

**KUWAIT INVESTMENT COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021
WITH
INDEPENDENT AUDITOR'S REPORT**

KUWAIT INVESTMENT COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
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WITH
INDEPENDENT AUDITOR'S REPORT

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RSM Albazie & Co.

Arraya Tower 2, Floors 41 & 42
Abdulaziz Hamad Alsaqar St., Sharq
P.O. Box 2115, Safat 13022, State of Kuwait

T +965 22961000
F +965 22412761

www.rsm.global/kuwait

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Kuwait Investment Company - K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Investment Company - K.S.C. (Public) "the Parent Company" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial 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 December 31, 2021, and of its financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

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) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, 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.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2020 have been audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 21, 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Valuation of investment in securities

The Group's investment securities amounted to KD 143,519,502 represent 52% of the Group's total assets. These investments are measured at fair value and classified as financial assets at fair value through other comprehensive income (FVOCI) or financial assets at fair value through profit or loss (FVPTL) as disclosed in (Note 7) to the consolidated financial statements.

When the fair values of investment securities cannot be measured based on quoted prices in active markets, their fair value is measured using different valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values, most predominantly for the instruments categorised within Level 2 and Level 3 of the fair value hierarchy. Information on the Group's policy in relation to fair value measurements is disclosed in (Note 34).

Given the size and complexity of the valuation of unquoted investment securities, including the impact of the current pandemic of COVID-19 uncertainties on their valuations, and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter.

The audit procedures that had been performed by us based on sampling basis include the following procedures:

- We have reviewed the Level 1 inputs by comparing the fair values applied by the Group to quoted prices in active markets.
- For Level 2 and Level 3 inputs, we have reviewed the basic data used in the valuations, to the possible extent, against independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy. We have also reviewed the significant judgments and assumptions applied to the valuation models, including discounts for lack of marketability.
- We reviewed the adequacy and the appropriateness of the Group's disclosures concerning the fair value measurement of investment in securities, and the sensitivity to changes in unobservable inputs in (Note 34) to the consolidated financial statements.

Valuation of investment properties

Investment properties as at December 31, 2021 amounting to KD 24,239,810 represent a significant part of the Group's total assets. The fair value determination of investment properties is a key audit matter because it contains significant judgments and assumptions that are highly reliant on judgments and estimates. The Group's policy is to investment properties at least once a year through accredited valuers. These valuations are based on assumptions such as estimated rental income, discount rates, occupancy rates, market knowledge, developer risks and historical transactions. For the purpose of estimating the fair value of investment properties, valuers had used income capitalization and sales comparison valuation techniques, taking into consideration the nature and use of investment properties. We have reviewed the valuation reports issued by the accredited valuers based on sampling basis and the adequacy of disclosures of investment properties as provided in (Note 9) to the accompanying consolidated financial statements.

Impairment testing of intangible assets

The Group has intangible assets amounted to KD 11,042,602 as at December 31, 2021 representing a brokerage license for one of its subsidiaries for which management assessed as having an indefinite useful life as detailed in (Note 10) to the consolidated financial statements.

Intangible asset with an indefinite useful life shall be tested for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is an indication of impairment. Accordingly, impairment assessment of intangible assets were identified as a key audit matter because it contains significant judgments and assumptions to determine recoverable amount, which has been determined based on the higher of the value in use or fair value less cost to sell, has been derived from discounted forecast cash flow models, these models use several key assumptions, including estimates of future trading volumes, revenue growth rates, long term growth rates (terminal value) and discount rate.

The Group engaged an external management expert to assist with the impairment testing and determine the recoverable amount for cash generating units. No impairment loss has been recognised for the year ended December 31, 2021.

Our audit procedures include, obtaining the impairment assessment report of intangible assets, reviewing appropriateness of the valuation model used and reasonableness of the key assumptions applied. Furthermore, we reviewed the adequacy of disclosures included in (Note 10) to the accompanying consolidated financial statements.

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We have not obtained the annual report, including the report of the Group's Board of Directors, prior to the date of our auditor's report, and we expect to obtain these reports after the date of our auditor's report. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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, 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in auditors' 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.

Report on Other Legal and Regulatory Requirements

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 No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended December 31, 2021 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended December 31, 2021 that might have had a material effect on the business of the Parent Company or on its financial position.




State of Kuwait
February 13, 2022

Dr. Shuaib A. Shuaib
License No. 33-A
RSM Albazie & Co.

KUWAIT INVESTMENT COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2021	2020
Cash and cash equivalents	3	20,379,753	19,252,073
Term deposits	4	12,520,000	11,738,183
Accounts receivable and other assets	5	15,054,548	15,269,603
Loans and advances	6	3,184,453	3,221,003
Investment in securities	7	143,519,502	127,105,503
Investment in associates	8	16,177,639	12,906,253
Investment properties	9	24,239,810	27,198,847
Intangible assets	10	11,042,602	11,042,602
Property, plant and equipment	11	22,656,003	24,062,357
Right-of-use assets	12	4,759,143	6,860,919
Total assets		273,533,453	258,657,343
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Deposits from banks and customers	13	72,344,354	82,446,882
Islamic finance payables	14	7,356,284	9,877,495
Accounts payable and other liabilities	15	18,960,090	16,601,326
Term loans	16	3,771,555	4,099,304
Lease liabilities	12	6,167,296	8,290,366
Total liabilities		108,599,579	121,315,373
Equity:			
Share capital	17	55,125,000	55,125,000
Treasury shares	18	(734,629)	(734,629)
Statutory reserve	19	34,629,359	31,805,102
Voluntary reserve	20	24,663,473	21,839,216
Revaluation surplus of an associate		2,201,652	2,260,091
Fair value reserve		(12,067,490)	(11,716,027)
Foreign currency translation reserve		1,557,662	2,008,703
Retained earnings		26,275,761	5,291,809
Equity attributable to shareholders of the Parent Company		131,650,788	105,879,265
Non-controlling interests		33,283,086	31,462,705
Total equity		164,933,874	137,341,970
Total liabilities and equity		273,533,453	258,657,343

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.


Dr. Yousef M. Al Ali
Chairman


Bader N. AlSubaiee
Chief Executive Officer

KUWAIT INVESTMENT COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021
(All amounts are in Kuwaiti Dinars)

	Note	2021	2020
Revenue:			
Net fee and commission income		9,201,472	7,673,080
Net rental income	21	6,425,047	5,183,397
Net investment in securities income (loss)	23	24,735,394	(1,205,640)
Group's share of results from associates	8	(28,269)	(52,803)
Change in fair value of investment properties	9	1,606,054	(1,692,934)
Gain on sale of investment properties		1,250,000	-
Gain on derecognition of a subsidiary		-	109,443
Finance income		450,485	782,424
Other income	26	175,031	1,636,820
		<u>43,815,214</u>	<u>12,433,787</u>
Expenses:			
General and administrative expenses	24	(12,938,298)	(10,516,184)
Net allowance of expected credit losses	22	602,053	(1,367,424)
Reversal of (impairment) loss of non-financial assets	25	575,102	(3,274,920)
Foreign exchange losses		(57,881)	(516,641)
Finance cost		(1,697,860)	(2,324,169)
		<u>(13,516,884)</u>	<u>(17,999,338)</u>
Profit (loss) for the year before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration			
		30,298,330	(5,565,551)
Contribution to KFAS		(247,485)	-
Contribution to NLST		(738,802)	-
Contribution to Zakat		(251,025)	-
Board of directors' remuneration	33	(225,000)	(5,000)
Profit (loss) for the year		<u>28,836,018</u>	<u>(5,570,551)</u>
Attributable to:			
Shareholders of the Parent Company		26,780,255	(5,566,830)
Non-controlling interests		2,055,763	(3,721)
		<u>28,836,018</u>	<u>(5,570,551)</u>
Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company (Fils)	27	<u>48.87</u>	<u>(10.00)</u>

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.

KUWAIT INVESTMENT COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

(All amounts are in Kuwaiti Dinars)

	<u>2021</u>	<u>2020</u>
Profit (loss) for the year	<u>28,836,018</u>	<u>(5,570,551)</u>
Other comprehensive loss:		
<u>Items that may be reclassified subsequently to consolidated statement of profit or loss</u>		
Exchange differences on translating foreign operations	(451,041)	777,423
Group's share of other comprehensive loss from associates	(417,861)	(40,610)
<u>Items that will not be reclassified subsequently to consolidated statement of profit or loss</u>		
Revaluation reserve of associates	(58,439)	-
Change in fair value of financial assets at FVOCI	(220,131)	(4,770,703)
Other comprehensive loss for the year	(1,147,472)	(4,033,890)
Total comprehensive income (loss) for the year	<u>27,688,546</u>	<u>(9,604,441)</u>
Attributable to:		
Shareholders of the Parent Company	25,765,457	(9,443,044)
Non-controlling interests	1,923,089	(161,397)
	<u>27,688,546</u>	<u>(9,604,441)</u>

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.

KUWAIT INVESTMENT COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company								Non-controlling interests	Total equity	
	Share capital	Treasury Shares	Statutory reserve	Voluntary Reserve	Revaluation surplus of an associate	Fair value reserve	Foreign currency translation reserve	Retained earnings			Sub-total
Balance as of January 1, 2020	55,125,000	(734,629)	31,805,102	21,839,216	2,260,091	(6,886,532)	1,231,280	18,855,393	123,494,921	32,631,814	156,126,735
Loss of the year	-	-	-	-	-	-	-	(5,566,830)	(5,566,830)	(3,721)	(5,570,551)
Other comprehensive (loss) income for the year	-	-	-	-	-	(4,653,637)	777,423	-	(3,876,214)	(157,676)	(4,033,890)
Total comprehensive (loss) income for the year	-	-	-	-	-	(4,653,637)	777,423	(5,566,830)	(9,443,044)	(161,397)	(9,604,441)
Effect of disposal of financial assets at FVOCI	-	-	-	-	-	(175,858)	-	223,072	47,214	(47,214)	-
Cash dividends – 15% (Note 33)	-	-	-	-	-	-	-	(8,219,826)	(8,219,826)	-	(8,219,826)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(960,498)	(960,498)
Balance as of December 31, 2020	55,125,000	(734,629)	31,805,102	21,839,216	2,260,091	(11,716,027)	2,008,703	5,291,809	105,879,265	31,462,705	137,341,970
Profit for the year	-	-	-	-	-	-	-	26,780,255	26,780,255	2,055,763	28,836,018
Other comprehensive loss for the year	-	-	-	-	(58,439)	(505,318)	(451,041)	-	(1,014,798)	(132,674)	(1,147,472)
Total comprehensive (loss) income for the year	-	-	-	-	(58,439)	(505,318)	(451,041)	26,780,255	25,765,457	1,923,089	27,688,546
Effect of disposal of financial assets at FVOCI	-	-	-	-	-	153,855	-	(147,789)	6,066	(6,066)	-
Transfer to reserves	-	-	2,824,257	2,824,257	-	-	-	(5,648,514)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(96,642)	(96,642)
Balance as of December 31, 2021	55,125,000	(734,629)	34,629,359	24,663,473	2,201,652	(12,067,490)	1,557,662	26,275,761	131,650,788	33,283,086	164,933,874

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements

KUWAIT INVESTMENT COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021
(All amounts are in Kuwaiti Dinars)

	2021	2020
Cash flows from operating activities:		
Profit (loss) for the year before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration	30,298,330	(5,565,551)
Adjustments for:		
Net allowance of expected credit losses	(602,053)	1,367,424
Net investment in securities (income) loss	(24,735,394)	1,205,640
Group's share of results from associates	28,269	52,803
Gain on sale of investment properties	(1,250,000)	-
Change in fair value of investment properties	(1,606,054)	1,692,934
Depreciation and amortization	7,472,417	7,871,555
Gain on derecognition of a subsidiary	-	(109,443)
Foreign exchange loss	57,881	516,641
(Reversal of) impairment loss of non-financial assets	(575,102)	3,274,920
Finance cost	1,697,860	2,324,169
Finance income	(450,485)	(782,424)
Gain on sale of property, plant and equipment	(219,638)	(423,775)
	<u>10,116,031</u>	<u>11,424,893</u>
Changes in operating assets and liabilities:		
Term deposits	(781,817)	5,106,755
Net movement on financial assets at fair value through profit or loss ("FVTPL")	6,510,850	(4,156,666)
Loans and advances	220,551	(404,630)
Accounts receivable and other assets	422,352	169,068
Accounts payable and other liabilities	1,152,500	(6,230,472)
Net cash flows generated from operating activities	<u>17,640,467</u>	<u>5,908,948</u>
Cash flows from investing activities:		
Maturity of debt instruments at amortised cost	-	3,000,195
Purchase of financial assets at FVOCI	(759,128)	(787,220)
Proceeds from disposal of financial assets at FVOCI	661,736	220,131
Purchase of property, plant and equipment	(5,225,357)	(5,911,788)
Proceeds from disposal of property, plant and equipment	1,480,708	3,297,152
Proceeds from sale of subsidiary classified as assets held for sale	-	3,803,766
Purchase of investment properties	(2,100,000)	(3,185,000)
Proceeds from sale of investment properties	3,850,000	-
Cash dividends received	1,912,234	1,446,995
Dividends received from an associate	162,664	-
Finance income received	370,923	829,309
Net cash flows generated from investing activities	<u>353,780</u>	<u>2,713,540</u>
Cash flows from financing activities:		
Net movement on deposits from banks and customers	(10,160,409)	(190,990)
Net movement on islamic finance payables	(2,521,211)	540,346
Lease liabilities	(2,540,981)	(1,691,316)
Finance cost paid	(1,506,753)	(2,238,722)
Dividends paid to shareholders of the Parent Company	(29,246)	(8,146,879)
Dividends paid to non-controlling interests	(96,642)	(960,498)
Net cash flows used in financing activities	<u>(16,855,242)</u>	<u>(12,688,059)</u>
Net increase (decrease) in cash and cash equivalents	1,139,005	(4,065,571)
Effect of exchange rate changes on cash and cash equivalents in foreign currencies	(11,325)	10,089
Cash and cash equivalents at the beginning of the year	19,252,073	23,307,555
Cash and cash equivalents at the end of the year (Note 3)	<u>20,379,753</u>	<u>19,252,073</u>

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.

KUWAIT INVESTMENT COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities of the Parent Company

Kuwait Investment Company - K.S.C. (Public) (the Parent Company) is a Kuwaiti public shareholding Company registered in the State of Kuwait and was incorporated based on Memorandum of Incorporation under Ref. No. 852 dated on December 3, 1961. The Parent Company is listed in Boursa Kuwait.

The Parent Company's primary objectives are as follows:

- Invest and maximize shareholder and its clients' value through the deployment of funds in financial securities, rights, royalties, properties, assets and other movables and immovables of all types at its own discretion.
- Participate in the establishment of other companies to realize profit in accordance with the law and assisting in the incorporation of such companies.
- Sale of shares and bonds of companies and governmental and semi-governmental institutions.
- Conduct research and market surveys related to the deployment of capital and render services related to investment operations and third party employment, including:
 - Securities broker not registered in the securities exchange
 - Investment portfolio manager
 - Collective investment scheme manager
 - Custodian
 - Investment controller
 - Subscription agent

The Parent Company may perform directly all of the above activities inside and outside the State of Kuwait or through agents on its behalf. The Parent Company may have an interest or participation in companies of similar activities which could assist the Parent Company in achieving its objectives inside or outside the State of Kuwait. The Parent Company may also establish, participate in or acquire such companies.

The Parent Company is 76% owned subsidiary of Kuwait Investment Authority ("KIA") ("The Ultimate Parent Company"). The Parent Company is principally engaged in investment and financial services.

The Parent Company is regulated and supervised by the Central Bank of Kuwait ("CBK") for financing activities and the Capital Markets Authority ("CMA") as an investment Company.

The Parent Company's registered address is Sharq, Mubarak Al Kabeer Street, Souk Al Manakh Building, Floor 5 - P. O. Box 1005, Safat – Zip Code 13011 – State of Kuwait.

The consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2022. The financial statement is subject to approval from the Shareholders' annual General Assembly, the Shareholders' annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting policies are summarized as follows:

(a) Basis of preparation

The consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with the regulations issued by the Central Bank of Kuwait ("CBK") for financial services institutions in the State of Kuwait. These regulations require the expected credit loss ("ECL") on credit facilities (i.e. loans and advances) to be measured at the higher of the amount computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

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The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for Investment in securities, investment properties and some property and equipment stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis of redemption or settlement within 12 months after the date of the consolidated financial statements (current) or more than 12 months after the date of the consolidated financial statements (non-current) is presented in Note (35).

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2 (y). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2020, with the consideration of the COVID-19 outbreak on the Group which is detailed in Note (37).

New and amended IFRS Standards that are effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2021.

Amendments to IFRS 16 – Covid-19 Related Rent Concessions

COVID-19-Related Rent Concessions, issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not authorized for issue at May 28, 2020.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. The amendments did not have a material impact on consolidated financial statement of the Group.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2021, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued on 29 March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

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At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

In May 2021, the IASB issued amendments to IAS 16 - Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract

In May 2021, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

Annual Improvements to IFRS Standards 2018-2021 cycle

The following is the summary of the amendments from the 2018 - 2020 annual improvements cycle:

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

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. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2021, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard. The amendments are not expected to have a material impact on consolidated financial statement of the Group.

Other amendments are not expected to have any material impact on the Group.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

Name of Subsidiary	Country of incorporation	Principal activities	Percentage of holding %	
			2021	2020
KIC Financial Brokerage Company - K.S.C. (Closed)	Kuwait	Brokerage	45.47	45.47
Kuwait International Fair Company - K.S.C. (Closed)	Kuwait	Exhibition	51	51
Kuwait Foreign Investment Company	USA	Investment	100	100
Kuwait Maritime Transportation Company - K.S.C. (Closed)	Kuwait	Maritime services	76	76
Arab Financial Services Company K.S.C. (Closed)	Kuwait	Brokerage	100	100
Al Joan International Holding Company - K.S.C. (Closed)	Kuwait	Medical services	100	100
Al Masar Leasing and Investment Company - K.S.C. (Closed)	Kuwait	Leasing and Investment	45.75	45.75
Al Awaed Fund	Kuwait	Managed fund	99.5	99.5
KIC Bond Fund (Under Liquidation)	Kuwait	Managed fund	100	100
Al Hilal Islamic Fund	Kuwait	Managed fund	71.57	72.51
KIC Diversified Fund	Guernsey	Managed fund	99.94	99.94
MAJEL S.A.R.L	Germany	Real Estate	86.8	86.8

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

(c) Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is current when it was:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

(d) Financial instruments

The Group classifies its financial instruments as "financial assets" and "financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

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Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, term deposits, accounts receivable and other assets, loans and advances, investment in securities, deposits from banks and customers, Islamic finance payables, payable and other liabilities, term loans and lease liabilities.

d - 1) Financial assets

Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Initial recognition

Purchases and sales of those financial assets are recognized on settlement date – the date on which an asset is delivered to or by the Group. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either

- (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or
- (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

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Measurement categories of financial assets

The Group classifies its financial assets upon initial recognition into the following categories:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVPL

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating and recognizing interest revenue or interest expense in profit or loss over the relevant period. In general, effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Cash and cash equivalents, term deposits, receivables, loans and advances are classified as debt instruments at amortized cost.

- **Cash and cash equivalents**

Cash and cash equivalents include cash at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- **Term deposits**

Term deposits are placed with banks and have a contractual maturity of more than three months.

- **Trade receivables**

Receivables are amounts due from customers for merchandise sold, unit rented or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

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- Loans and advances

Loans and advances are amounts due from customers and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they are neither held for trading nor a contingent consideration arising from a business combination. Such classification is determined on an instrument-by- instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see above) are measured at FVPL. Specifically:

- Investments in equity instruments are classified as at FVPL, unless the Group designates an equity investment as at FVTOCI on initial recognition (see above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see above) are classified as at FVPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

d - 2) Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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For loans and advances, impairment on loans and advances shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions. The Group is required to calculate provisions for credit losses on loans and advances in accordance with the CBK instructions with respect to loans and advances and the calculation of provisions. Loans and advances are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. Loans and advances re classified as past due and impaired when the interest or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and impaired loans and advances are managed and monitored as irregular and are classified into the following four categories which are then used to determine the provisions:

Category	Criteria	Specific provision
Watch list	Irregular for a period up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a loans and advances in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances. Minimum general provisions of 1% on cash loans and advances and 0.5% on non-cash loans and advances are made on all applicable loans and advances (net of certain restricted categories of collateral) which are not subject to specific provisioning.

For trade receivables and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status, and age of relationship. where applicable.

In applying this forward-looking approach, the Group applies a three stages assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk.
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.
- Stage 3 (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

'In assessing whether the credit quality on a financial instrument has deteriorated significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

d - 3) Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and advances and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVPL or at amortized cost using effective interest rate method.

Financial liabilities at amortized cost

Financial liabilities that are not at FVPL as above are measured at amortized cost using the effective interest method.

- Accounts payable:

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

- Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

- Islamic finance payables:

Islamic finance payable is represented in tawarruq, ijara and Islamic partnership contracts, which represent the amount due on a deferred payment basis for items purchased for third parties in accordance with their credit agreements. The balances of these facilities are stated at the total amount of the credit, net of financing costs relating to future periods. Future finance costs are amortized when due on a time apportionment basis using the effective cost rate method.

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A financial liability is derecognized 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 recognized in consolidated statement of profit or loss. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

d - 4) Offsetting of financial assets and liabilities

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(e) Investment in associates

The financial statements include the following investment in associates:

<u>Name of associate</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Percentage of holding %</u>	
			2021	2020
National Hotels Company B.S.C.	Bahrain	Hospitality	20.94	20.94
Ithraa Capital Company	Saudi Arabia	Investment	23	23
Al Riyada Tower for Real Estate Services K.S.C. (Closed)	Kuwait	Shipping	38.76	38.76

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment.

If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in consolidated statement of profit or loss.

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The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired and determine if necessary, to recognize any impairment loss with respect to the investment. If there is such evidence, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes 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 retaining investment and proceeds from disposal is recognized in consolidated statement of profit or loss.

(f) Investment properties

Investment properties comprise property that are held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in consolidated statement of profit or loss for the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(g) Intangible assets

Intangible assets are measured on initial recognition at cost, which comprises its purchase price, and any directly attributable cost of preparing the asset for its intended use.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets with indefinite lives are represented by a brokerage license. The Group's management believes that the brokerage license has an indefinite useful life on the basis that this intangible asset represents a renewable legal right and that there is evidence that renewal is almost certain. In addition, the management expects that the brokerage license will contribute to a continuous increase in cash flows. Intangible assets with an indefinite useful life are not amortized.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

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(h) Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for leasehold land measured using revaluation method. 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 for the period. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

	<u>Years</u>
Building constructed on leasehold lands	10
Vehicles	5 - 4
Computer equipment and program	4
Furniture and fixtures	4
Tools and equipment	4

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 from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

(i) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employees' contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(l) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable till the holding period of treasury shares. Any realized 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, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

(m) Dividend distribution to shareholders

The Group recognizes a liability to make cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

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(n) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group applies a five step model are as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue 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 transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

Revenue for the Group arises from the following activities:

- Rent
Rental income is recognized, when earned, on a time apportionment basis.

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- Fees and commission income

- Fees:

- Fees income earned from services provided over a period of time is recognized over this time. Fees arising from providing a transaction service are recognized on completion of the underlying transaction. Portfolio and other management advisory service fees are recognized based on the applicable service contract which is usually calculated on a time apportionment basis.

- Commission:

- When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group or Commission on brokerage services are recognized as the service is provided.

- Management fees

- Fees income earned from services provided over a period of time is recognized over this time.

- Revenue on sale of properties

- Revenue on sale of properties is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
 - The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
 - The Group's receivable is not subject to future subordination;
 - The Group has transferred control to the buyer; and
 - Work to be completed is either, easily measurable and accrued or is not significant in relation to the overall value of the contract.

- Other income

- Other income is recognized on an accrual basis.

(o) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

Provisions are not recognized for future operating losses.

(p) Borrowing costs:

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are expensed in consolidated statement of profit or loss in the period in which they are incurred.

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(q) Leases:

The Group as lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Finance lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) Operating lease

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

(i) Right of use assets

The Group recognizes right to use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right to use assets includes the amount of lease liabilities recognized (which represents the present value of the lease payments to be made over the lease term discounted using lessee's increment borrowing rate at the commencement date of the lease contract), initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the right to use assets is measured in accordance with the accounting policy followed by the Group to measure similar assets.

Right of use assets that meet the definition of property, plant and equipment are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Rights to use assets that meet the definition of investment properties are recorded as investment properties for the Group and are measured at fair value which reflects the expected cash flows during the lease term that excludes the lease payments to be made over the lease term which is measured and included in the Group's liabilities within the consolidated statement of financial position

(ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of income from Kuwaiti shareholding subsidiaries and associates, transfer to statutory reserve, and any accumulated losses.

(s) National Labor Support Tax (NLST):

National Labor Support Tax (NLST) is calculated at 2.5% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from associates listed in Boursa Kuwait, share of NLST paid by subsidiaries listed in Boursa Kuwait, and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 of 2000 and Ministerial resolution No. 24 of 2006 and their Executive Regulations.

(t) Zakat

Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the Group's share of profit from Kuwaiti shareholding associates and subsidiaries, share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations.

(u) Foreign currency

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at fair value profit or loss are reported as part of the fair value gain or loss.

(v) 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 but are disclosed in the notes to the consolidated financial statements.

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(w) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

(x) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

(y) Critical accounting estimates, assumptions, and judgments

The Group make judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in Note No. 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

- Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note (2 - n) are met requires significant judgment.

- Classification of Land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

- Properties under development:

When the intention of the Group is to develop a land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

- Work in progress:

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

- Lands and properties held for trading:

When the intention of the Group is to sell land and property in the ordinary course of business, the lands and properties are classified as lands and properties held for trading

- Investment properties:

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

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- Allowance for expected credit losses
The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.
- Classification of financial assets
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 - d).
- Business combinations
At the time of Group's acquisition to subsidiaries, the Group considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.
- Taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.
- Control assessment
When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Group's power to affect the investee's variable returns requires significant judgment.
- Material non-controlling interests
The Group's management considers any non-controlling interests which accounts for 10% or more of the related subsidiary's equity as material.
- Significant influence assessment
When determining significant influence over an investee, management considers whether the Group has the power to participate in the financial and operating policy decisions of the investee if it holds less than 20% of the investee's voting rights. The assessment, which requires significant judgment, involves consideration of the Group's representation on the investee's board of directors, participation in policy making decisions and material transactions between the investor and investee.
- Leases
Critical judgements required in the application of IFRS 16 include, among others, the following:
 - Identifying whether a contract (or part of a contract) includes a lease.
 - Determining whether it is reasonably certain that an extension or termination option will be exercised.
 - Classification of lease agreements (when the entity is a lessor).
 - Determination of whether variable payments are in-substance fixed.
 - Establishing whether there are multiple leases in an arrangement.
 - Determining the stand-alone selling prices of lease and non-lease components.

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b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

• Fair value of unquoted financial assets

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

• Useful life of depreciable assets

The group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations

• Allowance for expected credit losses

The extent of impairment losses on debtors involves estimation process. Allowance for expected credit loss is based on a forward looking ECL approach. Bad debts are written off when identified. The provisions and write-down of accounts receivable are subject to management approval.

• Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognized in consolidated statement of profit or loss. Three main methods were used to determine the fair value of the investment properties:

- a) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
- b) Comparative analysis using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.
- c) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

• Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

• Taxes

The Group recognizes a liability for the anticipated taxes levied in the jurisdictions of its activity based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions may have an impact on the carrying values of the deferred taxes.

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- Leases

Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:

- Estimation of the lease term.
- Determination of the appropriate rate to discount the lease payments.
- Assessment of whether a right-of-use asset is impaired.

3- Cash and cash equivalents

	<u>2021</u>	<u>2020</u>
Cash on hand, at banks and in portfolios	11,916,167	10,489,500
Short term deposits	8,463,586	8,762,573
	<u>20,379,753</u>	<u>19,252,073</u>

The effective interest rate on short-term deposits is 1% (2020 - 1%) per annum. These deposits have a contractual maturity less than three months.

4- Term deposits

The effective interest rate on term deposits is 2.40% (2020 – 1.6%) per annum; these deposits have an average contractual maturity of more than 90 days (2020 - more than 90 days).

5- Accounts receivable and other assets

	<u>2021</u>	<u>2020</u>
Trade receivables (a)	10,605,592	11,708,158
Other receivable	4,067,266	4,067,266
	<u>14,672,858</u>	<u>15,775,424</u>
Less: Allowance for expected credit losses (b)	<u>(7,473,369)</u>	<u>(7,011,443)</u>
	7,199,489	8,763,981
Amounts due from brokers	3,844,947	2,863,847
Management fees receivable	2,022,238	1,957,038
Prepaid expenses and refundable deposits	808,191	845,518
Accrued income	550,864	237,150
Accrued interest income	273,869	194,307
Other receivables	354,950	407,762
	<u>15,054,548</u>	<u>15,269,603</u>

(a) Trade receivables:

Trade receivables are non-interest bearing and are generally due within 60 days.

For trade and other receivables, the Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables, as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profile for sales over the past 48 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

There has been no change in the estimation techniques or significant assumptions made during the current year.

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Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 60 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

The following table details the risk profile of trade and other receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

The ageing for trade and other receivables are as follows:

	2021				Total
	Less than 60 days	61 – 90 days	91 – 181 days	More than 181 days	
Expected credit loss rate	2.13%	9.43%	5.02%	66.93%	-
Gross carrying amount	1,829,526	158,924	1,728,024	10,956,384	14,672,858
Lifetime expected credit loss	38,915	14,984	86,757	7,332,713	7,473,369

	2020				Total
	Less than 60 days	61 – 90 days	91 – 181 days	More than 181 days	
Expected credit loss rate	1.80%	9%	5.11%	62.86%	-
Gross carrying amount	3,001,537	340,084	1,538,963	10,894,840	15,775,424
Lifetime expected credit loss	54,067	30,593	78,601	6,848,182	7,011,443

(b) Allowance for expected credit losses:

The movement in allowance for credit losses is as follows:

	Trade receivables	Other receivables	2021	2020
Balance at the beginning of the year	6,163,889	847,554	7,011,443	5,646,303
Charge for the year (Note 22)	280,177	104,416	384,593	1,364,023
Transferred from loan and advances (Note 6)	300,067	-	300,067	-
Utilized during the year	(167,019)	-	(167,019)	(1,970)
No longer required (Note 22)	(52,328)	-	(52,328)	-
Foreign currency translation adjustments	(3,387)	-	(3,387)	3,087
Balance at the end of the year	6,521,399	951,970	7,473,369	7,011,443

6- Loans and advances

Set out below is the disaggregation of the Group's loans and advances:

	2021	2020
Outside state of Kuwait	6,167,194	6,205,362
Inside state of Kuwait	14,534,246	16,071,657
	20,701,440	22,277,019
Less: Provision for impairment as per CBK guidelines	(17,516,987)	(19,056,016)
	3,184,453	3,221,003

Loans and advances are denominated in the following currencies:

	2021	2020
US Dollar	2,845,011	2,852,066
Euro	339,442	368,937
	3,184,453	3,221,003

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Movement in provision for impairment of loans and advances during the year is as follows:

	General provision	Specific provision (post liberation)	Specific provision (preinvasion)	Total
As of January 1, 2020	28,789	13,203,651	5,789,762	19,022,202
Charge for the year (Note 22)	3,401	-	-	3,401
Foreign currency translation adjustments	344	256	29,813	30,413
As of December 31, 2020	32,534	13,203,907	5,819,575	19,056,016
Provision no longer required (Note 22)	-	(934,318)	-	(934,318)
Transferred to receivables (Note 5)	-	(300,067)	-	(300,067)
Utilized during the year	-	(266,107)	-	(266,107)
Foreign currency translation adjustments	(369)	(955)	(37,213)	(38,537)
As of December 31, 2021	32,165	11,702,460	5,782,362	17,516,987

The effective interest rate on loans and advances is 3.25% (2020 - 4.20%) per annum.

During the year ended December 31, 2021, the Parent Company settled a loan which was totally provided previously with the counterparty resulting in a gain of KD 934,318 (Note 22).

The Group holds collateral represented by investment in securities against loans and advances individually determined to be non-performing. As of December 31, 2021, the fair value of these collateral amounted to KD 1,296,585 (2020 - KD 1,219,806).

Expected credit losses on loans and advances had been computed under IFRS 9, in accordance with CBK guidelines amounted to KD 17,484,821 as of December 31, 2021 (2020 - KD 19,023,480), which is lower than the provision required by CBK instructions. As a result, no additional provision has been made.

7- Investment in securities

	2021	2020
Financial assets at FVTPL	129,240,213	113,420,421
Financial assets at FVOCI	14,279,289	13,685,082
	143,519,502	127,105,503

Financial assets at FVOCI was valued based on the valuation basis as described in (Note 34).

Investment in securities are denominated in the following currencies:

	2021	2020
<u>Financial assets at FVTPL</u>		
KWD	77,881,183	65,638,736
US Dollar	37,951,742	36,439,983
Euro	5,626,191	5,466,207
Others	7,781,097	5,875,495
	129,240,213	113,420,421
<u>Financial assets at FVOCI</u>		
KWD	5,084,182	5,032,411
US Dollar	5,995,396	5,830,705
Euro	878,022	693,233
Others	2,321,689	2,128,733
	14,279,289	13,685,082

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8- Investment in an associate

The movement during the year is as follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	12,906,253	15,317,842
Additions	3,395,417	-
Group's share of results from an associate	(28,269)	(52,803)
Dividend received from an associate	(162,664)	-
Reversal (impairment) loss for the associates (Note 25)	575,102	(2,144,133)
Share of other comprehensive loss	(476,300)	(40,610)
Foreign currency translation adjustments	(31,900)	(174,043)
Balance at the end of the year	<u>16,177,639</u>	<u>12,906,253</u>

Summarized financial information for associates is as follows:

Statement of financial position:

	National Hotels Company B.S.C		Individually immaterial associates		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current assets	5,426,342	4,982,174	2,783,259	1,143,038	8,209,601	6,125,212
Non-current assets	57,581,549	63,413,840	12,552,760	1,237,899	70,134,309	64,651,739
Current liabilities	(727,395)	(658,911)	(1,495,608)	(675,677)	(2,223,003)	(1,334,588)
Non-current liabilities	(175,271)	(196,950)	(275,481)	(276,308)	(450,752)	(473,258)
Net assets	62,105,225	67,540,153	13,564,930	1,428,952	75,670,155	68,969,105
Share in associates' net assets after eliminations	13,853,442	14,142,908	3,893,228	907,478	17,746,670	15,050,386
Impairment loss for the associates	(1,056,258)	(1,631,360)	(512,773)	(512,773)	(1,569,031)	(2,144,133)
Book value	<u>12,797,184</u>	<u>12,511,548</u>	<u>3,380,455</u>	<u>394,705</u>	<u>16,177,639</u>	<u>12,906,253</u>

Summarized Statement of profit or loss and other comprehensive income:

	National Hotels Company B.S.C		Individually immaterial associates		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue	4,942,046	2,877,776	156,233	153,248	5,098,279	3,031,024
Expenses	(5,172,559)	(2,731,143)	(143,585)	(857,251)	(5,316,144)	(3,588,394)
(Loss) Profit for the year	(230,513)	146,633	12,648	(704,003)	(217,865)	(557,370)
Other comprehensive loss	(233,745)	(129,479)	(1,653,134)	(40,894)	(1,886,879)	(170,373)
Total comprehensive (loss) income for the year	<u>(464,258)</u>	<u>17,154</u>	<u>(1,640,486)</u>	<u>(744,897)</u>	<u>(2,104,744)</u>	<u>(727,743)</u>
Total share of results from associates	(46,467)	30,805	18,198	(83,608)	(28,269)	(52,803)
Dividends received	(162,664)	-	-	-	(162,664)	-

The Group's investment in National Hotels Company B.S.C. based on latest updated financial information as of September 30, 2021.

Impairment assessment of National Hotels Company B.S.C.

Management considered, amongst other factors, the negative outlook due to the impact of the coronavirus pandemic in the determination of the recoverable amount of the cash generating units (CGUs).

As of December 31, 2021, the Group re-estimated the recoverable amount of the cash generating units (CGUs) based on value in use, for the purpose of impairment testing for in associates, which resulted a partial reversal for impairment loss which was recorded previously by KD 575,102, which has been recognized in the consolidated statement of profit or loss for the year.

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As of December 31, 2021, the fair value of the Group's investment in National Hotels Company B.S.C. based on quoted market price in Bahrain Boursa amounted to KD 2,696,866 (2020 - KD 2,514,064) and the carrying amount of the net assets of the entity exceeds its market capitalization.

9- Investment properties

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	27,198,847	24,965,377
Additions	2,100,000	3,185,000
Disposals	(5,995,417)	-
Changes in fair value	1,606,054	(1,692,934)
Foreign currency translation adjustments	(669,674)	741,404
Balance at the end of the year	<u>24,239,810</u>	<u>27,198,847</u>

As of December 31, 2021, certain investment properties of carrying value amounting to KD 8,503,141 (2020 - KD 7,975,010) are pledged to local financial institutions against term loans granted to the Group (Note 16).

The fair value of investment properties is based on valuations performed by accredited independent valuation experts using recognized valuation techniques and principles.

In estimating the fair value of investment properties, the Group had used the valuation techniques described in (Note 34) and had considered the nature and usage of the investment properties.

10- Intangible assets

Intangible assets mainly represent a brokerage license acquired by a subsidiary (KIC Financial Brokerage Company - K.S.C. (Closed)). Therefore, the Group classified intangible assets as intangible assets with indefinite life.

As of December 31, 2021, The Group performed impairment test to determine any impairment loss on intangible assets. The recoverable amount has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by the Management covering a five-year period based on the historical pattern of trade volumes, revenue growth and market share. An estimated discount rate for cash-generating units of 8.72% (2020: 9.28%) is used to discount the cash flows projections and a growth rate of 2.67% (2020 - 2.40%). As a result, the recoverable amount has been determined based on value-in-use as of December 31, 2021 amounted to KD 13,257,825 (2020 – KD 13,552,621).

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

- Discount rate.
- Market share during the forecast period.
- Long-term growth rate (terminal value) used to extrapolate cash flows beyond the forecast period.

Sensitivity to changes in assumptions

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the intangible asset to exceed its recoverable amount. These are summarized below:

- A rise in the discount rate to 9.22% (i.e. +0.5%) would result in a decrease in carrying amount by KD 1,071,146.
- A reduction in the long-term growth rate to 2.17% (i.e. -0.5%) would result in a decrease in carrying amount by KD 846,732.
- Although management expects the Group's market share of the trade volumes in Boursa Kuwait to be stable over the forecast period, a decline in the market share by 2.5% would result in a decrease in the carrying amount by KD 658,874.

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant, and changes in some of the assumptions may be correlated.

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11- Property, plant and equipment

	Building constructed on Leasehold lands	Vehicles	Computer equipment and program	Office tools and equipment	Furniture and fixtures	Capital work in progress	Total
Cost:							
As of January 1, 2020	17,142,701	21,059,093	1,303,163	3,107,628	3,224,255	5,573,075	51,409,915
Additions	49,603	5,722,519	-	774	22,176	116,716	5,911,788
Transfer from capital work in progress	-	-	23,555	51,546	400	(75,501)	-
Disposals	-	(8,132,506)	-	(11,537)	(58,095)	-	(8,202,138)
As of December 31, 2020	17,192,304	18,649,106	1,326,718	3,148,411	3,188,736	5,614,290	49,119,565
Additions	73,938	4,775,795	-	3,334	17,458	354,832	5,225,357
Disposals	-	(6,673,113)	-	-	-	-	(6,673,113)
As of December 31, 2021	17,266,242	16,751,788	1,326,718	3,151,745	3,206,194	5,969,122	47,671,809
Accumulated depreciation:							
As of January 1, 2020	9,821,061	5,834,265	1,153,873	2,941,448	2,865,304	869,661	23,485,612
Charge for the year	721,751	4,790,554	17,599	11,140	228,526	-	5,769,570
Impairment losses (Note 25)	-	-	-	-	-	1,130,787	1,130,787
Related to disposals	-	(5,259,133)	-	(11,533)	(58,095)	-	(5,328,761)
As of December 31, 2020	10,542,812	5,365,686	1,171,472	2,941,055	3,035,735	2,000,448	25,057,208
Charge for the year	590,878	4,618,828	9,921	1,356	149,658	-	5,370,641
Related to disposals	-	(5,412,043)	-	-	-	-	(5,412,043)
As of December 31, 2021	11,133,690	4,572,471	1,181,393	2,942,411	3,185,393	2,000,448	25,015,806
Net book value:							
As of December 31, 2020	6,649,492	13,283,420	155,246	207,356	153,001	3,613,842	24,062,357
As of December 31, 2021	6,132,552	12,179,317	145,325	209,334	20,801	3,968,674	22,656,003

- Capital work-in-progress represent constructing medical and exhibition facilities.

- Impairment loss for the year ended December 31, 2020 by KD 1,130,787 represented by the write-down of certain capital work in progress in one of the Group's subsidiaries to the recoverable amount as a result of the geopolitical situation and deteriorating economic conditions in the country in which assets are located.

Depreciation charge has been allocated as follows:

	2021	2020
Net rental Income	4,521,921	4,707,158
General and administrative expenses (Note 24)	848,720	1,062,412
	5,370,641	5,769,570

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12- Right of use-assets and Lease liabilities

The Group has lease contracts for various items of property used in its operations, leases of land and buildings generally have lease terms between 6 and 10 years.

The Group also has certain leases of equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The carrying amounts of right-of-use assets recognised and the movements during the year are as follows:

	Land	Buildings	Total
As of January 1, 2020	2,260,166	6,666,578	8,926,744
Additions	-	36,160	36,160
Depreciation	(753,388)	(1,348,597)	(2,101,985)
As of December 31, 2020	1,506,778	5,354,141	6,860,919
Depreciation	(753,388)	(1,348,388)	(2,101,776)
As of December 31, 2021	753,390	4,005,753	4,759,143

The depreciation charged is included under net rental income.

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2021	2020
Balance at the beginning of the year	8,290,366	10,751,984
Additions	-	36,160
Finance costs	417,911	242,668
Paid during the year	(2,540,981)	(1,691,316)
Rent concessions (Note 26)	-	(1,049,130)
Balance at the end of the year	6,167,296	8,290,366

Analyzed as:

	2021	2020
Current portion	3,021,212	1,795,698
Non-current portion	3,146,084	6,494,668
	6,167,296	8,290,366

The average effective borrowing rate is 4.5% (2020 - 4.5%).

The expenses related to right-of-use assets and lease liabilities recognized in the consolidated statement of profit or loss are as follows:

	2021	2020
Depreciation right-of-use assets	2,101,776	2,101,985
Finance costs on lease liabilities	417,911	242,668
	2,519,687	2,344,653

13- Deposits from banks and customers

	2021	2020
Deposits from banks	41,186,325	50,777,422
Deposits from customers	31,158,029	31,669,460
	72,344,354	82,446,882

The average effective interest rate on deposits from banks is 1.49% (2020 - 1.47%) per annum.

The average effective interest rate on deposits from clients is 0.85% (2020 - 0.68%) per annum.

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14- Islamic finance payables

	<u>2021</u>	<u>2020</u>
Gross amount	7,419,530	9,918,437
Less: Unamortized future finance charge	(63,246)	(40,942)
Present value of minimum lease payments	<u>7,356,284</u>	<u>9,877,495</u>

The balances of Islamic finance payables bear an average financing cost of 3.5% (2020 - 3.88%) annually and are guaranteed by the shares of one of the Group's subsidiaries and certain investment properties.

15- Accounts payable and other liabilities

	<u>2021</u>	<u>2020</u>
Sundry creditors and accrued expenses	10,317,297	8,291,894
Provision for employees' end of service indemnity	6,634,754	6,333,471
Accrued staff leave	1,017,953	930,544
Dividends payable	507,845	537,091
Rentals received in advance	105,988	137,307
Interest payable	101,819	328,623
Board of directors' remuneration payable (Note 33)	225,000	5,000
Other payables	49,434	37,396
	<u>18,960,090</u>	<u>16,601,326</u>

16- Term loans

	<u>Average Interest rate / per annum</u>	<u>Maturity date</u>	<u>2021</u>	<u>2020</u>
Secured loan (EUR)	1.58%	December 30, 2022	<u>3,771,555</u>	<u>4,099,304</u>

Certain investment properties of carrying value amounting to KD 8,503,141 (2020 - KD 7,975,010) are pledged against term loans granted to the Group (Note 9), these properties are located in the Federal Republic of Germany.

17- Capital

The authorized, issued and fully paid-up share capital consists of 551,250,000 (2020 - 551,250,000) shares at a value of 100 fils per share and all shares are in cash.

18- Treasury shares

	<u>2021</u>	<u>2020</u>
Number of shares (shares)	3,261,581	3,261,581
Percentage of issued shares (%)	0.5917	0.5917
Market value (KD)	896,935	394,651
Cost (KD)	734,629	734,629

The Parent Company's management has allotted an amount equal to treasury shares balance from the retained earnings as of December 31, 2021. This balance is not available for distribution during the Parent Company's retention period of these treasury shares as per CMA guidelines.

19- Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), NLST, Zakat and Board of Directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

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20- Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to (KFAS), NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

21- Net rental Income

	<u>2021</u>	<u>2020</u>
Rental income from investment properties	6,608,438	5,391,672
Rental and other related expenses	(2,404,711)	(2,430,419)
Net car rental income	1,914,187	1,969,741
Net exhibition income	307,133	252,403
	<u>6,425,047</u>	<u>5,183,397</u>

22- Net allowance of expected credit losses

	<u>2021</u>	<u>2020</u>
Accounts receivables and other assets (Note 5)	(332,265)	(1,364,023)
Loans and advances (Note 6)	934,318	(3,401)
	<u>602,053</u>	<u>(1,367,424)</u>

23- Net investment in securities income (loss)

	<u>2021</u>	<u>2020</u>
Unrealized gain (loss) from financial assets at FVTPL	19,225,692	(4,816,031)
Realized gain on sale of financial assets at FVTPL	3,137,467	1,933,396
Dividend income	2,372,235	1,676,995
	<u>24,735,394</u>	<u>(1,205,640)</u>

24- General and administrative expenses

General and administrative expenses mainly include the following:

	<u>2021</u>	<u>2020</u>
Staff costs	8,678,090	5,696,811
Depreciation (Note 11)	848,720	1,062,412
	<u>9,526,810</u>	<u>6,759,223</u>

25- Reversal of (impairment) loss of non-financial assets

	<u>2021</u>	<u>2020</u>
Reversal of (impairment) loss of investment in associates (Note 8)	575,102	(2,144,133)
Impairment loss of property, plant and equipment (Note 11)	-	(1,130,787)
	<u>575,102</u>	<u>(3,274,920)</u>

26- Other Income

	<u>2021</u>	<u>2020</u>
Rent concessions (Note 12)	-	1,049,130
Government assistance (a)	-	416,238
Others	175,031	171,452
	<u>175,031</u>	<u>1,636,820</u>

(a) In an attempt to mitigate the impact of the Covid-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector.

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27- Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company (Fils)

There are no potential dilutive ordinary shares. Basic and diluted earnings (loss) per share is computed by dividing the profit (loss) for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	<u>2021</u>	<u>2020</u>
Earnings (loss) for the year attributable to shareholders of the Parent Company	<u>26,780,255</u>	<u>(5,566,830)</u>
<u>Weighted average number of shares outstanding:</u>		
Number of issued and fully paid-up shares at the beginning of the year	<u>551,250,000</u>	551,250,000
Less: weighted average number of treasury shares	<u>(3,261,581)</u>	<u>(3,261,581)</u>
Weighted average number of shares outstanding	<u>547,988,419</u>	<u>547,988,419</u>
	<u>Fils</u>	<u>Fils</u>
Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company	<u>48.87</u>	<u>(10.00)</u>

As there are no dilutive instruments outstanding, basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company are identical.

28- Non - controlling interests which are material to the Group

Subsidiaries with major non - controlling interests which are material to the Group is as follows:

	<u>2021</u>	<u>2020</u>
Kuwait International Fair Company - K.S.C. (Closed) ("KIFCO")	<u>49%</u>	49%
KIC Financial Brokerage Company - K.S.C. (Closed) ("Wasata")	<u>54.53%</u>	54.53%
Al Masar Leasing and Investment Company - K.S.C. (Closed) ("Al Masar")	<u>54.25%</u>	54.25%

Accumulated balances of material non-controlling interest:

	<u>2021</u>	<u>2020</u>
KIFCO	<u>11,842,860</u>	11,125,217
Wasata	<u>7,072,288</u>	6,741,766
Al Masar	<u>11,070,925</u>	10,291,520
	<u>29,986,073</u>	<u>28,158,503</u>

Summarized financial information for subsidiaries is as follows:

Statement of financial position:

	KIFCO		WASATA		Al Masar	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current assets	<u>16,922,063</u>	17,438,324	<u>3,138,878</u>	2,452,646	<u>14,100,232</u>	15,159,752
Non-current assets	<u>12,558,304</u>	12,818,862	<u>11,262,189</u>	11,289,925	<u>12,248,790</u>	13,323,623
Current liabilities	<u>3,174,618</u>	4,477,083	<u>1,258,709</u>	1,202,700	<u>9,712,045</u>	12,886,419
Non-current liabilities	<u>2,137,677</u>	3,076,637	<u>172,822</u>	176,463	-	-
Net assets	<u>24,168,072</u>	22,703,466	<u>12,969,536</u>	12,363,408	<u>16,636,977</u>	15,596,956
Attributable to:						
Shareholders of the Parent Company	<u>12,325,212</u>	11,578,249	<u>5,897,248</u>	5,621,642	<u>5,566,052</u>	5,305,436
Non-controlling interests	<u>11,842,860</u>	11,125,217	<u>7,072,288</u>	6,741,766	<u>11,070,925</u>	10,291,520

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Summarized Statement of profit or loss and other comprehensive income:

	KIFCO		WASATA		Al Masar	
	2021	2020	2021	2020	2021	2020
Revenue	4,138,560	4,762,191	1,542,915	1,125,080	3,843,992	1,966,363
Expenses	(2,913,551)	(3,964,857)	(937,219)	(821,893)	(2,232,435)	(3,136,270)
Profit (loss) for the year	1,225,009	797,334	605,696	303,187	1,611,557	(1,169,907)
Other comprehensive income (loss)	239,597	(128,502)	432	(8,976)	(474,894)	(55,211)
Total comprehensive income (loss) for the year	1,464,606	668,832	606,128	294,211	1,136,663	(1,225,118)
Attributable to non-controlling interests	717,644	327,728	330,522	160,433	291,037	(664,627)
Dividend paid to non-controlling interests	-	735,000	-	-	96,642	225,498

29- Related party disclosures

The Group has entered into various transactions with related parties i.e. Major shareholders, Board of Directors, Key management personnel, executives' managers of the Group and other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related party balances and transactions during the year are as follows:

Balances included in the consolidated statement of financial position

	Major shareholders	2021	2020
Deposits from banks and customers	40,701	40,701	34,901
Accounts payable and other liabilities	31,158,029	31,158,029	31,669,460

Transactions included in the consolidated statement of profit or loss:

	Major shareholders	2021	2020
Net fee and commission income	4,145,794	4,145,794	3,419,391
Finance charges	(264,057)	(264,057)	(612,350)

Compensation to key management personnel of the Parent Company:

	2021	2020
Salaries, incentives and remuneration	1,386,298	572,944
Post-employment benefits	92,916	81,884
BOD committees' remuneration	120,000	45,000
	1,599,214	699,828

30- Fiduciary Assets

The Group manages investment portfolios on behalf of KIA, government agencies and other financial institutions. The total carrying value of these portfolios amounting to KD 2.220 billion (2020 - KD 2.007 billion) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements.

Income earned from the above fiduciary assets amounting to KD 7,392,062 for the year ended December 31, 2021 (2020 - KD 6,457,407).

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31- Commitments and Contingencies

a) Capital commitments

	<u>2021</u>	<u>2020</u>
Investment commitments	<u>62,028</u>	<u>71,279</u>

b) Contingent liabilities

	<u>2021</u>	<u>2020</u>
Letters of guarantee	<u>2,293,122</u>	<u>2,293,122</u>

32- Segment reporting

a) Operating segments:

For management purposes, the Group is organized into business units based on its products and services and has four reportable segments, as follows:

- Asset Management: Consists of quoted securities trading and management of funds and portfolios.
- Direct Investments and Corporate Finance (DICF): Consists of managing subsidiaries, associates, long term strategic investments, lending, real estate and rental activities.
- Treasury: Consists of foreign exchange contracts and money market activities.
- Other operations: Management and support activities.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the interim condensed consolidated financial information.

The information relates to Group's segment reporting are as follows:

	<u>2021</u>				
	<u>Asset management</u>	<u>DICF</u>	<u>Treasury</u>	<u>Other operations</u>	<u>Total</u>
Segment revenue	<u>22,238,398</u>	<u>13,464,061</u>	<u>1,506,965</u>	<u>14,377,030</u>	<u>51,586,454</u>
Segment expenses	<u>(3,056,035)</u>	<u>(2,561,687)</u>	<u>(1,161,852)</u>	<u>(9,045,278)</u>	<u>(15,824,852)</u>
Segment result	<u>19,182,363</u>	<u>10,902,374</u>	<u>345,113</u>	<u>5,331,752</u>	<u>35,761,602</u>
Depreciation and amortization	<u>(1,874)</u>	<u>(45,570)</u>	<u>(10)</u>	<u>(7,424,963)</u>	<u>(7,472,417)</u>
Share of results of associates	<u>-</u>	<u>(28,269)</u>	<u>-</u>	<u>-</u>	<u>(28,269)</u>
Reversal of impairment	<u>-</u>	<u>575,102</u>	<u>-</u>	<u>-</u>	<u>575,102</u>
Segment profit (loss)	<u>19,180,489</u>	<u>11,403,637</u>	<u>345,103</u>	<u>(2,093,211)</u>	<u>28,836,018</u>
Total assets	<u>104,692,855</u>	<u>112,732,244</u>	<u>-</u>	<u>56,108,354</u>	<u>273,533,453</u>
Total liabilities	<u>49,434</u>	<u>4,814,139</u>	<u>75,485,300</u>	<u>28,250,706</u>	<u>108,599,579</u>
	<u>2020</u>				
	<u>Asset management</u>	<u>DICF</u>	<u>Treasury</u>	<u>Other operations</u>	<u>Total</u>
Segment revenue	<u>9,234,148</u>	<u>(4,098,430)</u>	<u>2,104,428</u>	<u>10,171,522</u>	<u>17,411,668</u>
Segment expenses	<u>(2,390,090)</u>	<u>(4,640,821)</u>	<u>(1,691,576)</u>	<u>(3,060,454)</u>	<u>(11,782,941)</u>
Segment result	<u>6,844,058</u>	<u>(8,739,251)</u>	<u>412,852</u>	<u>7,111,068</u>	<u>5,628,727</u>
Depreciation and amortization	<u>(187)</u>	<u>(55,217)</u>	<u>(10)</u>	<u>(7,816,141)</u>	<u>(7,871,555)</u>
Share of results of associates	<u>-</u>	<u>(52,803)</u>	<u>-</u>	<u>-</u>	<u>(52,803)</u>
Impairment of non- financial assets	<u>-</u>	<u>(3,274,920)</u>	<u>-</u>	<u>-</u>	<u>(3,274,920)</u>
Segment profit (loss)	<u>6,843,871</u>	<u>(12,122,191)</u>	<u>412,842</u>	<u>(705,073)</u>	<u>(5,570,551)</u>
Total assets	<u>90,699,408</u>	<u>108,730,264</u>	<u>-</u>	<u>59,227,671</u>	<u>258,657,343</u>
Total liabilities	<u>80,274</u>	<u>5,602,012</u>	<u>85,081,161</u>	<u>30,552,126</u>	<u>121,315,573</u>

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b) Geographical segments

The Group classified its revenues and assets according to the following geographical segments and based on the geographical location of customers and assets of each sector separately:

	2021		
	Revenue	Assets	Capital expenditures
Kuwait	42,175,805	176,663,736	5,225,357
Other GCC countries	2,309,995	38,345,670	-
Other Middle East and North Africa (MENA)	809,357	2,888,966	-
Europe	3,408,079	39,065,480	-
United states of America	1,650,573	10,730,538	-
Asia	1,232,645	5,839,063	-
	51,586,454	273,533,453	5,225,357
	2020		
	Revenue	Assets	Capital expenditures
Kuwait	12,243,273	166,328,964	5,911,788
Other GCC countries	(2,440,945)	39,536,613	-
Other Middle East and North Africa (MENA)	(47,628)	2,363,894	-
Europe	4,979,774	36,418,892	-
United states of America	1,508,358	7,837,197	-
Asia	1,168,836	6,171,783	-
	17,411,668	258,657,343	5,911,788

33- General Assembly

The Parent Company's Board of Directors' meeting held on February 13, 2022 proposed to distribute dividends of 25 fils per share amounting to KD 13,699,710 for the financial year ended December 31, 2021 and proposed to pay KD 225,000 Board of Directors' remuneration (Note 15) for the year ended December 31, 2021. These proposals are subject to the approval of the Shareholders' Annual General Assembly of the Parent Company.

The Shareholders' Annual General Assembly held on March 30, 2021 approved the consolidated financial statements for the financial year ended December 31, 2020 and approved not to distribute cash dividends and not to pay Board of Directors' remuneration, except for KD 5,000 for Independent Board member for the financial year ended December 31, 2020.

The Shareholders' Annual General Assembly held on March 3, 2020 approved the consolidated financial statements for the financial year ended December 31, 2019 and approved to distribute cash dividends of 15 fils per share amounting to KD 8,219,826 and pay KD 145,000 Board of Directors' remuneration for the financial year ended December 31, 2019.

34- Fair value measurement

The Group measures financial assets such as financial assets at FVPL and financial assets at FVOCI and non-financial assets such as investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of the assets recorded at fair value by level of the fair value hierarchy:

	2021			Total
	Level 1	Level 2	Level 3	
Financial assets at FVTPL:				
Quoted securities	25,259,618	-	-	25,259,618
Unquoted securities	-	-	30,907,239	30,907,239
Investment funds	-	73,073,356	-	73,073,356
	<u>25,259,618</u>	<u>73,073,356</u>	<u>30,907,239</u>	<u>129,240,213</u>
Financial assets at FVOCI:				
Quoted securities	949,782	-	-	949,782
Unquoted securities	-	-	13,329,507	13,329,507
	<u>949,782</u>	<u>-</u>	<u>13,329,507</u>	<u>14,279,289</u>
Investment properties	-	17,651,499	6,588,311	24,239,810
Total	<u>26,209,400</u>	<u>90,724,855</u>	<u>50,825,057</u>	<u>167,759,312</u>
	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Quoted securities	17,506,905	-	-	17,506,905
Unquoted securities	-	-	27,021,977	27,021,977
Investment funds	-	68,891,539	-	68,891,539
	<u>17,506,905</u>	<u>68,891,539</u>	<u>27,021,977</u>	<u>113,420,421</u>
Financial assets at FVOCI:				
Quoted securities	1,163,427	-	-	1,163,427
Unquoted securities	-	-	12,521,655	12,521,655
	<u>1,163,427</u>	<u>-</u>	<u>12,521,655</u>	<u>13,685,082</u>
Investment properties	-	18,454,086	8,744,761	27,198,847
Total	<u>18,670,332</u>	<u>87,345,625</u>	<u>48,288,393</u>	<u>154,304,350</u>

During the year, there were no transfers between different levels of fair value measurement.

The management assessed that the fair values of cash and cash equivalent, term deposits, accounts receivables and other assets, deposits from banks and customers, Islamic finance payables, accounts payable and other liabilities and term loans approximate their carrying amounts largely due to the short-term maturities of these instruments.

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The movements in level 3 assets during the current and previous year are set out below:

	2021			
	Financial assets at FVPL	Financial assets at FVOCI	Investment properties	Total
Balance as of January 1, 2021	27,021,977	12,521,655	8,744,761	48,288,393
Gains recognised in the consolidated statement of profit or loss	4,357,068	-	443,550	4,800,618
Gains recognised in the consolidated statement of profit or loss and other comprehensive income	-	18,280	-	18,280
Net disposals / additions	(471,806)	789,572	(2,600,000)	(2,282,234)
Balance as of December 31, 2021	30,907,239	13,329,507	6,588,311	50,825,057
	2020			
	Financial assets at FVPL	Financial assets at FVOCI	Investment properties	Total
Balance as of January 1, 2020	27,804,659	17,040,320	6,237,750	51,082,729
Losses recognised in the consolidated statement of profit or loss	(2,834,588)	-	(677,989)	(3,512,577)
Losses recognised in the consolidated statement of profit or loss and other comprehensive income	-	(4,541,363)	-	(4,541,363)
Net disposals / additions	(225,781)	22,698	3,185,000	2,981,917
Reclassified from assets held for sale	2,277,687	-	-	2,277,687
Balance as of December 31, 2020	27,021,977	12,521,655	8,744,761	48,288,393

The level 3 assets unobservable inputs and sensitivity are as follows:

Financial assets:

	Fair values as at		Significant unobservable inputs	Sensitivity of unobservable inputs to fair value
	2021	2020		
Financial assets at FVTPL	30,907,239	27,021,977	liquidity discount from 5% to 50%	The increase (decrease) of liquidity discount by 10% would increase (decrease) fair value by KD 3,090,724
Financial assets at FVOCI	13,329,507	12,521,655	liquidity discount from 5% to 50%	The increase (decrease) of liquidity discount by 10% would increase (decrease) fair value by KD 1,332,951

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Non-financial assets:

	Fair value as of		Valuation methods and main inputs	Significant unobservable inputs	Sensitivity of unobservable inputs to fair value
	2021	2020			
Investment properties	6,588,311	8,744,761	Income approach	Average capitalization rate from 6% according to the nature and property location and current rentals earned from the properties and the expected rentals for temporary vacancies	The increase (decrease) in the capitalization rate, the (decrease) increase in the property's fair value, assuming all other factors remain constant.

35- Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, term deposits, receivable and other assets, loans and advances, investment in securities, deposits from banks and customers, islamic finance payables, payable and other liabilities, term loans and lease liabilities, and as a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk:

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets and liabilities carrying floating interest rates. The effective interest rates and the periods in which interest-bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest rate:

	2021		
	Increase (decrease) In the interest rate	Balances	Effect on consolidated statement of profit or loss
Short term deposits	± 0.5%	8,463,586	± 42,318
Term deposits	± 0.5%	12,520,000	± 62,600
Loans and advances	± 0.5%	3,184,453	± 15,922
Deposits from banks and customers	± 0.5%	72,344,354	± 361,722
Islamic finance payables	± 0.5%	7,356,284	± 36,781
Term loans	± 0.5%	3,771,555	± 18,858
			<u>± 538,201</u>
	2020		
	Increase (decrease) In the interest rate	Balances	Effect on consolidated statement of profit or loss
Short term deposits	± 0.5%	8,762,573	± 43,813
Term deposits	± 0.5%	11,738,183	± 58,691
Loans and advances	± 0.5%	3,221,003	± 16,105
Deposits from banks and customers	± 0.5%	82,446,882	± 412,234
Islamic finance payables	± 0.5%	9,877,495	± 49,387
Term loans	± 0.5%	4,099,304	± 20,497
			<u>± 600,727</u>

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b) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, term deposit, receivables and loans and advances. Receivables and loans and advances are presented net of allowance of expected credit loss. Credit risk with respect to receivables is limited due to the large number of customers and tenants.

Cash and cash equivalents and term deposits

The Group's cash and cash equivalent and term deposits measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash at banks is placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Trade receivables and loans and advances

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, term deposit, receivables and loans and advances.

c) Foreign currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in the foreign exchange rate. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments.

The following statement shows the sensitivity of the possible and reasonable changes in the foreign exchange rates used by the group against the Kuwaiti dinar.

	2021		
	Increase (decrease) against the Kuwaiti dinar	Effect on consolidated statement of profit or loss	Effect on consolidated statement of comprehensive income
US Dollar	± 5%	+ 76,035	+ 1,020,288
Bahraini Dinar	± 5%	+ 281,985	+ 639,859
Euro	± 5%	+ 44,859	+ 212,303
		+ 402,879	+ 1,872,450

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	2020		
	Increase (decrease) against the Kuwaiti dinar	Effect on consolidated statement of profit or loss	Effect on consolidated statement of comprehensive income
US Dollar	± 5%	± 1,054,335	± 876,557
Bahraini Dinar	± 5%	± 267,416	± 625,577
Euro	± 5%	± 10,062	± 178,372
		<u>± 1,331,813</u>	<u>± 1,680,506</u>

d) Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial liabilities.

Maturity table for the Group's financial assets and liabilities are as below:

	2021		
	Current portion	Non-current portion	Total
Assets:			
Cash and cash equivalents	20,379,753	-	20,379,753
Term deposits	12,520,000	-	12,520,000
Accounts receivable and other assets	15,054,548	-	15,054,548
Loans and advances	3,184,453	-	3,184,453
Investment in securities	129,240,213	14,279,289	143,519,502
Investment in associates	-	16,177,639	16,177,639
Investment properties	-	24,239,810	24,239,810
Intangible assets	-	11,042,602	11,042,602
Property and equipment	-	22,656,003	22,656,003
Right-of-use assets	-	4,759,143	4,759,143
Total assets	<u>180,378,967</u>	<u>93,154,486</u>	<u>273,533,453</u>
Liabilities:			
Deposits from banks and customers	72,344,354	-	72,344,354
Islamic finance payables	7,356,284	-	7,356,284
Accounts payable and other liabilities	12,325,336	6,634,754	18,960,090
Term loans	3,771,555	-	3,771,555
Lease liabilities	3,021,212	3,146,084	6,167,296
Total liabilities	<u>98,818,741</u>	<u>9,780,838</u>	<u>108,599,579</u>

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	2020		Total
	Current portion	Non-current portion	
Assets:			
Cash and cash equivalents	19,252,073	-	19,252,073
Term deposits	11,738,183	-	11,738,183
Accounts receivable and other assets	15,269,603	-	15,269,603
Loans and advances	3,221,003	-	3,221,003
Investment in securities	113,420,421	13,685,082	127,105,503
Investment in associates	-	12,906,253	12,906,253
Investment properties	-	27,198,847	27,198,847
Intangible assets	-	11,042,602	11,042,602
Property and equipment	-	24,062,357	24,062,357
Right-of-use assets	-	6,860,919	6,860,919
Total assets	162,901,283	95,756,060	258,657,343
Liabilities:			
Deposits from banks and customers	82,446,882	-	82,446,882
Islamic finance payables	9,877,495	-	9,877,495
Accounts payable and other liabilities	10,267,855	6,333,471	16,601,326
Term loans	-	4,099,304	4,099,304
Lease liabilities	1,795,698	6,494,668	8,290,366
Total liabilities	104,387,930	16,927,443	121,315,373

e) Equity price risk:

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The exposure to equity price risk arises from the Group's investment in equity instruments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage this risk, the Group diversifies its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the reporting date:

Market indices	2021		
	Change in equity instrument price	Effect on consolidated statement of profit or loss	Effect on other comprehensive income
Boursa Kuwait	± 5%	± 232,989	±54,088
GCC Market	± 5%	± 280,499	-
Other International Market	± 5%	± 763,795	-
		± 1,277,283	±54,088
Market indices	2020		
	Change in equity instrument price	Effect on consolidated statement of profit or loss	Effect on other comprehensive income
Boursa Kuwait	± 5%	± 213,523	±18,610
GCC Market	± 5%	± 161,434	-
Other International Market	± 5%	± 396,871	-
		+ 771,828	±18,610

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36- Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay Murabaha or obtain additional Murabaha.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand, cash at bank and investment term deposit. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	<u>2021</u>	<u>2020</u>
Deposits from banks and customers	72,344,354	82,446,882
Islamic finance payables	7,356,284	9,877,495
Term loans	3,771,555	4,099,304
Less: Cash and cash equivalents	(20,379,753)	(19,252,073)
Less: term deposits	(12,520,000)	(11,738,183)
Net debt	50,572,440	65,433,425
Total equity	164,933,874	137,341,970
Total capital resources	215,506,314	202,775,395
Gearing ratio %	23.47%	32.27%

37- Impact of COVID-19

The recent outbreak of the coronavirus ("COVID-19") across various geographies globally, which was declared a pandemic by the World Health Organization, has caused disruption to business and economic activities. The fiscal and monetary authorities around the world, including Kuwait, have announced various support measures across the globe to counter the possible adverse implications of COVID-19. This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at December 31, 2021.

- Credit risk management

The management of the Group has taken several measures to manage its risk associated with the pandemic, including identification of the most vulnerable sectors primarily affected and placing added measures to ensure a high level of scrutiny.

The uncertainties caused by COVID-19 required the Group to consider the impact of higher volatility in the forward looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at December 31, 2021. The Group concluded that these factors did not result any material effect that requires to revise the calculated allowance for expected credit losses.

- Liquidity risk management

In response to the COVID 19 outbreak, the Group is closely evaluating its liquidity and funding position and taking appropriate actions. The Group will continue to assess its liquidity position by closely monitoring its cash flows and forecasts.

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- Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the amounts reported of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group has assessed whether the fair values of the financial assets and liabilities represents the price that would be achieved for transactions between market participants in the current scenario.

Further information on the Group's policy in relation to fair value measurements is disclosed in (Note 34).

- Fair value measurement of non-financial assets (property, plant and equipment, right of use assets, investment properties, intangible assets and investment in associates)

As at the reporting date, the Group has identified the impact on the carrying values of its non-financial assets as at December 31, 2021 due to impact of COVID-19 arising from an impact on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at December 31, 2021. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements. The Group concluded that these factors did not result any material effect for the fair value of non-financial assets.

- Going concern

The Group has performed an assessment of going concern in light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from December 31, 2020. As a result, this consolidated financial statements has been prepared on a going concern basis.

The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position in the future. The Group will continue to monitor the market outlook and update its assumptions, and forecasts as that may have a impact on the consolidated financial statements in the future.