022, 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 2022, 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 other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 qualified in respect to 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 professional opinion thereon, 7and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

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

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 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 year 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 2022 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 2022 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 2022 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
20 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 KD	2021 KD
Income			
Income from instalment credit debtors	7	**383,496**	967,671
Revenue from contracts with customers	8	**2,859,579**	3,801,403
Realised profit from instalment sales		**619,402**	523,867
Realised profit on disposal of investments in associates		**-**	16,005
Profit on disposal of investments in real estates under	19	**-**	1,806,236
development	16	**146,529**	-
Realised profit on sale of properties held for trading		**182,669**	159,002
Rental income		**471,509**	483,604
Interest income	14	**1,120,187**	508,913
Profit on sale of financial assets at FVTPL			
Change in fair value of financial assets at fair value through profit or loss FVTPL		**4,443,995**	2,626,111
Share of results of associates	18.2	**2,516,644**	2,235,135
Dividend income	11	**4,006,076**	2,715,666
Foreign currency exchange loss		**(258,214)**	(1,398,495)
Other income		**320,004**	181,229
		16,811,876	14,626,347
Expenses and other charges			
Staff costs		**(2,996,100)**	(3,145,319)
General and administrative expenses		**(1,522,257)**	(1,306,125)
Finance costs	9	**(1,057,714)**	(1,068,983)
Depreciation	20 & 21	**(240,762)**	(277,210)
Reversal of provision for instalment credit debtors - net	13	**826,950**	2,609,132
Impairment of investment in real estates under development	19	**(413,919)**	(230,519)
Reversal of provision for properties held for trading		**-**	133,926
Provision for doubtful debts - net	15	**(373,813)**	(496,807)
Provision of credit losses for restricted cash and cash equivalents	12.2	**(987,072)**	(2,003,105)
		(6,764,687)	(5,785,010)
Profit for the year before for contribution to KFAS, Zakat and NLST		**10,047,189**	8,841,337
Provision for NLST		**(47,253)**	(18,729)
Profit for the year		**9,999,936**	8,822,608
Attributable to:			
Shareholders of the Parent Company		**8,149,403**	7,428,608
Non-controlling interests		**1,850,533**	1,394,000
Profit for the year		**9,999,936**	8,822,608
Basic earnings per share attributable to the Parent Company's shareholders (Fils)	10	**10.115**	9.163
Diluted earnings per share attributable to the Parent Company's shareholders (Fils)	10	**10.095**	9.143

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	KD	KD
Profit for the year	**9,999,936**	8,822,608
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the year	**(15,054,756)**	30,412,592
Items that may be subsequently reclassified to consolidated statement of profit or loss:		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the year	**197,345**	286,376
Differences arising on translation of foreign operations	**(41,113)**	(28,296)
Share of other comprehensive (loss)/income of associates	**(777,599)**	47,092
Total other comprehensive (loss)/income for the year	**(15,676,123)**	30,717,764
Total comprehensive (loss)/income for the year	**(5,676,187)**	39,540,372
Attributable to:		
Shareholders of the Parent Company	**(1,833,386)**	24,769,021
Non-controlling interests	**(3,842,801)**	14,771,351
Total comprehensive (loss)/income for the year	**(5,676,187)**	39,540,372

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 KD	2021 KD
Assets			
Cash and cash equivalents	12.1	**9,435,552**	11,507,246
Instalment credit debtors	13	**675,603**	962,324
Financial assets at fair value through profit or loss	14	**21,805,860**	17,347,526
Accounts receivable and other assets	15	**8,480,050**	10,917,259
Properties held for trading	16	**1,309,066**	1,293,216
Financial assets at fair value through other comprehensive income	17	**114,845,728**	116,855,376
Investment in associates	18	**31,679,487**	30,489,135
Investment in real estates under development	19	**1,886,005**	3,150,610
Investment properties	20	**1,420,244**	1,478,984
Property and equipment	21	**2,049,843**	2,178,631
Total assets		**193,587,438**	196,180,307
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	22	**6,565,294**	7,848,074
Term loans	23	**13,633,634**	5,706,334
Murabaha payables	24	**15,040,700**	15,749,000
Provision for employees' end of service benefits		**1,745,631**	1,592,944
Total liabilities		**36,985,259**	30,896,352
Equity			
Share capital	25	**83,098,345**	80,288,256
Share premium	25	**9,355,213**	9,355,213
Treasury shares	26	**(2,536,238)**	(1,472,845)
Statutory reserve	27	**1,976,500**	1,248,501
Voluntary reserve	27	**819,666**	744,734
Share based payments reserve	28	**93,090**	46,192
Foreign currency translation reserve		**(282,040)**	(219,509)
Fair value reserve		**16,345,983**	26,900,580
Retained earnings		**6,345,054**	3,917,573
Total equity attributable to shareholders of the Parent Company		**115,215,573**	120,808,695
Non-controlling interests		**41,386,606**	44,475,260
Total equity		**156,602,179**	165,283,955
Total liabilities and equity		**193,587,438**	196,180,307

Jassem Hasan Zainal
Vice chairman and CEO

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Parent Company											
	Share capital KD	**Share premium KD**	**Treasury shares KD**	**Statutory reserve KD**	**Voluntary reserve KD**	**Share based payment reserve KD**	**Foreign currency translation reserve KD**	**Fair value reserve KD**	**Retained earnings KD**	**Sub-Total KD**	**Non-controlling interests KD**	**Total KD**
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**
Issue of bonus shares (note 30)	**2,810,089**	-	-	-	-	-	-	-	**(2,810,089)**	-	-	-
Cash dividends (note 30)	-	-	-	**(91,667)**	**(744,734)**	-	-	-	**(1,107,484)**	**(1,943,885)**	-	**(1,943,885)**
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	**(412,731)**	**(412,731)**
Purchase/sale of treasury shares		-	**(1,063,393)**	-	-	-	-	-	-	**(1,063,393)**	-	**(1,063,393)**
Disposal of partial interest in a subsidiary (note 6.1.2)	-	-	-	-	-	-	-	-	**(799,356)**	**(799,356)**	**799,356**	-
Non-controlling interests arising on establishment of subsidiaries (note 6.1.4)	-	-	-	-	-	-	-	-	-	-	**367,522**	**367,522**
Cost of share-based payments (note 28)	-	-	-	-	-	**46,898**	-	-	-	**46,898**	-	**46,898**
Total transactions with shareholders	**2,810,089**	-	**(1,063,393)**	**(91,667)**	**(744,734)**	**46,898**	-	-	**(4,716929)**	**(3,759,736)**	**754,147**	**(3,005,589)**
Profit for the year	-	-	-	-	-	-	-	-	**8,149,403**	**8,149,403**	**1,850,533**	**9,999,936**
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	**(62,531)**	**(9,920,258)**	-	**(9,982,789)**	**(5,693,334)**	**(15,676,123)**
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	**(62,531)**	**(9,920,258)**	**8,149,403**	**(1,833,386)**	**(3,842,801)**	**(5,676,187)**
Profit on sale of financial assets at FVTOCI (note 17)	-	-	-	-	-	-	-	**(33,935)**	**33,935**	-	-	-
The impact of restatement on the associate		-	-	-	-	-	-	**(600,404)**	**600,404**	-	-	-
Transfer to reserves	-	-	-	**819,666**	**819,666**	-	-	-	**(1,639,332)**	-	-	-
Balance at 31 December 2022	**83,098,345**	**9,355,213**	**(2,536,238)**	**1,976,500**	**819,666**	**93,090**	**(282,040)**	**16,345,983**	**6,345,054**	**115,215,573**	**41,386,606**	**156,602,179**

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											
	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	80,80,288,256	23,803,273	(1,202,430)	503,767	503,767	18,205	(198,268)	4,045,655	(10,917,532)	96,844,693	25,778,222	122,622,915
Write off of accumulated losses		(14,448,060)	-	-	(503,767)	-	-	-	14,951,827	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	(286,116)	(286,116)	3,915,666	3,629,550
Cost of share-based payments (note 28)	-	-	-	-	-	27,987	-	-	-	27,987	-	27,987
Acquisition of treasury shares	-	-	(270,415)	-	-	-	-	-	-	(270,415)	-	(270,415)
Total transactions with shareholders	-	(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 CASH FLOWS

Year ended 31 December 2022

	Notes	2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit for the year		**9,999,936**	8,822,608
Adjustments:			
Interest income		**(471,509)**	(483,604)
Dividend income	11	**(4,006,076)**	(2,715,666)
Impairment of investment in real estates under development	19	**413,919**	230,519
Reversal of provision for properties held for trading		**-**	(133,926)
Profit on sale of investment in real estates under development		**-**	(1,806,236)
Realised profit on sale of properties held for trading		**(146,529)**	-
Share of results of associates	18.2	**(2,516,644)**	(2,235,135)
Realised profit on sale of an associate		**-**	(16,005)
Reversal of provision for instalment credit debtors - net	13	**(826,950)**	(2,609,132)
Provision for doubtful debts - net	15	**373,813**	496,807
Finance costs	9	**1,057,714**	1,068,983
Depreciation	20 & 21	**240,762**	277,210
Cost of share-based payments		**46,898**	27,987
Provision for employees' end of service benefits		**165,886**	170,372
Provision of credit losses for restricted cash and cash equivalents	12.2	**987,072**	2,003,105
		5,318,292	3,097,887
Changes in operating assets and liabilities:			
Instalment credit debtors		**1,113,671**	2,269,657
Financial assets at FVTPL		**(4,458,334)**	(5,844,288)
Accounts receivable and other assets		**2,379,502**	(3,237,903)
Accounts payable and other liabilities		**(1,468,499)**	486,609
Employees' end of service benefits paid		**(13,199)**	(62,390)
Net cash from/(used in) operating activities		**2,871,433**	(3,290,428)
INVESTING ACTIVITIES			
Purchase of property and equipment	21	**(68,875)**	(76,033)
Purchase of financial assets at FVTOCI		**(18,438,918)**	(11,186,080)
Proceeds on sale of financial assets at FVTOCI		**5,818,887**	13,139,665
Proceeds from sale of property held for trading		**530,011**	-
Additions on investments in real estate under development	19	**(148,492)**	(562,580)
Additions to properties held for trading		**-**	(452,250)
Proceeds from sale of an associate		**-**	22,050
Net movement in restricted cash and cash equivalents	12.2	**(987,072)**	(705,543)
Dividend income received		**4,006,076**	2,715,666
Dividend received from associates	18.2	**548,692**	548,693
Interest income received		**144,579**	483,603
Net cash (used in)/from investing activities		**(8,595,112)**	3,927,191

The notes set out on pages 69 to 136 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2022

	Notes	**2022** **KD**	2021 KD
FINANCING ACTIVITIES			
Term loans obtained		**10,050,800**	2,285,000
Term loans paid		**(2,131,800)**	(5,511,166)
Murabaha payables obtained		**-**	15,749,000
Murabaha payables paid		**(708,300)**	(12,601,322)
Finance costs paid		**(1,014,507)**	(1,027,634)
Dividends paid to non-controlling interests		**(412,731)**	(266,454)
Dividends paid to shareholders		**(1,801,372)**	-
Acquisition of treasury shares		**(1,063,393)**	(270,415)
Net movement in non-controlling interests		**384,595**	-
Capital increase of a subsidiary		**-**	1,209,550
Net cash from/(used in) financing activities		**3,303,292**	(433,441)
Net (decrease)/increase in cash and cash equivalents		**(2,420,387)**	203,322
Foreign currency translation adjustments		**348,693**	(34,863)
Cash and cash equivalents at beginning of the year	12.1	**11,507,246**	11,338,787
Cash and cash equivalents at end of the year	12.1	**9,435,552**	11,507,246

Non-cash transactions (Note 23):

Term loans repayment		**-**	(2,420,000)
Subscription for capital increase of a subsidiary		**-**	2,420,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 Boursa Kuwait and is governed under the directives of Central Bank of Kuwait and Capital Markets Authority.

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

The Parent Company's objectives are as follows:

- Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the Company's objectives for its account and for the account of third parties inside or outside the State of Kuwait;

- Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait;

- Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the Company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account;

- Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukuks and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities.

- Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

1. Incorporation and activities (continued)

- 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;

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

1. Incorporation and activities (continued)

- Lease capital and durable goods.
- Grant short and medium term loans to natural and judicial persons.
- Real estate investment transactions to manage and develop residential land, and constructing of commercial and residential units and complexes in order to sell them in cash or instalments or rent them,
- 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.
- 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. It may also open branches inside and outside the State of Kuwait in such a way that does not contradict with the company's law and the instructions of the competent regulatory authorities.

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

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 20 February 2023. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait("CBK"). The modification requires adoption of all IFRSs for such institutions except for the IFRS 9 requirement for estimated credit losses for loans and receivables, which has been replaced by the CBK requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

3. Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

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

IFRS 3 – Reference to the conceptual framework

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

The application of the amendments did not 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

3 Changes in accounting policies (continued)
3.1 New and amended standards adopted by the Group (continued)

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

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

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

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

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

Annual Improvements 2018-2020 Cycle

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

3 Changes in accounting policies (continued)
3.2 IASB Standards issued but not yet effective (continued)

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
IAS 1 Amendments - Disclosure of accounting policies	1 January 2023
IAS 1 Amendments - Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments - Classification of current or non-current	1 January 2024
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
IFRS 16 Amendments - Leases	1 January 2024

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities depends only on the covenants that an entity is required to comply with on or before the reporting date of the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

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

IAS 1 Amendments - Classification of current or non-current

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

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

IAS 8 Amendments – Definition of accounting estimates

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

3 Changes in accounting policies (continued)
3.2 IASB Standards issued but not yet effective (continued)

IAS 16 Amendments – Leases

The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

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. They are prepared under the historical cost convention, except for the financial assets at FVPL and at FVOCI 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: "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Profit or Loss and Other Comprehensive Income".

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4 Significant accounting policies (continued)
4.2 Basis of consolidation (continued)

All transactions and balances between Group companies are eliminated, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4 Significant accounting policies (continued)
4.3 Business combinations (continued)

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 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 refer to 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 Revenues from contracts with customers

The Group recognises revenue from the following major sources:

- Asset management and custody services
- Fees from advisory services

Revenues are measured based on the consideration to which it is expected by the Group to be entitled through the contract with customer. On another hand, the amounts that have been collected on behalf of the other parties are excluded. The Group recognises revenues when it transfers control of a product or service to a customer. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4 Significant accounting policies (continued)

4.5 Revenues from contracts with customers (continued)

In all cases, 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 monthly instalments over the period of the contract. The interest is allocated over the life of the agreement using the "effective interest" method. Interest relating to outstanding instalments is considered as deferred income and is included in the consolidated statement of financial position as a deduction from instalment credit debtors.

4.7 Realised profit from instalment sales

Profit margin from instalment sales is calculated at the time of a contract with the customer. The customer repays the total amount due (including profit margin) by equal monthly 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 consolidated statement of financial position as a deduction from instalment sales receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. Significant accounting policies (continued)

4.8 Interest income

Interest income is recognized 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 statements 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 attributable to the shareholders of the parent company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.12.2 Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. Significant accounting policies (continued)

4.12 Taxation (continued)

4.12.3 Zakat

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

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)
4.13 Financial instruments (continued)
4.13.1 Recognition, initial measurement and derecognition (continued)

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and 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 the 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 assets
- the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)
4.13 Financial instruments (continued)
4.13.3 Subsequent measurement of financial assets (continued)

The Group's financial assets at amortised cost comprise mainly 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 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.

- *Accounts receivables 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 fair value through other comprehensive income***

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

• ***Financial assets at FVTOCI***

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Significant accounting policies (continued)
4.13 Financial instruments (continued)
4.13.3 Subsequent measurement of financial assets (continued)

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

Equity investment at fair value through other comprehensive income

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

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of shortterm profittaking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

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

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

The Group's financial assets at FVTPL comprise of investments in equity and debit instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)
4.13 Financial instruments (continued)

4.13.4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

For financial assets (except instalment credit debtors), the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset. Instalment credit debtors are subject to the minimum provisioning requirements of the Central Bank of Kuwait.

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's policy is to recognise lifetime ECL for trade receivables 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, 12month 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)
4.13 Financial instruments (continued)
4.13.4 Impairment of financial assets (continued)

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

4.13.5 Classification and subsequent measurement of financial liabilities

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

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, and 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. Profits 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

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.

Murabha payable

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)

4.15 Trade and settlement date accounting

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

4.16 Offset 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)

4.19 Investments 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. This method requires that the Group's share be recorded at the date of the consolidated statement of financial position at cost plus all subsequent changes in the Group's share of the associate's net assets, less any impairment. The consolidated statement of profit or loss reflects the Group's share in the associate's business results.

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 fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the consolidated statement of profit or loss.

Dividends 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 equity of the associate. Changes in the Group's share in associate's equity are immediately recognised 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

Unrealized gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)
4.19 Investments in associates (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is 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 loss. Gains and losses arising from the sale of investment property are included in the consolidated statement of profit or loss.

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

Transfers are made to or from investment property only when there is a change in use. As for a transfer from investment property to owner-occupied property, the considered 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. Significant accounting policies (continued)

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, 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 included in consolidated statement of profit or loss.

4.22 Leased assets

The Group as a lessee

For any new contracts, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)
4.22 Leased assets (continued)
The Group as a lessee (continued)

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients.

Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

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

Right-of-use asset

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

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

Lease liability

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

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

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

The Group as a lessor

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)
4.22 Leased assets (continued)
The Group as a lessee (continued)

The Group as a lessor (continued)

When the Company is an intermediate lessor, it accounts for the head lease and the 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 recognised 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 recognised on a straight-line basis over the lease term.

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

4.23 Impairment testing of goodwill and non-financial assets

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

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. Significant accounting policies (continued)

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. 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 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 dividends

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 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 Memorandum of Incorporation and Articles of Association of the Parent Company, as amended.

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

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

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

All transactions with the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. Significant accounting policies (continued)

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 using the 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 legal 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 payments 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. Furthermore, the expense or credit balance in the consolidated statement of profit or loss for a certain period represents the movement on the cumulative expenses recognized as at the beginning and end of that period and is recognized under the employee benefits expenses.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Significant accounting policies (continued)

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 are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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 benefit is remote.

4.30 Foreign currency translation

4.30.1 Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. Significant accounting policies (continued)
4.30 Foreign currency translation (continued)

4.30.2 Foreign currency transactions and balances

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

4.30.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currencies of the entities in the Group have 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 consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

4.31 Related party transactions

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

4.32 Fiduciary assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

5. Significant management judgements and estimation uncertainty

Preparation of the Group's consolidated financial statements requires the 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 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.

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 12month ECLs for level 1 assets, or lifetime ECLs for level 2 or level 3 assets. An asset moves to level 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase.

Therefore, in order to assess whether the credit risk of the asset has increased significantly, the Group takes into account the reasonable and probable qualitative and quantitative information that may be obtained.

5.1.3 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criterial 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

5. Significant management judgements and estimation uncertainty (continued)

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 of loss.

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 receivables 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 properties

Management decides on acquisition of properties whether they should be classified as "trading", "property under development" or "investment properties".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Significant management judgements and estimation uncertainty (continued)
5.2 Estimates uncertainty (continued)

5.2.5 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

5.2.6 Business combinations

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

5.2.7 Fair value of financial instruments

Management apply 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 of the Group.

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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 as at 31 December 2022	2021	Place of incorporation	Principal activities	Reporting date
Direct subsidiaries:					
Al-Addan Real Estate Co. – SPC	**100%**	100%	Kuwait	Trading in all real estate activities	31 December 2022
Arzan CC for Collection Co. – SPC	**100%**	100%	Kuwait	Trading in real estate activities and collecting money on behalf of others	31 December 2022
Kuwait Invest Real Estate Co.– WLL	**51%**	51%	Kuwait	Real estate services	31 December 2022
International Finance Co. – SAL (6.1.1)	**100%**	100%	Lebanon	Finance services including financing, management and brokerage	30 September 2022
Arzan Securities Brokerage Co. SAE [Formerly: IFA Securities Brokerage Co.- SAE]	**84.55%**	84.55%	Egypt	Brokerage services	30 September 2022
International Financial Advisers Company - WLL	**65.20%**	65.20%	Jordan	Brokerage services	30 September 2022
Saudi Invest Real Estate Co. – WLL	**100%**	100%	Saudi Arabia	Real estate services	31 December 2022
Arzan VC I Ltd.	**100%**	100%	United Arab Emirates	Projects management	31 December 2022
HI Equity Company Ltd.	**99.18%**	99.12%	Cayman Islands	Real estate	30 September 2022
HI Debt Company Ltd.	**99.35%**	99.20%	Cayman Islands	Real estate	30 September 2022
Arzan Capital (Holding) Limited (6.1.2)	**63.14%**	66.21%	United Arab Emirates	Holding Company	30 September 2022
Arzan AM Limited	**100%**	100%	United Arab Emirates	General Trading	31 December 2022
Arzan Real Estate Co. – SAE	**80%**	80%	Egypt	Real estate	30 September 2022
Blender Company for Rent and Lease Lands and Properties – SPC	**100%**	100%	Kuwait	Real estate	31 December 2022
Seven Seas Resorts Co. – KSCC	**100%**	100%	Kuwait	Hospitality	31 December 2022
Easy Buy Company – SPC	**100%**	100%	Kuwait	Credit facilities services	31 December 2022
Joint venture (6.1.3)	**51%**	51%	Kuwait	Investment	31 December 2022
Arzan ESS for General Trading Company – WLL	**100%**	100%	Kuwait	General trading	31 December 2022
Indirect subsidiaries:					
Through Arzan Capital (Holding) Limited:					
Arzan Wealth (DIFC) Co. Limited	**100%**	100%	United Arab Emirates	Financial advisory services	30 September 2022
Arzan VC for Projects Management –S.P.C	**100%**	100%	Kuwait	Projects management	30 September 2022
Arzan Capital Jersey Limited	**100%**	100%	United Kingdom	Financial advisory services	30 September 2022
Arzan Suisse SA	**100%**	100%	Switzerland	Fund management activities	30 September 2022
Hill Top Digital Strategies 1 LTD	**100%**	100%	Liechtenstein	Digital currency	30 September 2022
Arzan VC Consulting Company (Egypt) (6.1.4)	**98%**	-	Egypt	Consulting service and project management	30 September 2022
Hill Top US 13 Limited (6.1.4)	**94%**	-	USA	Real Estate	30 September 2022
Arzan Venture Capital Limited (6.1.4)	**50%**	-	United Arab Emirate	Financial advisory services and Fund management	30 September 2022

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31 December 2022

6. Subsidiaries (continued)

6.1 Composition of the group (continued)

6.1.1 The Group's subsidiary; International Finance Company S.A.L ("IFC") is located in Lebanon, which is currently experiencing 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.

Furthermore, due to the current economic conditions, the subsidiary has ceased its new lending operations and in the process of monitoring the business activities closely.

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

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 KD 987,072 and KD 932,253 respectively in the consolidated statement of profit or loss for the year ended 31 December 2022 (31 December 2021: provision of KD 2,003,105 and reversal of provision of KD 2,345,748 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 2022

6. Subsidiaries (continued)
6.1 Composition of the group (continued)

Summarised intra-group financial information of IFC Lebanon as at 31 December 2022 and 2021 is set out below:

	31 Dec. 2022	31 Dec. 2021
	KD	KD
Financial assets at fair value through other comprehensive income	**305,420**	-
Trading properties	**458,129**	452,250
Other assets	**195,197**	199,492
Total assets	**958,746**	651,742
Accounts payable and other liabilities	**392,740**	456,104
Total liabilities	**392,740**	456,104

	Year ended 31 Dec. 2022	Year ended 31 Dec. 2021
	KD	KD
Income from instalment credit	**153,879**	392,695
Loss for the year	**331,395**	(863,385)

6.1.2 During 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 USD 1 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, 2,670,949 shares equivalent to 3.07% (2021: 923,798 shares equivalent to 1.23% during the year) of the Group's ownership interest in Arzan Capital (Holding) Limited were transferred. This transaction resulted in a loss of KD799,356 (2021: KD276,475) which has been recognised in the statement of equity.

6.1.3 During the previous years, 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 investment in subsidiary since management determined that the Group has the power to control the investee.

6.1.4 During the year, the Group established three new subsidiaries through Arzan Capital Holding Limited as follows:

Name of the subsidiary	**Share capital KD**
Arzan VC Consulting Company (Egypt)	**635**
Hill Top US 13 Limited	**6,515,000**
Arzan Venture Capital Limited	**310,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. Subsidiaries (continued)
6.2 Subsidiaries with material non-controlling interests

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

	Proportion of ownership interests and voting rights held by the NCI		Results allocated to NCI		Accumulated NCI	
Name of the subsidiary	**31 Dec. 2022**	31 Dec. 2021	**31 Dec. 2022**	31 Dec. 2021	**31 Dec. 2022**	31 Dec. 2021
	%	%	**KD**	KD	**KD**	KD
Kuwait Invest Real Estate Co.– WLL	**49**	49	**272,504**	164,370	**4,776,192**	4,267,604
Arzan Capital (Holding) Limited	**36.86**	33.79	**604,092**	618,959	**10,981,168**	9,594,136
Joint-venture	**49.26**	49.26	**967,030**	579,017	**24,828,039**	29,818,698

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. 2022	31 Dec. 2021
	KD	KD
Non-current assets	**9,754,974**	8,802,943
Current assets	**162**	10,861
Total assets	**9,755,136**	8,813,804
Current liabilities	**7,804**	104,408
Total liabilities	**7,804**	104,408
Equity attributable to the shareholders of the Parent Company	**4,971,140**	4,441,792
Non-controlling interests	**4,776,192**	4,267,604
Total equity	**9,747,332**	8,709,396

	Year ended 31 Dec. 2022	Year ended 31 Dec. 2021
	KD	KD
Income	**558,251**	349,626
Expenses and other charges	**(2,121)**	(14,178)
Profit for the year attributable to the shareholders of the Parent Company	**283,626**	171,078
Profit for the year attributable to non-controlling interests	**272,504**	164,370
Profit for the year	**556,130**	335,448
Total comprehensive income for the year attributable to the shareholders of the Parent Company	**529,347**	195,081
Total comprehensive income for the year attributable to non-controlling interests	**508,588**	187,431
Total comprehensive income for the year	**1,037,935**	382,512
Net cash flow used in operating activities	**(507)**	(1,139)
Net cash outflows	**(507)**	(1,139)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. Subsidiaries (continued)
6.2 Subsidiaries with material non-controlling interests (continued)

b) Arzan Capital (Holding) Limited

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Non-current assets	**30,353,019**	21,902,369
Current assets	**5,723,823**	8,241,380
Total assets	**36,076,842**	30,143,749
Non-current liabilities	**114,063**	138,203
Current liabilities	**6,830,022**	1,612,126
Total liabilities	**6,944,085**	1,750,329
Equity attributable to the shareholders of the Parent Company	**18,151,589**	18,799,284
Non-controlling interests	**10,981,168**	9,594,136
Total equity	**29,132,757**	28,393,420

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Revenues	**3,501,713**	4,657,345
Expenses and other charges	**(1,892,069)**	(2,142,178)
Profit for the year attributable to the shareholders of the Parent Company	**1,005,552**	1,896,208
Profit for the year attributable to non-controlling interests	**604,092**	618,959
Profit for the year	**1,609,644**	2,515,167
Total comprehensive income for the year attributable to the shareholders of the Parent Company	**1,028,875**	2,093,105
Total comprehensive income for the year attributable to non-controlling interests	**617,709**	683,230
Total comprehensive income for the year	**1,646,584**	2,776,335
Net cash flow from operating activities	**4,136,197**	1,295,161
Net cash inflows	**391,608**	1,833,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. Subsidiaries (continued)
6.2 Subsidiaries with material non-controlling interests (continued)

c) Joint Venture

	31 Dec. 2022 KD	31 Dec. 2021 KD
Non-current assets	**50,405,529**	60,537,493
Total assets	**50,405,529**	60,537,493
Current liabilities	**-**	-
Total liabilities	**-**	-
Equity attributable to the owners of the Parent Company	**25,577,490**	30,718,795
Non-controlling interests	**24,828,039**	29,818,698
Total equity	**50,405,529**	60,537,493

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Income	**1,963,250**	1,175,513
Expenses and other charges	**-**	-
Profit for the year attributable to the shareholders of the Parent Company	**996,220**	596,496
Profit for the year attributable to non-controlling interests	**967,030**	579,017
Profit for the year	**1,963,250**	1,175,513
Total comprehensive (loss)/income for the year attributable to the shareholders of the Parent Company	**(6,137,526)**	14,320,846
Total comprehensive (loss)/income for the year attributable to non-controlling interests	**(5,957,689)**	13,901,229
Total comprehensive (loss)/income for the year	**(12,095,215)**	28,222,075

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31 December 2022

7 Income from instalment credit debtors

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Interest income from instalment credit	**167,647**	347,874
Discount, commission and fees	**63,443**	129,167
Recovery of written off balances	**152,406**	490,630
	383,496	967,671

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. 2022 KD	Year ended 31 Dec. 2021 KD
Assets management	**193,295**	72,670
Custodian and other fees	**272,638**	276,516
Advisory services	**2,393,646**	3,452,217
	2,859,579	3,801,403

Revenue from contracts with customers include revenues from related parties of KD 86,114 (2021: KD 41,460) (Note 33).

Revenue from advisory services represents 84% of the revenue from contracts with customers for the year ended 31 December 2022 (31 December 2021: 91%).

9 Finance costs

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
On financial liabilities at amortised cost:		
Due to banks	**-**	4,329
Term loans	**471,251**	575,956
Murabaha payables	**566,040**	464,752
Others	**20,423**	23,946
	1,057,714	1,068,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

10 Basic and diluted earnings per share

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

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Profit for the year attributable to the shareholders of the Parent Company - KD	**8,149,403**	7,428,608
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	**805,654,986**	810,746,116
Shares to be issued for no consideration under share-based payments (note 28)	**1,581,320**	1,720,736
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	**807,236,306**	812,466,852
Basic earnings per share attributable to the Parent Company's shareholders - fils	**10.115**	9.163
Diluted earnings per share attributable to the Parent Company's shareholders - fils	**10.095**	9.143

The calculation of basic and diluted earnings per share for 2021 has been restated to reflect the bonus shares that were issued in 2022 (Note 25).

11 Net (loss)/profit on financial assets

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

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
At amortised cost:		
Interest income	**155,428**	248,901
Instalments credit debtors	**1,210,446**	3,576,803
Profit on financial assets at amortised cost	**1,365,874**	3,825,704

Income from instalment credit debtors incudes the reversal of provision of KD932,253 (2021: 2,345,748) related to IFC Lebanon (note 13)

Financial assets at fair value through profit or loss:		
Interest income	**55,070**	22,228
Profit on change in fair value	**4,443,995**	2,626,111
Gain on sale	**1,120,187**	508,913
Dividend income	**387,309**	297,944
Profit on financial assets at FVTPL	**6,006,561**	3,455,196
Financial assets at fair value through other comprehensive income:		
Interest income	**261,011**	212,475
Dividend income	**3,618,767**	2,417,722
Profit included in consolidated statement of profit or loss	**3,879,778**	2,630,197
Profit on change in fair value	**(14,891,346)**	36,192,239
(Loss)/gain on sale (note 17)	**33,935**	(5,493,271)
Profit included in equity	**(14,857,411)**	30,698,968
Total profits on financial assets at fair value through other comprehensive income	**(10,977,633)**	33,329,165
Net (loss)/profit on financial assets	**(3,605,197)**	40,610,065

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12 Cash and cash equivalents

12.1 Cash and cash equivalents

	31 Dec. 2021	31 Dec. 2020
	KD	KD
Cash and bank balance	**8,720,283**	10,996,793
Cash held in managed portfolios	**369,777**	83,796
Term deposits with contractual maturity ranging from 1- 3 months	**345,492**	426,657
Cash and cash equivalent as per the consolidated statement of cash flows	**9,435,552**	11,507,246

Cash in managed portfolios includes an amount of KD 19,419 (31 December 2021: KD15,903) pledged against term loans (Note 23) and murabaha payable (Note 24).

12.2 Restricted cash and cash equivalents

	31 Dec. 2022	31 Dec. 2021
	KD	KD
Cash and bank balances	**3,384,273**	2,440,550
Term deposits with contractual maturity ranging from 1 to 3 months	**3,036,198**	2,970,735
	6,420,471	5,411,285
Provision of credit losses	**(6,420,471)**	(5,411,285)
Restricted cash and cash equivalents	**-**	-

Restricted cash and cash equivalents include balances deposited in a bank located in Lebanon and denominated in Lebanese Pounds "LBP". 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 KD 987,072 (31 December 2021: KD 2,003,105) against these restricted cash and cash equivalents of its subsidiary "IFC - Lebanon" (Note 6.1.1).

12.3 The term deposits carry effective interest rate ranging 3.25% - 4.25% (31 December 2021: 2.44% - 4%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13 Instalment credit debtors

	31 Dec. 2022 KD	31 Dec. 2021 KD
Gross instalment credit debtors	**3,996,764**	5,221,857
Deferred income	**(331,290)**	(470,363)
	3,665,474	4,751,494
Specific provision for credit losses	**(2,770,904)**	(3,467,691)
General provision for credit losses	**(218,967)**	(321,479)
	675,603	962,324

Gross instalment credit debtors are due as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Within one year	**1,438,956**	1,227,225
More than a year	**2,557,808**	3,994,632
	3,996,764	5,221,857

The effective interest rate earned on instalment credit ranging from 5% to 10% (31 December 2021: 5% to 10%) per annum.

Movement in provisions for credit losses is as follows:

	31 December 2022			31 December 2021		
	Specific provision KD	**General provision KD**	**Total KD**	Specific provision KD	General provision KD	Total KD
Opening balance	**3,467,691**	**321,479**	**3,789,170**	5,573,837	829,957	6,403,794
Charge for the year	**227,426**	**16,174**	**243,600**	604,864	21,190	626,054
Write-back of provision during the year	**(952,139)**	**(118,410)**	**(1,070,550)**	(2,706,535)	(528,651)	(3,235,186)
Foreign currencies translation adjustments	**27,926**	**(276)**	**27,651**	(4,475)	(1,017)	(5,492)
Closing balance	**2,770,904**	**218,967**	**2,989,871**	3,467,691	321,479	3,789,170

Provision for credit losses is calculated, in all material respect, according to the requirements of the Central Bank of Kuwait. During the year, the Group recognised a net reversal of provision of KD 932,253 (31 December 2021: net provision of KD 2,345,748) for instalment credit debtors of its subsidiary "IFC - Lebanon" (Note 6.1.1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

14 Financial assets at fair value through profit or loss

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local quoted shares	**1,120,889**	923,451
Foreign quoted shares	**582,896**	490,502
Foreign unquoted shares	**6,985,294**	2,397,198
Investments in managed portfolios	**11,304,093**	11,987,591
Investment in managed fund	**1,812,688**	1,548,784
	21,805,860	17,347,526

Investments in managed portfolios with fair value of KD10,634,357 (31 December 2021: KD11,051,590) that include cash balances are pledged against term loans and Murabaha payable (Notes 23 and 24).

During the year, the Group sold investments at FVTPL with a carrying value of KD 12,262,202 (31 December 2021: KD4,220,680) for a consideration of KD13,382,389 (31 December 2021: KD 4,729,593) resulting in a profit of KD1,120,187 (31 December 2021: KD 508,913) recognized in the consolidated statement of profit or loss.

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. 2022 KD	31 Dec. 2021 KD
Financial assets		
Trade receivables	**3,087,257**	3,116,829
Instalments sales receivable	**2,594,615**	1,680,304
Margin finance receivable (see below)	**1,457,105**	-
Due from related parties	**4,093,871**	5,978,129
	11,232,848	10,775,262
Provision for doubtful debts	**(3,816,146)**	(3,452,478)
	7,416,702	7,322,784
Non-financial assets:		
Advance payments	**45,000**	50,000
Other assets	**1,018,348**	3,544,475
	1,063,348	3,594,475
	8,480,050	10,917,259

The margin finance receivable item includes an amount of KD 503,144 related to related parties (see note 33).

The carrying value of the financial assets included above approximates its fair value and all are due within one year.

Movement in provision for doubtful debts is as follows:

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31 December 2022

15 Accounts receivable and other assets (continued)

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at the beginning of the year	**3,452,478**	2,959,544
Charged during the year	**465,649**	510,311
Written-off during the year	**(91,836)**	(13,504)
Foreign currency adjustments	**(10,145)**	(3,873)
Balance at end of the year	**3,816,146**	3,452,478

The above-mentioned provision includes a provision of KD 271,764 (31 December 2021: KD 350,719) relating to balances due from related parties.

16 Properties held for trading

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

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at 1 January	**1,861,781**	1,409,531
Transfer from investments in properties under development	**393,453**	-
Additions	**-**	452,250
Disposals (see below)	**(383,482)**	-
Foreign currency translation	**5,879**	-
Total	**1,877,631**	1,861,781
Provision for properties held for trading	**(568,565)**	(568,565)
Balance at 31 December	**1,309,066**	1,293,216

During the year, the Group sold properties held for trading at a cost of KD 383,482 for a consideration of KD530,011, which resulted in a profit of KD 146,529, which was directly included in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

17 Financial assets at fair value through other comprehensive income

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local quoted shares	**53,720,644**	65,064,353
Local unquoted shares	**5,685,404**	5,645,531
Foreign unquoted shares	**46,185,567**	35,344,992
Investments in managed portfolios	**5,588,830**	7,605,180
Debt instruments	**3,329,575**	3,132,230
Investment funds	**335,708**	63,090
	114,845,728	116,855,376

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 consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these financial assets for long-term purposes and realising their performance potential in the long run.

The Group's financial assets at FVTOCI disaggregated by its business sectors are as follows:

	Financial services KD	**Real estate KD**	**Consumer services KD**	**Others KD**	**Total KD**
31 December 2022:					
Local quoted shares	**47,567,821**	**5,950,794**	**175,536**	**26,494**	**53,720,645**
Local unquoted shares	**4,306,785**	**34,196**	**1,341,200**	**3,223**	**5,685,404**
Foreign unquoted shares	**16,748,837**	**28,740,754**	**-**	**695,975**	**46,185,566**
Investments in managed portfolios	**3,045,753**	**-**	**2,543,077**	**-**	**5,588,830**
Debt instruments	**2,211,014**	**1,042,298**	**76,263**	**-**	**3,329,575**
Investment funds	**335,708**	**-**	**-**	**-**	**335,708**
	74,215,918	**35,768,042**	**4,136,076**	**725,692**	**114,845,728**
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

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31 December 2022

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

17.1 The Group's investments in local quoted shares include investment in a local listed company, where the quoted bid price is KD58,863,616 as at 31 December 2022. Due to the restrictions on sale of this investment until 14 February 2024, the Group has applied a discount at 20% of KD11,772,723 on the above quoted bid price when determining its fair value. As a result of this discount, the fair value of the investment amounted to KD 47,090,893 as at 31 December 2022.

17.2 During the year, the Group sold investments at fair value through other comprehensive income with a total cost of KD 5,784,952 (31 December 2021: KD18,632,936) for a consideration of KD5,818,887 (31 December 2021: KD 13,139,665) resulting into a profit of KD33,935 (31 December 2021: resulting into a loss of KD 5,493,271) recognized directly in retained earnings within equity.

17.3 Debt instruments amounting to KD1,042,298 (31 December 2021: KD1,042,298) are secured by a mortgage of properties and carry average interest rate at 7% (31 December 2021: 7%) per annum.

17.4 Local quoted shares and investments in managed portfolios with an aggregate carrying value of KD8,705,634 (31 December 2021: KD11,696,930) are pledged against term loans and murabaha payable (Notes 23 and 24).

17.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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	Ownership Percentage 2022 %	2021 %	Activity
Offset Holding Co. - K.S.C.C	Kuwait	**50.00**	50.00	Holding Company
Al-Wafir Marketing Services Company – KSCC	Kuwait	**34.00**	34.00	Real estate
Al Oula Slaughterhouse Co. - (K.S.C) Closed	Kuwait	**28.89**	28.89	Services
Gulf Real Estate Co. - W.L.L	Kuwait	**20.13**	20.13	Real estate

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
At 1 January	**30,489,135**	28,761,646
Disposals	**-**	(6,045)
Share of results	**2,516,644**	2,235,135
Dividend received	**(548,693)**	(548,693)
Shares of other comprehensive (loss)/ income	**(777,599)**	47,092
At 31 December	**31,679,487**	30,489,135

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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. 2022 KD	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD
Assets				
Current	**8,416,051**	6,563,704	**46,401,939**	43,774,136
Non-current	**17,944,395**	16,370,232	**35,937,106**	37,465,107
	26,360,446	22,933,936	**82,339,045**	81,239,243
Liabilities				
Current	**318,857**	252,256	**26,564,496**	23,217,071
Non-current	**938,256**	851,386	**17,244,037**	20,716,480
	1,257,113	1,103,642	**43,808,533**	43,933,551
Total equity	**25,103,333**	21,830,294	**38,530,512**	37,305,692
Non-controlling interests	**(5,593,386)**	(4,224,408)	**(429,716)**	(443,370)
Equity attributable to the owners of the associates	**19,509,947**	17,605,886	**38,100,796**	36,862,322
Group share of net assets	**9,754,974**	8,802,943	**12,953,737**	12,532,673
Goodwill	**-**	-	**7,371,505**	7,505,055
Carrying amount	**9,754,974**	8,802,943	**20,325,242**	20,037,728
Income	**3,886,661**	3,731,444	**21,232,039**	19,596,430
Profit	**940,450**	699,251	**5,951,339**	4,947,642
Group's share of results	**470,225**	349,626	**2,023,372**	1,682,128
Total comprehensive income/(loss)	**1,811,098**	793,380	**2,247,083**	4,947,642
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. 2022	31 Dec. 2021
	KD	KD
Aggregate share in associates' assets and liabilities:		
Assets	**6,330,847**	6,011,012
Liabilities	**702,922**	182,812
Net assets	**5,627,925**	5,828,200
Group's share of net assets	**1,599,271**	1,648,464
Carrying amount	**1,599,271**	1,648,464
Aggregate share in associates' results:		
Revenue	**540,508**	1,207,632
Profit for the year	**49,203**	776,738
Group's share of results	**23,047**	203,381
Total comprehensive income	**49,203**	776,738
Dividends received	**72,230**	72,230

Investments in associates with a carrying amount of KD 14,468,352 (31 December 2021: KD 14,263,688) are pledged against term loans and murabaha payable (Notes 23 and 24).

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31 December 2022

19 Investments in real estates under development

	31 Dec. 2022 KD	31 Dec. 2021 KD
Cost		
Land cost	**3,150,610**	5,390,667
Purchase	**-**	50,674
Disposal (see below)	**-**	(2,570,343)
Transfer to properties held for trading	**(393,453)**	-
Development costs	**148,492**	511,906
Foreign exchange differences	**(605,725)**	(1,775)
Total Cost	**2,299,924**	3,381,129
Impairment	**(413,919)**	(230,519)
Net book value at the year end	**1,886,005**	3,150,610

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

During the previous year, the property manager sub-divided the property into number of plots of land for the purpose of sale. The property manager; in his capacity as a related party, has sold number of plots of land, where out of which six plots were sold to related parties. Total sale consideration related to the Group's share amounted to KD4,376,579 resulting into a profit of KD1,806,236 as proceeds and profit on sale to related parties were KD 1,006,110 and KD391,394 respectively. As of the date of issuing these consolidated financial statements, the formalities to transfer sold land plots in 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 KD413,919 (31 December 2021: KD230,519). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Investment properties

	Land KD	Building KD	Total KD
Cost			
1 January 2022	**1,023,750**	**1,484,989**	**2,508,739**
31 December 2022	**1,023,750**	**1,484,989**	**2,508,739**
Accumulated depreciation			
1 January 2022	**-**	**1,029,755**	**1,029,755**
Charge for the year	**-**	**58,740**	**58,740**
31 December 2022	**-**	**1,088,495**	**1,088,495**
Net book value			
At 31 December 2022	**1,023,750**	**396,494**	**1,420,244**
Fair value as at 31 December 2022	**2,268,471**	**888,092**	**3,156,563**
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

Land is not depreciated. The 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 payable (Note 24).

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31 December 2022

21 Property and equipment

2022:	**Land** KD	**Building** KD	**Office equipment and computers** KD	**Fixtures and decoration** KD	**Computer software** KD	**Right of use assets** KD	**Total** KD
Cost							
At 1 January	**1,316,250**	**2,010,653**	**706,188**	**631,585**	**1,092,556**	**119,545**	**5,876,777**
Additions	**-**	**-**	**63,527**	**5,348**	**-**	**-**	**68,875**
Foreign currency translation differences	**-**	**(29,565)**	**(21,675)**	**(7,802)**	**1,252**	**1,502**	**(56,288)**
At 31 December	**1,316,250**	**1,981,088**	**748,040**	**629,131**	**1,093,808**	**121,047**	**5,889,364**
Accumulated depreciation							
At 1 January	**-**	**1,373,989**	**661,952**	**568,661**	**1,025,716**	**67,828**	**3,698,146**
Charge for the year	**-**	**80,270**	**27,971**	**43,216**	**9,048**	**21,517**	**182,022**
Foreign currency translation differences	**-**	**(15,858)**	**(20,961)**	**(7,150)**	**680**	**2,642**	**(40,647)**
At 31 December	**-**	**1,438,401**	**668,962**	**604,727**	**1,035,444**	**91,987**	**3,839,521**
Net book value							
At 31 December 2022	**1,316,250**	**542,687**	**79,078**	**24,404**	**58,364**	**29,060**	**2,049,843**

2021:	Land KD	Building KD	Office equipment and computers KD	Fixtures and decoration KD	Computer software KD	Right of use assets KD	Total KD
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	-	1,373,989	661,952	568,661	1,025,716	67,828	3,698,146
Net book value							
At 31 December 2021	1,316,250	636,664	44,236	62,924	66,840	51,717	2,178,631

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. 2022 KD	31 Dec. 2021 KD
Trade payables	**276,936**	156,628
Due to related parties	**174,305**	14,160
Other payables	**2,069,189**	3,779,748
Lease liability	**23,786**	45,327
Accrued interest	**105,152**	61,946
Provision for employees leave	**317,964**	313,604
KFAS payable	**226,802**	226,802
NLST and Zakat payable	**2,685,249**	2,637,996
Due to portfolio manager	**182,084**	250,549
Due to shareholders	**503,827**	361,314
	6,565,294	7,848,074

23 Term loans

	31 Dec. 2022 KD	31 Dec. 2021 KD
Kuwaiti Dinar facilities	**8,732,834**	5,403,834
USD facility	**4,900,800**	302,500
	13,633,634	5,706,334
Due within one year	**4,960,415**	353,166
Due more than one year	**8,673,219**	5,353,168

The details of the outstanding term loans are as follows:

1) Kuwaiti Dinar facilities:
During the year, the Parent Company has signed an agreement with a Kuwaiti bank to extend and amend the Kuwaiti Dinar facilities granted in the form of a revolving loan, whereby the maximum loan limit is KD10,000,000 instead of KD7,000,000. The facilities carry an interest rate of 2.75% per annum above the discount rate declared by the Central Bank of Kuwait (31 December 2021: 2.75% per annum above the discount rate declared by the Central Bank of Kuwait). Based on the amended contract, the first 50% of the facilities withdrawn is payable in equal quarterly installments, provided that the last installment is payable on 2 December 2026. The remaining 50%, being the final installment, is due for settlement on 2 January 2027. During the year, the Parent Company withdrew an amount of KD5,150,000 from the facilities.

Accordingly, the outstanding balance of total facilities as at 31 December 2022 amounted to KD8,732,834 and it is payable in quarterly installments of KD 420,993 each and the final installment of KD5,276,917.

Kuwaiti Dinar facilities 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).

2) USD facility:
USD facility during the previous year 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 at 7.5% per annum. The loan was repayable in full by February 2021. During 2021, the subsidiary settled USD7,000,000 (equivalent to KD2,127,300) and signed a new agreement with a revised loan facility of USD14,000,000 (equivalent to KD4,223,100).

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23 Term loans (continued)

Out of the revised facility, the subsidiary paid an amount of USD13,000,000 (equivalent to KD3,920,600) by the end of 2021, this payment includes an amount of USD8,000,000 (equivalent to KD2,420,000) that was paid through conversion into share capital of the subsidiary. During the current year, the subsidiary paid the final instalment of USD1,000,000.

During the current year, the same subsidiary has obtained a new loan of USD16,000,000 equivalent to (KD4,900,800) from a local Company in Kuwait. The loan is unsecured and carries an interest rate at 7.25% per annum. The loan is repayable in full by 16 May 2023.

24 Murabaha payables

The Murabaha payables outstanding balance represents Islamic financings obtained in Kuwaiti Dinar from a local bank carrying effective profit rates ranging from 3.25% to 5% (31 December 2021: 3% - 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) which are payable in various instalments ending in December 2026.

Murabaha payables are due as follows:

	31 Dec. 2022	31 Dec. 2021
	KD	KD
Within one year	**2,291,300**	2,291,300
After one year	**12,749,400**	13,457,700
	15,040,700	15,749,000

25 Share capital and share premium

The Extra-ordinary general assembly of the shareholders held on 9 May 2022 approved to increase the authorized share capital of the Parent Company from KD80,288,256 to KD83,098,345 through issuance 28,100,889 shares (represent 3.5% bonus shares) bonus shares of 100 Fils each to be distributed to the shareholders of the Parent Company.

Accordingly, as at 31 December 2022, the authorized, issued and paid up share capital of the Parent Company consists of 830,983,445 shares with of 100 fils each (31 December 2021: 802,882,556 shares of 100 fils each).

All shares are in cash (Note 30).

The share premium is non-distributable.

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26 Treasury shares

	31 Dec. 2022	31 Dec. 2021
Number of treasury shares	**28,668,747**	21,125,000
Percentage of ownership (%)	**3.450%**	2.631%
Market value (KD)	**3,239,568**	3,337,750
Cost (KD)	**2,536,238**	1,472,845

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

27 Reserves

Statutory reserve
In accordance with the Companies Law and the parent company's Articles and Memorandum of Association, as amended, 10% of the profit for the year attributed to the shareholders 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 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 distribution of a dividend of that amount.

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

Voluntary reserve
The parent company's Articles of Association, as amended require that 10% of the profit for the year attributable to the shareholders 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 Comp any has incurred a loss or where accumulated losses exist.

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31 December 2022

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 519,460 shares for the year ended 31 December 2021 (31 December 2020: 403,030 shares). The fair value of the shares on the grant date was KD0.1760 each (31 December 2020: KD0.1320 each). Therefore, the Group recognised an expense of KD46,898 (31 December 2021: KD 27,987) 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:

	Term loans KD	**Term loans KD**	**Murabaha Payables KD**
Balance at 1 January 2020	**5,706,334**	**15,749,000**	**21,455,334**
Cash flows:			
• Repayment	**(2,131,800)**	**(708,300)**	**(2,840,100)**
• Proceeds	**10,050,800**	**-**	**10,050,800**
Non-cash items:			
• Foreign currency differences	**8,300**	**-**	**8,300**
31 December 2022	**13,633,634**	**15,040,700**	**28,674,334**
Balance at 1 January 2021	11,368,250	12,601,322	23,969,572
Cash flows:			
• Repayment	(7,931,166)	(12,601,322)	(20,532,488)
• Proceeds	2,285,000	15,749,000	18,034,000
Non-cash items:			
• Foreign currency differences	(15,750)	-	(15,750)
31 December 2021	5,706,334	15,749,000	21,455,334

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30 Proposed dividends, annual general assembly and ordinary general assembly

Subject to the requisite consents of the relevant authorities and approval of the shareholders' general assembly, the directors of the Parent Company propose to distribute cash dividends of 4 Fils each for the year ended 31 December 2022 (2021: 2.5 fils each) and bonus shares at 2% from treasury shares for the shareholders of the parent company without an increase in share capital or increase in number of issued shares for the year ended 31 December 2022 (2021: bonus shares at 3.5% through increase in share capital).

The annual ordinary general assembly of the shareholders of Parent Company held on 9 May 2022 approved the consolidated financial statements for the year ended 31 December 2021 and the board of directors' proposal to distribute a cash dividend of 2.5 Fils per share amounting to KD 1,943,885 and 3.5% bonus shares amounting to KD2,810,089 for the year ended 31 December 2021 (2020: no dividend). Further, the annual general assembly approved the board of directors' and committees' remuneration of KD 60,850 for the year ended 31 December 2021 (2020: KD70,700), which has been recorded under expenses in the consolidated statement of profit or loss for the current year.

Also, the Extra-ordinary general assembly of the shareholders held on 9 May 2022 approved to increase the authorized share capital of the Parent Company from KD80,288,256 to KD83,098,345 through issuance of 28,100,889 shares (represent 3.5% bonus shares) bonus shares of 100 Fils each to be distributed to the shareholders of the Parent Company.

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 financial position. Total fiduciary assets as at the financial position date were KD31,990,946 (31 December 2021: KD31,472,234) out of which, assets amounting to KD18,526,386 are managed on behalf of the Group's related parties (31 December 2021: KD16,481,398). (Note 33).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 the 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 income, 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 2022					
Total revenue	**1,309,192**	**14,181,294**	**994,108**	**327,282**	**16,811,876**
Profit for the year	**155,606**	**9,534,084**	**140,907**	**169,339**	**9,999,936**
As at 31 December 2022					
Total assets	**977,579**	**174,833,160**	**12,703,452**	**5,073,247**	**193,587,438**
Total liabilities	**(429,932)**	**(35,618,961)**	**(755,768)**	**(180,598)**	**(36,985,259)**
Net assets	**547,647**	**139,214,199**	**11,947,684**	**4,892,649**	**156,602,179**
Year ended 31 December 2021					
Total revenue	1,636,073	10,378,108	689,469	1,922,697	14,626,347
(Loss)/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

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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 transactions and balances are as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balances included in the consolidated statement of financial position		
Instalment credit debtors - gross	**-**	449,938
Margin finance receivable (Note 15)	**503,144**	-
Due from related parties - net (Note 15)	**3,822,108**	5,627,411
Due to shareholders (Note 22)	**503,827**	361,314
Due to related parties (Note 22)	**174,305**	14,160
Transactions included in the consolidated statement of profit or loss		
Income from instalment credit debtors	**5,984**	26,395
Revenue from contracts with customers (Note 8)	**86,114**	41,460
Rental income	**34,752**	34,752
Interest income	**340,656**	279,098
Profits on sale of investments in properties under development (Note 19)	**-**	391,394
General and administrative expenses	**115,291**	53,445
Key management compensation:		
Salaries and other short-term benefits	**1,328,464**	1,059,001
Board of directors' remuneration and other committees' remunerations (included in general and administrative expenses) (Note 30)	**60,850**	64,300
End of service benefits	**64,780**	77,370
Share based compensation	**36,658**	20,092
Fiduciary assets of related parties managed by the Group (note 31)	**18,526,386**	16,481,398

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31 December 2022

34 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: Market risk (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 to are described below.

34.1 Market risk

a) Foreign currency risk
The group mainly operates in the GCC, other Middle Eastern countries, Europe, and United States of America. It is exposed to foreign currency risk arising from various foreign currency exposures. Foreign currency 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 longe-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. 2022 Equivalent KD	31 Dec. 2021 Equivalent KD
US Dollar	**45,564,404**	37,477,886
Lebanese Lira	**729,739**	4,445,783
Great Britain Pound (GBP)	**7,003,473**	6,940,862
Egyptian Pound	**2,322,350**	3,106,593
UAE Dirham (AED)	**840,966**	840,966
Saudi Riyal (SAR)	**45,261**	42,137
Euro	**1,073,220**	1,558,867
Omani Riyal	**52,472**	55,356
Jordanian Dinar	**677,016**	679,490
Norway Kron	**294,194**	449,252
	58,603,095	55,597,192

The following table details the Group's sensitivity to a 2% (2021: 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 yearend 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. 2022		31 Dec. 2021	
	+2% KD	**2% KD**	+2% KD	+2% KD
Profit for the year	**295,631**	**(295,631)**	(411,866)	411,866
Equity	**876,431**	**(876,431)**	(700,058)	700,058

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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 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 on a regular basis 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 2022 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	**1,975,000**	**345,492**	**-**	**2,320,492**	**-**	**7,115,060**	**9,435,552**	**3.25%-4.25%**
Instalment credit debtors	**-**	**-**	**205,440**	**205,440**	**470,163**	**-**	**675,603**	**5%-10%**
Financial assets at FVTPL	**-**	**-**	**541,350**	**541,350**	**-**	**21,264,510**	**21,805,860**	**10%**
Accounts receivable and other assets	**-**	**-**	**-**	**-**	**-**	**8,480,050**	**8,480,050**	**-**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**3,253,313**	**111,592,415**	**114,845,728**	**7%-12%**
	1,975,000	**345,492**	**746,79**	**3,067,282**	**3,723,476**	**148,452,035**	**155,242,793**	
Liabilities								
Accounts payable and other liabilities	**-**	**-**	**-**	**-**	**-**	**6,565,294**	**6,565,294**	**-**
Term loans	**-**	**-**	**4,960,415**	**4,960,415**	**8,673,219**	**-**	**13,633,634**	**6.25%-7.25%**
Murabaha payable	**-**	**-**	**2,291,300**	**2,291,300**	**12,749,400**	**-**	**15,040,700**	**3.25% - 5%**
Provision for employees' end of service benefits	**-**	**-**	**-**	**-**	**-**	**1,745,631**	**1,745,631**	**-**
	-	**-**	**7,251,715**	**7,251,715**	**21,422,619**	**8,310,925**	**36,985,259**	

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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 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 FVTPL	-	-	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 fair value through other comprehensive income	-	-	-	-	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 payable	-	-	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	

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in interest rates of +1% and –+1% (2021: +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. 2022		31 Dec. 2021	
	+ 1% KD	**-1% KD**	+ 1% KD	- 1% KD
Results for the year	**(218,836)**	**218,836**	(164,690)	164,690

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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 as investments at fair value through profit or loss and 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 for the year and equity for the years ended 31 December 2021 and 2022 would have been as follows:

	Profit for the year		**Equity**	
	31 Dec. 2022	31 Dec. 2021	**31 Dec. 2022**	31 Dec. 2021
	KD	KD	**KD**	KD
Financial assets at fair value through profit or loss	**±2,180,586**	±1,734,753	**-**	-
Financial assets at fair value through other comprehensive income	**-**	-	**±11,484,573**	±11,685,538

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 clients in specific locations or businesses through diversification of its activities and obtaining the suitable guarantees 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 summarized below:

	31 Dec. 2022	31 Dec. 2021
	KD	KD
Cash and cash equivalents	**9,435,552**	11,507,246
Instalment credit debtors	**675,603**	962,324
Financial assets at FVTPL (Note 14)	**13,116,781**	13,536,375
Accounts receivable and other assets	**8,480,050**	10,917,259
Financial assets at FVOCI (Note 17)	**5,924,538**	7,668,270
Total	**37,632,524**	44,591,474

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31 December 2022

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 2022						
Cash and cash equivalents	**4,197,650**	**4,293,890**	**934,072**	**-**	**9,940**	**9,435,552**
Instalment credit debtors	**675,603**	**-**	**-**	**-**	**-**	**675,603**
Financial assets at FVTPL	**11,755,246**	**1,369,053**	**2,132,930**	**-**	**6,548,631**	**21,805,860**
Accounts receivable and other assets	**4,654,774**	**964,026**	**1,536,597**	**44,194**	**1,280,459**	**8,480,050**
Properties held for trading	**-**	**840,966**	**468,100**	**-**	**-**	**1,309,066**
Financial assets at fair value through other comprehensive income	**65,025,167**	**1,762,062**	**357,895**	**8,540,127**	**39,160,477**	**114,845,728**
Investment in associates	**31,679,487**	**-**	**-**	**-**	**-**	**31,679,487**
Investment in a property under development	**1,238,249**	**-**	**647,756**	**-**	**-**	**1,886,005**
Investment Properties	**1,420,244**	**-**	**-**	**-**	**-**	**1,420,244**
Property and equipment	**1,888,092**	**30,896**	**130,855**	**-**	**-**	**2,049,843**
Total	**122,534,512**	**9,260,893**	**6,208,205**	**8,584,321**	**46,999,507**	**193,587,438**
At 31 December 2021						
Cash and cash equivalents	6,026,651	4,017,679	1,377,207	-	85,709	11,507,246
Instalment credit debtors	962,324	-	-	-	-	962,324
Financial assets at FVTPL	11,975,041	1,149,510	2,334,742	68,656	1,819,577	17,347,526
Accounts receivable and other assets	4,466,971	3,870,532	1,450,522	49,178	1,080,056	10,917,259
Properties held for trading	-	840,966	452,250	-	-	1,293,216
Financial assets at fair value through other comprehensive income	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 a property under development	1,554,611	-	1,595,999	-	-	3,150,610
Investment Properties	1,478,984	-		-	-	1,478,984
Property and equipment	1,995,630	52,779	130,222	-	-	2,178,631
Total	137,327,501	11,664,294	7,396,301	9,639,942	30,152,269	196,180,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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 at the financial position date to the contractual maturity date. The maturity profile for investments at FVTOCI 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 2022:

	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	9,090,060	345,492	-	9,435,552	-	9,435,552
Instalment credit debtors	-	-	205,440	205,440	470,163	675,603
Financial assets at FVTPL	21,264,510	-	541,350	21,805,860	-	21,805,860
Accounts receivable and other assets	1,977,505	795,018	5,498,173	8,270,696	209,354	8,480,050
Properties held for trading	-	-	1,309,066	1,309,066	-	1,309,066
Financial assets at fair value through other comprehensive income	-	-	-	-	114,845,728	114,845,728
Investment in associates	-	-	-	-	31,679,487	31,679,487
Investment in a property under development	-	-	-	-	1,886,005	1,886,005
Investment Properties	-	-	-	-	1,420,244	1,420,244
Property and equipment	-	-	-	-	2,049,843	2,049,843
Total assets	32,332,075	1,140,510	7,554,029	41,026,614	152,560,824	193,587,438
LIABILITIES						
Accounts payable and other liabilities	335,381	977,229	2,577,308	3,889,918	2,675,376	6,565,294
Term loans	-	-	4,960,415	4,960,415	8,673,219	13,633,634
Murabaha payable	-	-	2,291,300	2,291,300	12,749,400	15,040,700
Provision for employees' end of service benefits	-	-	-	-	1,745,631	1,745,631
Total liabilities	335,381	977,229	9,829,023	11,141,633	25,843,626	36,985,259

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34 Risk management objectives and policies (continued)
34.4 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2021:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total Up to 1 year KD	Over 1 year KD	Total KD
ASSETS						
Cash 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 fair value through other comprehensive income	-	-	-	-	116,855,376	116,855,376
Investment in associates	-	-	-	-	30,489,135	30,489,135
Investment in a property 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 payable	-	-	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

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total Up to 1 year KD	Over 1 year KD	Total KD
31 December 2022						
Financial liabilities						
Accounts payable and other liabilities	**335,381**	**977,229**	**2,577,308**	**3,889,918**	**2,675,376**	**6,565,294**
Term loans	**-**	**-**	**5,319,449**	**5,319,449**	**9,215,294**	**14,534,743**
Murabaha payable	**-**	**-**	**2,405,865**	**2,405,865**	**13,386,870**	**15,792,735**
Provision for employees' end of service benefits	**-**	**-**	**-**	**-**	**1,745,631**	**1,745,631**
	335,381	**977,229**	**10,302,622**	**11,615,232**	**27,023,171**	**38,638,403**
31 December 2021						
Financial liabilities						
Accounts payable and other liabilities	1,012,594	1,119,994	3,065,820	5,198,408	2,649,666	7,848,074
Term loans	-	-	378,007	378,007	5,580,677	5,958,684
Murabaha payable	-	-	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2022 **Financial liabilities**	**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**
Accounts payable and other liabilities	**335,381**	**977,229**	**2,577,308**	**3,889,918**	**2,675,376**	**6,565,294**
Term loans	**-**	**-**	**5,319,449**	**5,319,449**	**9,215,294**	**14,534,743**
Murabaha payable	**-**	**-**	**2,405,865**	**2,405,865**	**13,386,870**	**15,792,735**
Provision for employees' end of service benefits	**-**	**-**	**-**	**-**	**1,745,631**	**1,745,631**
	335,381	**977,229**	**10,302,622**	**11,615,232**	**27,023,171**	**38,638,403**

31 December 2021 **Financial liabilities**	**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**
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 payable	-	-	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

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31 December 2022

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. 2022	31 Dec. 2021
	KD	KD
Financial assets:		
At amortised cost:		
Cash and cash equivalents	**9,435,552**	11,507,246
Instalment credit debtors	**675,603**	962,324
Accounts receivable and other assets	**8,480,050**	10,917,259
Carried at fair value:		
Financial assets at FVTPL	**21,805,860**	17,347,526
Financial assets at fair value through other comprehensive income	**114,845,728**	116,855,376
Total	**155,242,793**	157,589,731
Financial liabilities:		
Carried at amortised cost:		
Accounts payable and other liabilities	**6,565,294**	7,848,074
Term loans	**13,633,634**	5,706,334
Murabaha payable	**15,040,700**	15,749,000
Provision for employees' end of service benefits	**1,745,631**	1,592,944
Total	**36,985,259**	30,896,352

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.

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31 December 2022

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 2022				
Financial assets at FVTPL:				
Local quoted shares	**1,120,889**	**-**	**-**	**1,120,889**
Foreign quoted shares	**582,896**	**-**	**-**	**582,896**
Foreign unquoted shares	**-**	**-**	**6,985,294**	**6,985,294**
Investments in managed portfolios	**11,304,093**	**-**	**-**	**11,304,093**
Investment in managed fund	**-**	**1,812,688**	**-**	**1,812,688**
Financial assets at fair value through other comprehensive income:				
Local quoted shares	**6,629,752**	**47,090,893**	**-**	**53,720,645**
Local unquoted shares	**-**	**-**	**5,685,404**	**5,685,404**
Foreign unquoted shares	**-**	**-**	**46,185,566**	**46,185,566**
Investments in managed portfolios	**5,588,830**	**-**	**-**	**5,588,830**
Debit instruments	**-**	**-**	**3,329,575**	**3,329,575**
Investment funds	**-**	**335,708**	**-**	**335,708**
	25,226,460	**49,239,289**	**62,185,839**	**136,651,588**
31 December 2021				
Financial assets at FVTPL:				
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	6,750,323	58,314,030	-	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
	27,757,047	59,925,904	46,519,951	134,202,902

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35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments (continued)

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

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

Valuation techniques used for the instruments classified under levels 2 and 3 are stated below:

a) Other 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%. Furthermore, 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 recognized in the consolidated statement of profit of 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. 2022	31 Dec. 2021
	KD	KD
Opening balance	**46,519,951**	48,170,275
Change in fair value	**5,189,057**	(1,939,895)
Sales	**(5,779,367)**	(11,324,733)
Purchases	**16,256,198**	11,614,304
Closing balance	**62,185,839**	46,519,951

Non-financial instruments
Investment properties were fair valued for the impairment assessment at 31 December 2022 as the Group uses the cost model of accounting. Fair value of the properties is disclosed in Note 20.

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

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31 December 2022

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 to it in the light of changes in economic conditions and the 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. 2022	31 Dec. 2021
	KD	KD
Term loans (note 23)	**13,633,634**	5,706,334
Murabaha payables (note 24)	**15,040,700**	15,749,000
Less:		
Cash and cash equivalents (note 12.1)	**(9,435,552)**	(11,507,246)
Net debt	**19,238,782**	9,948,088
Equity	**156,602,179**	165,283,955
Net debt to equity ratio	**12.29%**	6.02%

37 Capital commitments

At the date of the consolidated statement of financial position, the Group had capital commitments of KD37,098 (31 December 2021: KD282,396) for a property under development and capital commitments of KD90,394 (31 December 2021: KD328,521) for the investments in managed funds.

38 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.