

Consolidated financial statements and independent auditors' report

**Kuwait Financial Centre – KPSC and Subsidiaries**

**Kuwait**

31 December 2021

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## Independent auditors' report

To the shareholders of  
Kuwait Financial Centre – KPSC  
Kuwait

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Kuwait Financial Centre - Kuwaiti Public Shareholding Company (the “Parent Company”) and Subsidiaries, (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the State of Kuwait.

#### Basis for Opinion

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

#### 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. We have determined the matter described below as the key audit matter.

##### *Management fees and commission income*

The Group manages various funds and portfolios on a fiduciary basis for its customers. In addition, the Group provides corporate advisory and other financial services to clients in debt and capital markets. The Group recognized management fees and commission income arising from these services of KD9,812 thousand (31 December 2020: KD8,131 thousand) for the year ended 31 December 2021 as disclosed in the consolidated statement of profit or loss. The recognition of management fees and commission income is dependent on the terms of the underlying management contracts and corporate advisory mandates agreed between the Group and its clients and/or the funds it manages. Management fees are calculated as a percentage of net asset value of the Assets Under Management as contractually agreed with its customers and varies across different funds and products. Due to the inherent risk of fraud associated with revenue recognition and the complexities in the revenue recognition process as described above, we have considered this as a key audit matter. The Group's policy on revenue recognition is disclosed in note 5.3 to the consolidated financial statements.

## **Independent auditors' report to the shareholders of Kuwait Financial Centre - KPSC (continued)**

### *Management fees and commission income (continued)*

Our audit procedures included, among others, evaluating the design and implementation of controls management has put in place over valuing underlying fiduciary assets. We have also selected samples of portfolios/funds under management and verified if the underlying assets in those portfolios are fair valued based on market quotes as of the year-end date. We have also re-computed the related management fee on the selected sample of Portfolios/funds by applying the contractually agreed management fee with the customers on the net asset value of those portfolios. We assessed the disclosures included in the consolidated financial statements relating to this matter against the requirements of IFRSs.

### *Impairment of Investment properties*

The Group's investment properties, with a carrying amount of KD75,092 thousand (31 December 2020: KD75,401 thousand) represent 35.5% (31 December 2020: 37.3%) of the total assets as at 31 December 2021 and consist of land, buildings and projects under development held for rental located in State of Kuwait, Kingdom of Saudi Arabia, United Arab Emirates and United States of America. The investment properties are accounted for using the cost model whereby these investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any, as detailed in notes 5.9 and 6.2.4. Management of the Group determined the fair value of the investment properties, for disclosure and impairment testing purposes, at the reporting date and uses independent valuers to assist in the preparation of these valuations. These valuations are based on a number of assumptions, including estimated rental revenues, capitalization yields, historical transactions, market knowledge, occupancy rates and cost of construction. Given the fact that the fair value of the investment properties represents a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter.

Our audit procedures included, among others, assessing the design and implementation of controls over the process of the determining the value of the investment properties and assessing management's process for reviewing and assessing the work of the external valuers and their valuations. We assessed the qualifications, reputation, competence and skills of management's external valuers. We assessed the scope of the engagement between the external valuers and the Group to determine if it was sufficient for audit purposes including management's consideration of competence and independence of the external valuers. We reviewed the valuation reports from the external valuers and agreed them to the fair values of the properties. We assessed the valuation methodologies used in assessing the fair value of the investment properties including discussions with the management on the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties. We also reperformed the mathematical accuracy of the valuations on a sample basis. We have also assessed the disclosures included in the consolidated financial statements relating to this matter against the requirements of IFRSs.

### **Other Information included in the Group's 2021 annual report**

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

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

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

## **Independent auditors' report to the shareholders of Kuwait Financial Centre - KPSC (continued)**

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

### **Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



## **Independent auditors' report to the shareholders of Kuwait Financial Centre - KPSC (continued)**

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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


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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our 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**

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we **required** for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware of any 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 31 December 2021 that might have had a material effect on the business or on its financial position of the Parent Company.



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## Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
<b>Revenue</b>			
Interest income	8	477	552
Dividend income		1,216	1,002
Management fees and commission income	9	9,812	8,131
Gain/(loss) from financial assets at fair value through profit or loss	10	15,497	(2,077)
Gain from financial liabilities at fair value through profit or loss		4	-
Gain on redemption of financial assets at fair value through other comprehensive income		218	20
Share of results of associate and joint venture	19	11	(93)
Gain on sale of assets held for sale	20	138	1,066
Gain on sale of investment properties	20	334	192
Net rental income	20	3,479	2,428
Foreign currency exchange (loss)/gain		(768)	846
Other income		224	1,094
		<b>30,642</b>	<b>13,161</b>
<b>Expenses and other charges</b>			
General and administrative expenses	11	(11,430)	(10,057)
Finance costs	12	(2,655)	(2,658)
Other expenses		(669)	(765)
Reversal of impairment/(impairment) of investment properties (net)	20	1,722	(2,072)
		<b>(13,032)</b>	<b>(15,552)</b>
<b>Profit/(loss) before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration</b>		<b>17,610</b>	<b>(2,391)</b>
Provision for contribution to KFAS		(143)	-
Provision for NLST		(402)	-
Provision for Zakat		(161)	-
Provision for Directors' remuneration	29	(175)	-
<b>Profit/(loss) for the year</b>		<b>16,729</b>	<b>(2,391)</b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Parent Company		14,988	(1,715)
Non-controlling interests		1,741	(676)
<b>Profit/(loss) for the year</b>		<b>16,729</b>	<b>(2,391)</b>
<b>Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company</b>	13	<b>31 Fils</b>	<b>(4) Fils</b>

The notes set out on pages 11 to 60 form an integral part of these consolidated financial statements.


## Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Profit/(loss) profit for the year	16,729	(2,391)
<b>Other comprehensive (loss)/income:</b>		
<i>Items that will be reclassified subsequently to statement of profit or loss:</i>		
<i>Financial assets at fair value through other comprehensive income:</i>		
- Net change in fair value arising during the year	-	407
- Transferred to consolidated statement of profit or loss on redemption	(132)	(20)
<i>Foreign currency translation:</i>		
- Exchange differences arising on translation of foreign operations	(237)	39
Share of other comprehensive loss of associate and joint venture	(551)	(124)
<b>Total other comprehensive (loss)/income</b>	<b>(920)</b>	<b>302</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>15,809</b>	<b>(2,089)</b>
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Owners of the Parent Company	14,083	(1,566)
Non-controlling interests	1,726	(523)
	<b>15,809</b>	<b>(2,089)</b>



## Consolidated statement of financial position

	Note	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
<b>Assets</b>			
Cash and bank balances	14	10,497	9,951
Time deposits	14	106	9,483
Accounts receivable and other assets	15	6,753	6,663
Loans to customers	16	625	505
Financial assets at fair value through profit or loss	17	111,618	90,101
Financial assets at fair value through other comprehensive income		-	410
Financial assets at amortised cost	18	2,167	4,988
Investment in associate and joint venture	19	2,875	3,415
Investment properties	20	75,092	75,401
Right-of-use assets		1,104	328
Equipment		729	928
<b>Total assets</b>		<b>211,566</b>	<b>202,173</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks	14	457	649
Accounts payable and other liabilities	21	15,077	10,299
Bank borrowings	22	25,280	21,081
Bonds issued	23	35,000	44,350
<b>Total liabilities</b>		<b>75,814</b>	<b>76,379</b>
<b>Equity</b>			
Share capital	24	48,080	48,080
Share premium	24	7,902	7,902
Treasury shares	25	(260)	(260)
Statutory reserve	26	18,339	16,752
Voluntary reserve	26	16,694	15,107
Other components of equity	27	(559)	346
Retained earnings		14,327	3,299
<b>Equity attributable to the owners of the Parent Company</b>		<b>104,523</b>	<b>91,226</b>
Non-controlling interests	7.2	31,229	34,568
<b>Total equity</b>		<b>135,752</b>	<b>125,794</b>
<b>Total liabilities and equity</b>		<b>211,566</b>	<b>202,173</b>

  
 Diraar Yusuf Alghanim  
 Chairman

  
 Ali Hassan Khalil  
 Chief Executive Officer

## Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Other components of equity								
	Share capital KD '000	Share premium KD '000	Treasury shares KD'000	Statutory reserve KD '000	Voluntary reserve KD '000	Retained earnings KD '000	Sub Total KD '000		
<b>Balance at 1 January 2021</b>	48,080	7,902	(260)	16,752	15,107	346	91,226	34,568	125,794
Net change in non-controlling interests (refer note 7)	-	-	-	-	-	-	-	(4,968)	(4,968)
Effect of change in ownership percentage of subsidiaries (refer note 7.1)	-	-	-	-	-	-	(786)	786	-
Payment of cash dividend to non-controlling interests' shareholders (refer note 7.2)	-	-	-	-	-	-	-	(883)	(883)
Transactions with owners	-	-	-	-	-	-	(786)	(5,065)	(5,851)
Profit for the year	-	-	-	-	-	-	14,988	1,741	16,729
Total other comprehensive loss	-	-	-	-	-	(905)	(905)	(15)	(920)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(905)	14,988	1,726	15,809
Transfer to reserves	-	-	-	1,587	1,587	-	(3,174)	-	-
<b>Balance at 31 December 2021</b>	48,080	7,902	(260)	18,339	16,694	(559)	104,523	31,229	135,752

The notes set out on pages 11 to 60 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total		
	Share capital KD '000	Share premium KD '000	Treasury shares KD'000	Statutory reserve KD '000	Voluntary reserve KD '000	Other components of equity (note 27)				Sub Total KD '000	
						Retained earnings KD '000	Retained earnings KD '000				
<b>Balance at 1 January 2020</b>	48,080	7,902	(260)	16,752	15,107	197	7,417	95,195	23,803	118,998	
Effect of change in non-controlling interests due to consolidation	-	-	-	-	-	-	-	-	-	11,528	11,528
Net change in non-controlling interests (refer note 7)	-	-	-	-	-	-	-	-	-	(75)	(75)
Effect of change in ownership percentage of subsidiaries (refer note 7.1)	-	-	-	-	-	-	(12)	(12)	(12)	12	-
Payment of cash dividend	-	-	-	-	-	-	(2,391)	(2,391)	(2,391)	-	(2,391)
Payment of cash dividend to non-controlling interests' shareholders (refer note 7.2)	-	-	-	-	-	-	-	-	-	(177)	(177)
Transactions with owners	-	-	-	-	-	-	(2,403)	(2,403)	(2,403)	11,288	8,885
Loss for the year	-	-	-	-	-	-	(1,715)	(1,715)	(1,715)	(676)	(2,391)
Total other comprehensive income	-	-	-	-	-	149	-	149	149	153	302
Total comprehensive income/(loss) for the year	-	-	-	-	-	149	(1,715)	(1,566)	(1,566)	(523)	(2,089)
<b>Balance at 31 December 2020</b>	48,080	7,902	(260)	16,752	15,107	346	3,299	91,226	34,568	125,794	

The notes set out on pages 11 to 60 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) for the year		16,729	(2,391)
Adjustments for:			
Interest income		(477)	(552)
Depreciation and amortisation		1,922	1,628
Share of results of associate and joint venture		(11)	93
Gain on redemption of investments at fair value through OCI		(218)	(20)
Gain on sale of assets held for sale		(138)	(1,066)
Gain on sale of investment properties		(334)	(192)
Provision for credit losses etc.		278	-
(Reversal)/Impairment of investment properties (net)		(1,722)	2,072
Finance costs		2,655	2,658
		<b>18,684</b>	<b>2,230</b>
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(21,517)	6,946
Accounts receivable and other assets		(357)	1,788
Loans to customers		(118)	(100)
Accounts payable and other liabilities		4,026	(5,512)
<b>Net cash from operating activities</b>		<b>718</b>	<b>5,352</b>
<b>INVESTING ACTIVITIES</b>			
Change in time deposits maturing after three months		(39)	(43)
Purchase of equipment		(162)	(267)
Proceeds from financial assets at amortised cost	18	4,852	316
Purchase of financial assets at amortised cost	18	(2,032)	(310)
Proceeds from redemption of financials assets at fair value through OCI		628	-
Additions to investment properties	20	(8,351)	(258)
Proceeds from sale of investment properties	20	7,183	1,114
Proceeds from sale of assets held for sale		2,228	10,960
Increase in investment in joint venture	19	-	(38)
Interest income received		464	943
Net cash from consolidation of subsidiaries		-	483
<b>Net cash from investing activities</b>		<b>4,771</b>	<b>12,900</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(47)	(2,330)
Dividend paid to non-controlling interests shareholders		(883)	(177)
Proceeds from bank borrowings	22	15,823	5,919
Repayment of bank borrowings	22	(11,600)	(26,480)
Proceeds from bonds issued	23	-	35,000
Repayment of bond issued	23	(9,350)	(15,650)
Payment of lease liability		(277)	(271)
Net change in non-controlling interests		(4,968)	969
Finance costs paid		(2,662)	(2,731)
<b>Net cash used in financing activities</b>		<b>(13,964)</b>	<b>(5,751)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(8,475)</b>	<b>12,501</b>
Foreign currency adjustments		(203)	(28)
Cash and cash equivalents at beginning of the year	14	18,725	6,252
<b>Cash and cash equivalents at end of the year</b>	<b>14</b>	<b>10,047</b>	<b>18,725</b>

The notes set out on pages 11 to 60 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### 1 Incorporation and activities

Kuwait Financial Centre – KPSC (“the Parent Company”) was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company is listed on the Boursa Kuwait and is governed under the directives of the Central Bank of Kuwait and Capital Markets Authority of Kuwait.

The principal activities of the Parent Company are as follows:

- Funding import and export operations, whether by direct credit or accepting drafts drawn on the company for short terms, as well as brokerage in securing the banking facilities for clients in Kuwait and abroad.
- Undertake the job of broker between borrowers and lenders, undertake approved agency works for the payment processes arising from issuing medium and long term securities, in addition to keeping securities on behalf of the clients.
- Dealing and trading in the foreign currencies and the precious metal markets inside and outside Kuwait.
- Undertake all the services which assist to extend and support the money and capital market capacity in Kuwait and fulfil its needs within the limits of the law and the procedures or instructions issued by the Central Bank of Kuwait. The company may have an interest or participate in any manner with the bodies practicing business similar to its business or which may assist it to achieve its objectives inside or outside Kuwait and it may acquire such bodies or append them to itself.
- Offering personal, commercial and consumer loans, undertake finance operations on the basis of margin related to investment operations in the local and international markets, trading currencies, as well as the finance operations related to pledging investment portfolios and securities, and undertaking finance and brokerage in international and local commercial operations.
- Investment in the various economic sectors such as the industrial, real estate, agricultural, services and other sectors, whether directly or by contribution through existing companies or incorporating these companies related to the said activity or acquire projects which fulfil such objective.
- Undertake the functions of investment trustees and investment portfolio management for the account of third parties with the required loaning and borrowing operations.
- Unregistered securities broker in the stock exchange.
- Investment portfolio manager.
- Collective investment scheme manager.
- Investment advisor.
- Placement agent.
- Custodian.

The address of the Parent Company’s registered office is PO Box 23444, Safat 13095, State of Kuwait.

The Parent Company’s Board of Directors approved these consolidated financial statements for issue on 16 February 2022 and are subject to the approval of the General Assembly of the shareholders of the Parent Company.

## Notes to the consolidated financial statements (continued)

### 2 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial liabilities at fair value through profit or loss and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the Parent Company and all values are rounded to the nearest thousand (KD ‘000), except when otherwise indicated.

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

### 3 Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations including the recently issued CBK circulars on regulatory measures in response to COVID 19 and related CBK communication, require financial services institutions regulated by CBK to adopt the International Financial Reporting Standards with the following amendment:

Expected credit loss (“ECL”) on credit facilities to be measured at the higher of the ECL computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instruction along with its consequent impact on related disclosures.

The above framework is hereinafter referred to as “IFRS as adopted by CBK for use by the State of Kuwait”.

### 4 Changes in accounting policies

#### 4.1 New and amended standards adopted by the Group

The Group has applied the following new and revised IFRS Standards that have been issued and effective:

#### **Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021**

The IFRS 16 Leases amendment relate to Covid19 Rent Related Concessions that has been extended until 30 June 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

The application of the amendments did not have a significant impact on the Group’s consolidated financial statements.

#### **Impact of the initial application of Interest Rate Benchmark Reform**

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

As a result of the Phase 2 amendments:

- When the contractual terms of the Group’s bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes.



## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.1 New and amended standards adopted by the Group (continued)

##### Impact of the initial application of Interest Rate Benchmark Reform (continued)

- When a lease is modified as a direct consequence of the interest rate benchmark reform and the new basis for determining the lease payments is economically equivalent to the previous basis, the Group remeasures the lease liability to reflect the revised lease payments discounted using a revised discount rate that reflects the change in the basis for determining the contractual cash flows.

The Group has exposure to contracts referencing IBORs, such as LIBOR, extending beyond year 2021, when these IBORs will cease being published. The majority of LIBOR are to be discontinued after 31 December 2021 and replaced with certain Alternative Benchmark Rates, with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023. As on 31 Dec 2021, Group has USD LIBOR based liabilities amounting to KD5,322 thousand which are yet to be transitioned.

The Group is managing the transition activities and continues to engage with lenders to support an orderly transition and to mitigate the risks resulting from the transition.

#### 4.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

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

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

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

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

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

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

##### IFRS 3 – Reference to the conceptual framework

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

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

##### IAS 1 Amendments - Classification of current or non-current

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

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

##### IAS 1 Amendments – Disclosure of accounting policies

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

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

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 provide an exemption from the *initial recognition exemption* provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

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

##### IAS 16 Amendments - Proceeds before intended use

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

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

##### Annual Improvements 2018-2020 Cycle

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

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

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

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

### 5 Summary of significant accounting policies

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. 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 interests
- 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
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

#### 5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.2 Business combinations (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interests in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

#### 5.3 Revenue recognition

Revenue arises from rendering of services, investing activities and real estate activities.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The Group recognises revenue from the following major sources:

##### 5.3.1 Rendering of services

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

###### *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

###### *Fee income from providing transaction services*

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.3 Revenue recognition (continued)

##### 5.3.2 Interest income

Interest income is reported on an accrual basis using the effective interest method.

##### 5.3.3 Dividend income

Dividend income, other than those from investment in associates, are recognised at the time the right to receive payment is established.

##### 5.3.4 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

##### 5.3.5 Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on completion of sale contract.

#### 5.4 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

#### 5.5 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised during the year of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

#### 5.6 Taxation

##### 5.6.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

##### 5.6.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the shareholders of the Parent Company after deducting directors' fees for the year. As per law, income from listed associates and cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

##### 5.6.3 Zakat

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

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

##### 5.6.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.7 Investment in associate

Associate is an entity over which the Group is able to exert significant influence but which is neither subsidiary nor joint venture. Investment in associate is initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associate.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its' associate are eliminated to the extent of the Group's interest in the entity. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associate and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under a separate heading in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

#### 5.8 Investment in joint venture

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities required unanimous consent of parties sharing control. A joint venture is a joint arrangement which by the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures as an investment and accounts for it using the equity method.

#### 5.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Properties under development also include properties that are being constructed or developed for future use as investment properties and are not depreciated.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.9 Investment properties (continued)

Investment properties are initially measured at cost, including transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are accounted for using the cost model whereby these investment properties are stated at cost less accumulated depreciation and impairment losses, if any. The Group depreciates its investment properties except lands and projects under development on the straight-line method over their expected useful lives of 37 - 50 years.

Investment properties are de-recognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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

#### 5.10 Equipment

Vehicles and other equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Vehicles and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of vehicles and other equipment.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of equipment.

The following useful lives are applied:

- Office equipment and software: 3 to 5 years
- Vehicles: 3 to 4 years
- Furniture and fixtures: 7 to 10 years
- Decorations: 7 years

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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

#### 5.11 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated financial position when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value. On initial recognition, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.11 Financial instruments (continued)

##### *5.11.1 Classification and Measurement 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 objective and in order to generate contractual cash flows. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on a number of observable factors such as:

- The stated policies and objectives for the financial assets and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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

- Financial assets carried at amortised cost
- Financial assets carried at fair value through profit or loss (FVTPL)
- Financial assets carried at fair value through other comprehensive income (FVOCI)

##### *Financial assets carried at Amortised cost:*

A financial asset is carried at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.11 Financial instruments (continued)

##### 5.11.1 Classification and Measurement of Financial assets (continued)

###### *Financial assets carried at Amortised cost: (continued)*

The Group's financial assets at amortised cost comprise of the followings:

- *Loans and advances*

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

- *Accounts receivable and other assets*

Receivables are stated at original invoice amount less allowance for any impairment.

- *Debt instruments*

Debt instruments classified at amortized cost represents investment in sukuk and loans given.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances, together with time deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

###### *Financial asset carried at FVTPL:*

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss when the rights to receive cash flows has been established.

###### *Equity instruments at FVOCI:*

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on subsequent measurement of these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in consolidated statement of profit or loss when the rights to receive cash flows 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 other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon derecognition cumulative change in fair value are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.11 Financial instruments (continued)

##### 5.11.1 Classification and Measurement of Financial assets (continued)

###### *Debt instruments at FVOCI:*

The Group measure debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVOCI are subsequently measured at fair value and gains and losses arising due to changes in fair value are recognised in other comprehensive income. Interest income and foreign exchange gains or losses are recognised in the consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss. The management of the Group classifies certain unquoted debt instruments under debt instruments at FVOCI.

###### *Foreign exchange gains and losses on financial assets:*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the fair value reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

###### *Impairment of Financial Assets:*

The Group computes Expected Credit Losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Loans to customers
- Bank balances and time deposits
- Accounts receivables and other financial assets

Equity investments are not subject to Expected Credit Losses.

###### *Impairment of loans to customers:*

Loans to customers granted by the Group consists of loans given to staff. Impairment on loans to customers 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.



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.11 Financial instruments (continued)

##### 5.11.1 Classification and Measurement of Financial assets (continued)

###### *Impairment of Financial Assets: (continued)*

Impairment of financial assets other than loans to customers:

The Group recognises ECL on investment in debt instruments measured at amortised cost or FVOCI and on balances and deposits with banks and accounts receivables.

###### **Expected Credit Losses**

The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

###### **Stage 1: 12 months ECL**

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

###### **Stage 2: Lifetime ECL – not credit impaired**

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

###### **Stage 3: Lifetime ECL – credit impaired**

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

###### *Determining the stage of impairment*

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

###### *Measurement of ECLs*

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.11 Financial instruments (continued)

##### 5.11.1 Classification and Measurement of Financial assets (continued)

###### *Measurement of ECLs (continued)*

The Group has applied simplified approach to impairment for trade and other receivables (represented by management fees and other dues from clients) as permitted under the standard. 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 debtors and the economic environment.

###### *Provision for credit losses in accordance with CBK instructions*

The Group is required to calculate provisions for credit losses on credit facilities (loans to customers) in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities 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.

A credit facility is classified as a bad loan (non-performing loan) when the interest or a principal instalment is past due more than 90 days, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. In addition to specific provisions, Expected Credit Loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instruction which is minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning. Past due and past due and impaired loans are managed and monitored as irregular facilities.

##### 5.11.2 Classification and Measurement of Financial Liabilities

The Group's financial liabilities include borrowings, accounts payable and other liabilities, bonds and derivatives financial instruments.

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

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

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated at FVTPL, are measured subsequently at amortised cost using the effective interest method. Accounts payable and other liabilities, borrowings and bonds issued are classified as financial liabilities measured subsequently at amortised cost.

###### *Accounts payable and other liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

###### *Borrowings:*

###### *Murabaha facilities*

Murabaha facilities represent amount payable on deferred settlement basis for assets purchases under murabaha arrangements. Murabaha facilities are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.11 Financial instruments (continued)

##### 5.11.2 Classification and Measurement of Financial Liabilities (continued)

- *Financial liabilities at amortised cost (continued)*

*Murabaha facilities (continued)*

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

*Bonds*

Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

***Foreign exchange gains and losses on financial liabilities:***

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss, for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

***Derecognition of financial assets and financial liabilities:***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

***Derivative financial instruments and hedge accounting:***

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both legal right and intention to offset.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in consolidated statement of profit or loss.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.11 Financial instruments (continued)

##### 5.11.2 Classification and Measurement of Financial Liabilities (continued)

- *Financial liabilities at amortised cost (continued)*

##### *Derivative financial instruments and hedge accounting: (continued)*

At the time the hedged item affects consolidated statement of profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

All derivative financial instruments are recognised in the consolidated statement of financial position as either assets (positive fair values) or liabilities (negative fair values).

Derivative financial instruments used by the Group include foreign exchange forwards contracts.

Note 35 sets out details of the fair values of the derivative instruments.

#### 5.12 Trade and settlement date accounting

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

#### 5.13 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

#### 5.14 Offsetting of financial instruments

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

#### 5.15 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 35.

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.16 Impairment testing of non-financial assets

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

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

#### 5.17 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwait Dinars.
- Fair value reserve – comprises gains and losses relating to financial assets which are categorised as financial assets at fair value through other comprehensive income.

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent Company are recorded separately within equity.

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

#### 5.18 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.19 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

#### 5.20 Foreign currency translation

##### 5.20.1 Foreign currency transactions

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

##### 5.20.2 Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to the consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

#### 5.21 End of service indemnity

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

## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.21 End of service indemnity (continued)

In addition to the end of service benefits with respect to its Kuwaiti national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

#### 5.22 Fiduciary assets

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

#### 5.23 Segment reporting

The Group has two operating segments: the asset management and investment banking. In identifying these operating segments, management generally follows the Group's service lines representing its main services. Each of these operating segments is managed separately as each requires different approaches and other resources.

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

#### 5.24 Non-current assets and liabilities classified as held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Any profit or loss arising from the sale of a non-current assets held for sale or its remeasurement to fair value less costs to sell is presented as part of a single line item in profit or loss.

#### 5.25 Leased assets

##### *The Group as a lessee*

For any new contracts entered into on or after 1 January 2021, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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



## Notes to the consolidated financial statements (continued)

### 5 Summary of significant accounting policies (continued)

#### 5.25 Leased assets (continued)

##### *The Group as a lessee (continued)*

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

##### Measurement and recognition of leases as a lessee

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

##### *Right-of-use asset*

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

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

##### *Lease liability*

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

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

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

#### 5.26 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss (FVTPL) when the financial liability is held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The transaction cost is recognised in profit or loss.

The Group classifies short sale liabilities as financial liabilities at FVTPL as these are held for trading purpose. Short sale liabilities arise when borrowed securities are sold in an anticipation of a decline in the market value of that securities.

## Notes to the consolidated financial statements (continued)

### **6 Significant management judgements and estimation uncertainty**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimations and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### **6.1 Significant management judgments**

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### **6.1.1 Business model assessment**

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.11). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

##### **6.1.2 Classification of real estate**

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

The Group classifies properties under development as Investment properties if it acquired with the intention of holding it to earn rental income or capital appreciation upon completion of the development.

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

##### **6.1.3 Control assessment**

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

##### **6.1.4 Structured entities**

The Group uses judgement in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Group identifies such entities as structured entities. After determining whether an entity is a structured entity, the Group determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10.

#### **6.2 Estimates uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

## Notes to the consolidated financial statements (continued)

### 6 Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.1 *Impairment of associate and joint venture*

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated company and joint venture, at each reporting date based on existence of any objective evidence that the investment in the associate and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

##### 6.2.2 *Impairment of financial assets*

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

##### 6.2.3 *Provision for credit losses*

The Group reviews its loans to customers on a regular basis to assess whether a provision for credit losses should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessary based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

##### 6.2.4 *Impairment of investment properties*

The Group reviews the carrying amounts of its investment properties to determine whether there is any indication that those assets have suffered an impairment loss or indication that an impairment loss previously recognised may no longer exist in accordance with accounting policies stated in note 5.9 & note 5.16. The recoverable amount of an asset is determined based on higher of fair value and value in use.

##### 6.2.5 *Depreciation of investment properties and equipment*

The Group's management determines the useful lives and related depreciation charges. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

##### 6.2.6 *Fair value of financial instruments*

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (refer note 35).

## Notes to the consolidated financial statements (continued)

### 7 Subsidiary companies

7.1 Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2021 %	31 Dec. 2020 %	
Mar-Gulf Management Inc.	USA	100.00	100.00	Assets management
Markaz First Management and Economic Consultancy Company – KSCC	Kuwait	94.94	95.00	Economic consultancy
Markaz Arabian Fund (note 7.1)	Bahrain	94.89	69.40	Investment Fund
Markaz Fixed Income Fund	Kuwait	80.65	80.65	Investment Fund
MDI Management Limited	Cayman Islands	66.66	66.66	Property management
MDI Ventures Ltd	Cayman Islands	50.00	50.00	Property management
Markaz Offshore I Ltd.	Cayman Islands	100.00	100.00	Investment
Marmore Mena Intelligence Private Limited	India	98.73	98.73	Consultancy
Aradi Development Limited	Cayman Islands	96.89	96.89	Real Estate
Markaz Real Estate Investment Company WLL	KSA	100.00	100.00	Real Estate
Rimal Venture Company WLL	Bahrain	100.00	100.00	Assets management
Arab Gulf Real Estate Development Company WLL	Kuwait	99.85	99.85	Real Estate
Bay View Real Estate Company WLL	Kuwait	99.85	99.85	Real Estate
Boardwalk International Real Estate Company WLL	Kuwait	99.85	99.85	Real Estate
Al Rihab Real Estate Development Company WLL	Kuwait	99.85	99.85	Real Estate
Al Bandriya Real Estate Company WLL	Kuwait	99.85	99.85	Real Estate
Azzuri Real Estate Co. WLL	Kuwait	100.00	100.00	Real Estate
Real Estate Options Co. LLC	UAE	100.00	100.00	Real Estate
Markaz European Development 1 SARL	Luxembourg	68.37	68.37	Real Estate
Markaz Development 3	Cayman Islands	62.64	62.64	Real Estate
Markaz Gulf Real Estate Fund (note 7.1)	Kuwait	50.38	48.45	Real Estate Fund

7.1.1 The ownership of Markaz Arabian Fund increased by 25.49% (31 December 2020: increased by 0.09%) and Markaz Gulf Real Estate Fund increased by 1.93% due to changes in units owned by non-controlling interests holders as a result of subscription and redemption of the fund's units. These changes in the ownership resulted in a net loss of KD786 thousand (31 December 2020: net loss of KD12 thousand) which was included in the consolidated statement of changes in equity.

#### 7.1.2 Consolidation of a fund

During the last year, the Group obtained the control in one of its real estate funds (Markaz Gulf Real Estate Fund) which was previously recognised as financial assets at FVTPL. Accordingly, during the year, the Group has consolidated financial statements of this fund in the consolidated financial statements of the Group, as of 31 December 2020.

## Notes to the consolidated financial statements (continued)

### 7 Subsidiary companies (continued)

7.1 Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:  
 (continued)

#### 7.1.2 Consolidation of a fund (continued)

Summarised financial information of the above newly consolidated subsidiary is as follows:

	KD'000
Fair value of the existing investments	9,599
Value of non-controlling interests	10,213
	19,812
<b>Less: recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	195
Investment properties	19,994
Accounts receivables and other assets	112
Accounts payable and other liabilities	(489)
	19,812
<b>Total identifiable net assets</b>	19,812
<b>Gain/(bargain purchase) on acquisition of subsidiary</b>	-

For the purpose of the consolidated statement of cash flows, the net cash inflow on acquisition of these subsidiaries is KD483 thousand. No impact to the consolidated statement of profit or loss from the above newly consolidated subsidiary since it's consolidated as of 31 December 2020.

The initial accounting for the business combination was completed during the last year based on acquisition-date fair values of the assets acquired and the liabilities assumed.

Markaz Gulf Real Estate Fund didn't recognised any revenue or expenses during the last year since it's consolidated as of 31 December 2020. If the acquisition had taken place on 1 January 2020, the Group revenue for the period would have been higher by KD1,049 thousand and loss would have been lower by KD1,404 thousand.

#### 7.2 Subsidiaries with material non-controlling interests

The Group includes four subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights		Profit/(loss)		Accumulated NCI	
	held by the NCI		allocated to NCI			
	31 Dec. 2021 %	31 Dec. 2020 %	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Arab Gulf Real Estate Development Company WLL	0.15	0.15	700	165	5,327	4,514
Bay View Real Estate Company WLL	0.15	0.15	385	(877)	5,210	4,638
Al Rihab Real Estate Development Company WLL	0.15	0.15	185	102	4,017	4,274
Markaz Arabian Fund	5.11	30.60	150	(91)	557	3,643
Markaz Gulf Real Estate Fund	49.62	51.55	315	-	9,243	10,214
Individually immaterial subsidiaries with non-controlling interests			6	25	6,875	7,285
			1,741	(676)	31,229	34,568

KD883 thousand was paid as dividend to the NCI during the year (31 December 2020: KD177 thousand).



## Notes to the consolidated financial statements (continued)

### 7 Subsidiary companies (continued)

#### 7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 Dec. 2021				31 Dec. 2020				
	Arab Gulf Real Estate KD '000	Bay View Real Estate KD '000	Al Rihab Real Estate KD '000	Markaz Arabian Fund KD '000	Markaz Arabian Fund KD '000	Al Rihab Real Estate KD '000	Bay View Real Estate KD '000	Arab Gulf Real Estate KD '000	Markaz Real Estate Fund KD '000
Non-current assets	10,207	15,199	9,436	-	14,394	15,559	9,620	-	19,994
Current assets	1,165	620	338	11,113	1,483	478	728	11,966	957
<b>Total assets</b>	<b>11,372</b>	<b>15,819</b>	<b>9,774</b>	<b>11,113</b>	<b>15,877</b>	<b>16,037</b>	<b>10,348</b>	<b>11,966</b>	<b>20,951</b>
Liabilities	(440)	(8,362)	(396)	(210)	(6,361)	(8,411)	(260)	(61)	(1,138)
<b>Total liabilities</b>	<b>(440)</b>	<b>(8,362)</b>	<b>(396)</b>	<b>(210)</b>	<b>(6,361)</b>	<b>(8,411)</b>	<b>(260)</b>	<b>(61)</b>	<b>(1,138)</b>
Equity attributable to the owners of the Parent Company	5,605	2,247	5,361	10,346	5,002	2,988	5,814	8,262	9,599
Non-controlling interests (including shareholder loans)	5,327	5,210	4,017	557	4,514	4,638	4,274	3,643	10,214
<b>Total equity</b>	<b>10,932</b>	<b>7,457</b>	<b>9,378</b>	<b>10,903</b>	<b>9,516</b>	<b>7,626</b>	<b>10,088</b>	<b>11,905</b>	<b>19,813</b>

## Notes to the consolidated financial statements (continued)

### 7 Subsidiary companies (continued)

#### 7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 Dec. 2021				31 Dec. 2020				
	Arab Gulf Real Estate KD '000	Bay View Real Estate KD '000	Al Rihab Real Estate KD '000	Markaz Arabian Fund KD '000	Markaz Gulf Real Estate Fund KD '000	Arab Gulf Real Estate KD '000	Bay View Real Estate KD '000	Al Rihab Real Estate KD '000	Markaz Arabian Fund KD '000
<b>Revenue</b>	1,014	414	684	3,409	1,341	1,811	611	518	(54)
Profit/(loss) for the year attributable to the owners of the Parent Company	736	166	244	2,780	321	175	(388)	137	(205)
Profit/(loss) for the year attributable to NCI	700	385	185	150	315	165	(877)	102	(91)
<b>Profit/(loss) for the year</b>	1,436	551	429	2,930	636	340	(1,265)	239	(296)
Total other comprehensive (loss)/income	(19)	(6)	(27)	9	(25)	3	5	9	3
<b>Total comprehensive income/(loss) for the year</b>	1,417	545	402	2,939	611	343	(1,260)	248	(293)
Total comprehensive income/(loss) for the year attributable to the owners of the Parent Company	726	164	229	2,789	308	177	(387)	142	(203)
Total comprehensive income/(loss) for the year attributable to NCI	691	381	173	150	303	166	(873)	106	(90)
<b>Total comprehensive income/(loss) for the year</b>	1,417	545	402	2,939	611	343	(1,260)	248	(293)
Net cash from/(used in) operating activities	113	(153)	604	3,727	(5,313)	407	(183)	452	(778)
Net cash from/(used in) investing activities	5,211	1,144	-	-	7,183	978	(116)	(6)	-
Net cash (used in)/from financing activities	(5,596)	(864)	(1,012)	(3,911)	(1,634)	(390)	313	(76)	(14)
<b>Net cash (outflow)/inflow</b>	(272)	127	(408)	(184)	236	995	14	370	(792)

## Notes to the consolidated financial statements (continued)

### 8 Interest income

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
On financial assets at amortised cost:		
- Time deposits	40	20
- Loans to customers	10	12
- Investments carried at amortised cost	174	217
On financial assets at fair value through profit or loss	228	266
On investments at fair value through OCI	25	37
	<b>477</b>	<b>552</b>

### 9 Management fees and commission income

Management fees and commission relate to income arising from the Group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory services.

### 10 Gain/(loss) from financial assets at fair value through profit or loss

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Change in fair value of financial assets at fair value through profit or loss	13,370	(1,820)
Gain/(loss) on sale of financial assets at fair value through profit or loss	2,127	(257)
	<b>15,497</b>	<b>(2,077)</b>

### 11 General and administrative expenses

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
Staff costs	6,128	4,788
Depreciation and amortisation	1,922	1,628
Other expenses	3,380	3,641
	<b>11,430</b>	<b>10,057</b>

### 12 Finance costs

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
On financial liabilities at amortised cost:		
- Bonds issued	2,072	1,172
- Bank borrowings	558	1,449
- Related party borrowing	-	8
- Lease Liabilities	25	29
	<b>2,655</b>	<b>2,658</b>

## Notes to the consolidated financial statements (continued)

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

Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company is calculated by dividing the profit/(loss) for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding and in issue during the year (excluding treasury shares).

	Year ended 31 Dec. 2021	Year ended 31 Dec. 2020
Profit/(loss) for the year attributable to the owners of the Parent Company (KD '000)	14,988	(1,715)
Weighted average number of shares outstanding and in issue during the year (excluding treasury shares)	478,201,747	478,201,747
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	31 Fils	(4) Fils

### 14 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following accounts:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Cash and bank balances	10,497	9,951
Time deposits	106	9,483
	10,603	19,434
Due to banks	(457)	(649)
Less: Time deposits maturing after three months	(99)	(60)
Cash and cash equivalent for the purpose of consolidated statement of cash flows	10,047	18,725

The Group's time deposits carry an average effective interest rate of 0.84% (31 December 2020: 1.14%) per annum.

The total unsecured overdraft facilities available to the Group from local commercial banks which carries interest rate at 1.50% to 2.25% above Central Bank of Kuwait discount rate were KD5,000 thousand (31 December 2020: KD5,500 thousand) out of which the Group has drawn an amount of KD457 thousand as at 31 December 2021 (31 December 2020: KD649 thousand).

### 15 Accounts receivable and other assets

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Management fees and commission receivable	3,093	2,306
Prepayments and advances	695	583
Interest receivable	120	107
Insurance claim receivable (note 38)	1,345	1,980
Other receivables	1,500	1,687
	6,753	6,663

## Notes to the consolidated financial statements (continued)

### 15 Accounts receivable and other assets (continued)

The average credit period on management fees and commission receivable is 30-90 days. No interest is charged on outstanding receivables. Receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

Management fees and commission receivable comprise of:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Neither past due nor impaired	2,269	1,403
Past due but not impaired	824	903
	<b>3,093</b>	<b>2,306</b>

Aging of past due but not impaired balances:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
0 to 90 days	265	370
90 to 180 days	51	89
Above 180 days	508	444
	<b>824</b>	<b>903</b>

The Group has determined that the ECL allowance for management fees and commission receivable from clients and other receivables that are financial assets is not material.

### 16 Loans to customers

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Personal loans*	1,115	994
Provision for credit losses	(490)	(489)
	<b>625</b>	<b>505</b>

\*The interest rate on personal loans ranged from 1.50% to 10.00% (31 December 2020: 1.50% to 10.00%) per annum. All loans are denominated in KD or US Dollars.

The maturity profile of loans to customers is as follows:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Between one month and six months	-	3
Between six months and one year	13	10
Over one year	618	497
Non-performing loans	484	484
	<b>1,115</b>	<b>994</b>



## Notes to the consolidated financial statements (continued)

### 16 Loans to customers (continued)

Provision for credit losses is made in accordance with Central Bank of Kuwait requirements. The total non-performing loans which have been fully provided amounts to KD484 thousand (31 December 2020: KD484 thousand). The remaining loans to customers of KD631 thousand are performing and are to staff where their indemnity balances exceed the loans balances outstanding.

### 17 Financial assets at fair value through profit or loss

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Local quoted securities	2,627	3,844
Foreign quoted securities	21,575	18,958
Local managed funds	48,150	38,645
Foreign managed funds	13,540	13,528
Fixed income securities	5,328	5,066
Equity participation	20,398	10,060
	<b>111,618</b>	<b>90,101</b>

The interest rates on fixed income securities range from 2.625% to 7.625% (31 December 2020: 2.375% to 7.625%) per annum.

### 18 Financial assets at amortised cost

This represent foreign debt instruments amounting to KD2,167 thousand (31 December 2020: KD136 thousand) carrying interest rate ranged from 8% to 13% per annum (31 December 2020: 13% per annum). During the year, an investment in sukuk, a debt instrument carrying profit rate of 2% above Central Bank of Kuwait discount rate was fully redeemed (31 December 2020: KD4,852 thousand).

### 19 Investment in associate and joint venture

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Investment in associate	1,764	1,610
Investment in joint venture	1,111	1,805
	<b>2,875</b>	<b>3,415</b>

19.1 The details of the Group's investment in associate and joint venture are as follows:

Company name	Investment classification	Principal Activities	Place of incorporation	31 Dec. 2021 %	31 Dec. 2020 %
First Equilease for Equipment and Transportation Company-KSCC (Unquoted)	Investment in associate	Transportation and Renting	Kuwait	17.24	17.24
MZES Gayrimenkul Alim Satim Company (Unquoted)	Investment in joint venture	Real Estate	Turkey	50	50

## Notes to the consolidated financial statements (continued)

### 19 Investment in associate and joint venture (continued)

19.2 The movement of investment in associate and joint venture during the year are as follows:

	First Equilease		MZES	
	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Carrying value at the beginning of the year	1,610	1,704	1,805	1,890
Additions during the year	-	-	-	38
Share of results of associate/joint venture	156	(94)	(145)	1
Share of other comprehensive loss	(2)	-	(549)	(124)
	<b>1,764</b>	<b>1,610</b>	<b>1,111</b>	<b>1,805</b>
Non-current assets	873	818	2,062	3,362
Current assets	9,828	8,958	168	251
Non-current liabilities	(75)	(78)	-	-
Current liabilities	(112)	(81)	(8)	(3)
Non-controlling interests	(281)	(277)	-	-
<b>Equity attributable to the owners of the Parent Company</b>	<b>10,233</b>	<b>9,340</b>	<b>2,222</b>	<b>3,610</b>
Revenue	1,897	764	-	-
Profit/(loss) for the year	906	(545)	(290)	2
Other comprehensive loss for the year	(7)	-	(1,098)	(248)

Reconciliation of the above summarised financial information of the associate and joint venture with the carrying amount in the consolidated statement of financial position is given below:

	First Equilease		MZES	
	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Net assets of the associate and joint venture	10,233	9,340	2,222	3,610
Group's ownership interest	17.24%	17.24%	50%	50%
Group's share of net assets	1,764	1,610	1,111	1,805
Carrying amount	<b>1,764</b>	<b>1,610</b>	<b>1,111</b>	<b>1,805</b>

The Group has accounted for its share of results of associate and joint venture using unaudited management accounts as at 31 December 2021.

The above associate and joint venture are private companies therefore quoted market prices are not available.

## Notes to the consolidated financial statements (continued)

### 20 Investment properties

The movement in investment properties is as follows:

	Free hold lands KD'000	Projects under development KD'000	Lands & buildings KD'000	Total KD'000
<b>31 December 2021</b>				
<b>Cost</b>				
At 1 January 2021	4,081	3,812	69,554	77,447
Additions	-	8,216	135	8,351
Disposals	-	-	(7,086)	(7,086)
Transfer to assets held for sale	(2,090)	-	-	(2,090)
(Impairment)/reversal charged (net)	(237)	-	1,959	1,722
Foreign currency adjustment	(21)	(9)	(166)	(196)
At 31 December 2021	1,733	12,019	64,396	78,148
<b>Accumulated depreciation</b>				
At 1 January 2021	-	-	(2,046)	(2,046)
Charge for the year	-	-	(1,254)	(1,254)
Relating to disposals	-	-	237	237
Foreign currency adjustment	-	-	7	7
At 31 December 2021	-	-	(3,056)	(3,056)
<b>Net book value</b>				
At 31 December 2021	1,733	12,019	61,340	75,092

The movement in investment properties is as follows (continued):

	Free hold lands KD'000	Projects under development KD'000	Lands & buildings KD'000	Total KD'000
<b>31 December 2020</b>				
<b>Cost</b>				
At 1 January 2020	3,996	1,810	50,598	56,404
Additions	-	258	-	258
Result of consolidation of SPV	-	3,812	-	3,812
Result of consolidation of fund (refer note 7.1.2)	-	-	19,994	19,994
Transfers	-	(2,068)	2,068	-
Disposals	-	-	(1,025)	(1,025)
Impairment	(11)	-	(2,061)	(2,072)
Foreign currency adjustment	96	-	(20)	76
At 31 December 2020	4,081	3,812	69,554	77,447
<b>Accumulated depreciation</b>				
At 1 January 2020	-	-	(1,148)	(1,148)
Charge for the year	-	-	(933)	(933)
Relating to disposals	-	-	35	35
At 31 December 2020	-	-	(2,046)	(2,046)
<b>Net book value</b>				
At 31 December 2020	4,081	3,812	67,508	75,401

## Notes to the consolidated financial statements (continued)

### 20 Investment properties (continued)

At 31 December 2021, the fair value of the investment properties is KD92,727 thousand (31 December 2020: KD82,455 thousand). Investment properties were revalued by independent evaluators using number of assumptions, including estimated rental revenues, capitalization yields, historical transactions, market knowledge, occupancy rates and cost of construction. The fair value is classified under level 2. In estimating the fair value of investment properties, the highest and best use as their current use. There has been no change to the valuation technique during the year.

During the year, the Group recognised a net reversal of impairment losses of KD1,722 thousand (31 December 2020: impairment loss KD2,072 thousand) in respect of certain investment properties.

During the year, the Group sold certain investment properties in GCC for aggregate sale consideration of KD7,183 thousand and realised a gain of KD334 thousand.

During the year, the Group has transferred one of its investment properties with a carrying value of KD2,090 thousand to assets held for sale category, upon meeting the criteria for recognition as non-current assets held for sale. The Group recognised an impairment losses of KD237 thousand in respect of this investment property when transferred to assets held for sale. Subsequently the Group sold this property for sale consideration of KD2,228 thousand and realised a gain of KD138 thousand.

The rental income earned from the investment properties amounts to KD4,600 thousand (31 December 2020: KD3,300 thousand) and related direct operating expenses incurred amounts to KD1,121 thousand (31 December 2020: KD872 thousand).

Investment properties with a carrying value of KD31,125 thousand (31 December 2020: KD23,158 thousand) are secured against bank borrowings (note 22).

The Groups investment properties are located as below:

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
North America	12,019	3,812
GCC	63,073	71,589
	<b>75,092</b>	<b>75,401</b>

### 21 Accounts payable and other liabilities

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Accrued expenses	4,913	2,776
Post-employment benefits	3,718	3,495
Dividend payable	399	446
Payable to contractors	1,303	606
Lease liability	1,159	353
Other liabilities	3,585	2,623
	<b>15,077</b>	<b>10,299</b>

## Notes to the consolidated financial statements (continued)

### 22 Bank borrowings

This represents following bank borrowings:

- a. Unsecured loans facilities amounting to KD15,000 thousand obtained from local commercial banks carry an interest rate of 2% above Central Bank of Kuwait discount rate (31 December 2020: KD14,000 thousand). Outstanding balance of these facilities as of 31 December 2021 amounted to KD9,000 thousand (31 December 2020: Nil).
- b. Two unsecured Murabaha facilities amounting to KD10,000 thousand obtained from local Islamic banks with a profit rate of 1.75% to 2% above Central Bank of Kuwait discount rate. Outstanding balance of these facilities as at 31 December 2021 amounted to KD1,500 thousand (31 December 2020: Nil). Also, one unsecured Murabaha facility of USD20,000 thousand equivalents to KD6,050 thousand was obtained from a local Islamic bank with a profit rate of 2% above 6 months LIBOR. No facility availed as of 31 December 2021 (31 December 2020: Nil).
- c. Two secured loan facilities amounting to AED142,350 thousand equivalents to KD11,725 thousand obtained from a foreign commercial bank which carry an interest rate of 2.75% above 3 month EIBOR. Outstanding balance of these loan facilities as at 31 December 2021 amounted to AED114,819 thousand equivalents to KD9,458 thousand (31 December 2020: AED126,448 thousand equivalents to KD10,442 thousand). These facilities are secured by certain foreign investment properties.
- d. An unsecured loan facility amounting to USD18,500 thousand equivalents to KD5,596 thousand obtained from a local commercial bank carrying interest rate of 2.75% above 3 months LIBOR was settled during the year and the facility was closed (31 December 2020: USD18,500 thousand equivalent KD5,610 thousand).
- e. A revolving credit facility amounting to USD10 million equivalents to KD3,025 thousand was approved from a foreign commercial bank which carries an interest rate of 1.52% per annum. Outstanding balance of this loan facility as at 31 December 2021 amounted to US120 thousand equivalents to KD36 thousand (31 December 2020: Nil).
- f. A secured loan facility amounting to USD37,161 thousand equivalents to KD11,241 thousand obtained by a foreign subsidiary from a foreign commercial bank for which carry an interest rate of 2.38% above 1 month LIBOR. Outstanding balance of this loan facility as at 31 December 2021 amounted to USD17,476 thousand equivalents to KD5,286 thousand (31 December 2020: Nil). This facility is secured by certain foreign investment properties.
- g. An unsecured loan facility of USD16,585 thousand equivalents to KD5,017 thousand obtained from a local commercial bank carrying an interest rate of 2.75% above 3 months LIBOR repayable on every 9 months was settled during the year and the facility was closed (31 December 2020: USD16,585 thousand equivalents to KD5,029 thousand).

#### Reconciliation of liabilities arising from financing activities

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Opening balance	21,081	41,632
Proceeds from bank borrowings	15,823	5,919
Repayment of bank borrowings	(11,600)	(26,480)
Effect of change in foreign exchange rates	(24)	10
Closing balance	<b>25,280</b>	21,081



## Notes to the consolidated financial statements (continued)

### 23 Bonds issued

- a) On 26 December 2016, the Parent Company issued unsecured debenture bonds in the principle amount of KD25,000 thousand as follows:
- KD13,550 thousand with a fixed rate of 5% payable quarterly in arrears maturing on 26 December 2021. On 20 December 2020 the Parent Company repurchased an amount of KD4,750 thousand out of these bonds. On 26 December 2021 the Parent Company repaid the outstanding balance of KD8,800 thousand upon maturity (31 December 2020: KD13,350 thousand).
  - KD11,450 thousand with variable rate of 2.25%, above Central Bank of Kuwait Discount rate, which is payable quarterly in arrears maturing on 26 December 2021. On 20 December 2020 the parent Company repurchased an amount of KD10,900 thousand out of these bonds. On 26 December 2021 the parent Company repaid KD550 thousand upon maturity (31 December 2020: KD11,450 thousand).
- b) On 20 December 2020, the Parent Company issued unsecured debenture bonds in the principle amount of KD35,000 thousand as follows:
- KD17,500 thousand with a fixed rate of 4.75% payable quarterly in arrears maturing on 20 December 2025.
  - KD17,500 thousand with variable rate of 3%, above Central Bank of Kuwait Discount rate, capped at 5.5%, which is payable quarterly in arrears maturing on 20 December 2025.

### 24 Share capital and share premium

- a) Share capital

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Authorised: 480,801,747 shares of 100 Kuwaiti Fils each	48,080	48,080
Issued and fully paid: 480,801,747 shares of 100 Kuwaiti Fils each	48,080	48,080

- b) Share premium

Share premium is not available for distribution.

### 25 Treasury shares

	31 Dec. 2021	31 Dec. 2020
Number of shares	2,600,000	2,600,000
Percentage of issued shares	0.54%	0.54%
Market value (KD '000)	471	213
Cost (KD'000)	260	260

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

## Notes to the consolidated financial statements (continued)

### 26 Reserves

The Companies Law and the Parent Company's Articles of Association require 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the statutory reserve. The shareholders of the Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital.

Distribution of statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

According to the Parent Company's Articles of Association and the Companies Law, 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

No transfer to reserves is required in a year in which the Group has incurred a loss or where cumulative losses exist.

### 27 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
<b>Balance at 1 January 2021</b>	88	258	346
<i>Financial assets at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the year	(88)	-	(88)
Exchange differences arising on translation of foreign operations	-	(266)	(266)
Share of other comprehensive loss of associate and joint venture	-	(551)	(551)
<b>Total other comprehensive loss</b>	<b>(88)</b>	<b>(817)</b>	<b>(905)</b>
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>(559)</b>	<b>(559)</b>
<b>Balance at 1 January 2020</b>	(174)	371	197
<i>Financial assets at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the year	262	-	262
Exchange differences arising on translation of foreign operations	-	11	11
Share of other comprehensive loss of associate and joint venture	-	(124)	(124)
<b>Total other comprehensive income/(loss)</b>	<b>262</b>	<b>(113)</b>	<b>149</b>
<b>Balance at 31 December 2020</b>	<b>88</b>	<b>258</b>	<b>346</b>

### 28 Proposed dividends and Annual General Assembly

The Board of Directors of the Parent Company has proposed a cash dividend of 10 Fils per share amounting to KD4,782 thousand and bonus shares of 5% (5 shares for every 100 shares) for the year ended 31 December 2021. The proposed dividend and bonus shares are subject to the approval of shareholders at the Parent Company's Annual General Assembly.

The shareholders of the Parent Company at the Annual General Assembly held on 22 March 2021 approved the consolidated financial statements of the Group for the year ended 31 December 2020 and approved the Board of Directors proposal of not to distribute any dividend for the year ended 31 December 2020.

Also, refer note 29 about the key management compensation.

## Notes to the consolidated financial statements (continued)

### 29 Related party transactions

Related parties represent associate, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entered into the following transactions with related parties.

	Year ended 31 Dec. 2021 KD '000	Year ended 31 Dec. 2020 KD '000
<b>Transactions included in the consolidated statement of profit or loss:</b>		
Interest income on loans to customers	2	4
Interest income on financial assets at amortised cost	70	23
Management fees and commission	6,543	5,547
Finance costs	-	(8)
	<b>Year ended 31 Dec. 2021 KD '000</b>	<b>Year ended 31 Dec. 2020 KD '000</b>
<b>Key management compensation:</b>		
Salaries and other short-term benefits (note 29 c)	1,159	801
End of service benefits	93	141
Audit committee fees	15	15
Board of Directors' remuneration (note 29 b)	175	-
	<b>1,442</b>	<b>957</b>

- a) Pursuant to decision issued by the Capital Markets Authority of Kuwait Disciplinary Board, the Parent Company collected back 2019 bonus paid in 2020 from all key management personnel except those who had retired prior to the decision. Thereafter, the Annual General Assembly held on 22 March 2021 approved 2019 bonus amounting to KD482 thousand to the key management personnel. Accordingly, the Parent Company has paid the approved bonus to the key management personnel during the year. Consequently, there is no impact on the audited consolidated financial statement for the year ended 31 December 2021.
- b) Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a total amount of KD175 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2021.
- c) Salaries and other short-term benefits include provision for variable compensation which may slightly vary from the amounts included above between the date of issuance of these financial statements and the date of 2021 Annual General Meeting date. The amount of variation is not expected to be material.

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
<b>Balances included in the consolidated statement of financial position:</b>		
Loans to customers	81	127
Financial assets at amortised cost	2,167	136
Accounts receivable and other assets	2,478	1,717
Accounts payable and other liabilities	1,464	1,596

Related party contingent liabilities KD24 thousand.

## Notes to the consolidated financial statements (continued)

### 30 Segmental information

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

The Group's business segments are summarised into Asset Management and Investment Banking.

Asset Management segment includes GCC and MENA investments, International investments, Private equity and Real Estate.

Investment Banking segment includes Corporate finance & advisory, Oil and gas, Treasury, Loans and structured finance and derivatives.

The revenues and profits generated from, and assets and liabilities allocated to, Group's business segments are as follows:

	Asset Management		Investment Banking		Total	
	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Segment revenue	28,555	10,525	2,087	2,636	30,642	13,161
Segment result	17,352	(3,043)	258	652	17,610	(2,391)
Provisions for KFAS, NLST, Zakat and Board of Directors' remuneration	(696)	-	(185)	-	(881)	-
Profit/(loss) for the year	16,656	(3,043)	73	652	16,729	(2,391)
Total assets	194,193	173,115	17,373	29,058	211,566	202,173
Total liabilities	66,281	64,576	9,533	11,803	75,814	76,379
Interest income	136	104	341	448	477	552
Finance costs	(2,501)	(2,270)	(154)	(388)	(2,655)	(2,658)
Depreciation and amortisation	(1,442)	(1,211)	(480)	(417)	(1,922)	(1,628)
Reversal/(impairment) of investment properties (net)	1,722	(2,072)	-	-	1,722	(2,072)
Purchase of equipment	(46)	(57)	(116)	(210)	(162)	(267)
Addition to investment properties	(8,351)	(258)	-	-	(8,351)	(258)

Segment income above represents income generated from external customers. There was no inter-segment income during the year and previous year.

For the purposes of monitoring segment performance and allocating resources between segments:

- There are no assets used jointly by any reportable segment.
- There are no liabilities for which any segment is jointly liable

### 31 Fiduciary accounts

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2021 amounted to KD1,041,187 thousand (31 December 2020: KD978,666 thousand) which includes related party assets under management at 31 December 2021 amounted to KD457,330 thousand (31 December 2020: KD388,034 thousand). The Group earned management fee of KD8,789 thousand (31 December 2020: KD7,519 thousand) from the asset management activities.

## Notes to the consolidated financial statements (continued)

### 32 Commitments

	31 Dec. 2021 KD '000	31 Dec. 2020 KD '000
Commitments for purchase of investments	1,686	2,073
Commitments for investment properties	6,681	14,600
Unsold borrowed equity securities	2,260	-
Commitments to related party	24	-
	<b>10,651</b>	<b>16,673</b>

### 33 Forward foreign exchange contracts

The contractual amounts of out-standing derivative instruments together with the fair value are as follows:

	31 Dec.2021		31 Dec.2020	
	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000
Forward foreign exchange contracts	10,617	(31)	10,665	101

### 34 Risk management objectives and policies

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

The Board of Directors of the Parent Company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The Group's risk management is carried out by the central risk management function and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

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

#### 34.1 Market risk

##### a) Foreign currency

The Group mainly operates in the GCC, USA and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Saudi Riyals, Euro and others. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.



## Notes to the consolidated financial statements (continued)

### 34 Risk management objectives and policies (continued)

#### 34.1 Market risk (continued)

##### a) Foreign currency (continued)

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

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
US Dollar	49,756	40,855
Saudi Riyals	4,902	4,811
Euro	13,604	5,172
Others	2,109	1,904

Foreign currency sensitivity is determined based on 2% (31 December 2020: 2%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit/(loss) for the year:

	31 Dec. 2021		31 Dec. 2020	
	+ 2% KD'000	- 2% KD'000	+ 2% KD'000	- 2% KD'000
Profit/(loss) for the year	(1,397)	1,397	(1,045)	1,045

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

##### b) Interest and profit rate risk

Interest and profit rate risk arise from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest and profit rate risk principally on its deposits, investments, bonds and bank borrowings which carry interest and profit at commercial rates. The Board has established levels of interest and profit rate risk by setting limits on the interest and profit rate gaps for stipulated periods.

Interest and profit rate sensitivity is determined based on 1% (31 December 2020: 1%) increase or decrease in interest and profit rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If Interest and profit rate had increased/decreased assuming the sensitivity given in the table below, then this would have the following impact on the profit/(loss) for the year:

	31 Dec. 2021		31 Dec. 2020	
	+ 1% KD'000	- 1% KD'000	+ 1% KD'000	- 1% KD'000
Profit/(loss) for the year	(305)	305	(495)	495

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

## Notes to the consolidated financial statements (continued)

### 34 Risk management objectives and policies (continued)

#### 34.1 Market risk (continued)

##### c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, USA, and GCC. Equity investments are classified as “financial assets at fair value through profit or loss”.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the Group. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 2% higher/lower, the effect on the profit/(loss) for the year would have been as follows:

	Profit/(loss) for the year	
	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Financials assets at fair value through profit or loss	±484	±456

The Group’s sensitivity to equity price risk in regards to its unquoted investments cannot be reliably determined due to numerous uncertainties and non-available of reliable information to determine future price of such investments.

#### 34.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group’s exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Bank balances	10,496	9,949
Time deposits	106	9,483
Accounts receivable and other assets (excluding prepayment and advance payments)	6,058	6,080
Loans to customers	625	505
Financial assets at fair value through other comprehensive income	-	410
Financial assets at amortised cost	2,167	4,988
	<b>19,452</b>	<b>31,415</b>

## Notes to the consolidated financial statements (continued)

### 34 Risk management objectives and policies (continued)

#### 34.2 Credit risk (continued)

Except for certain receivables and loans to customers referred to in note 15 and 16, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Further details in relation to credit risk of receivables and loans to customers are disclosed in note 15 and 16 respectively. The Group's financial assets measured at amortised cost comprised of mortgaged note receivables and sukuk which are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. However, the ECL provision on these balances are not material to the Group's consolidated financial statements. The credit risk for bank balances and time deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality and no history of default. Based on management 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.

Information on other significant geographical concentrations of credit risk is set out in note 34.3.

#### 34.3 Concentration of assets

The Group operates in different geographical areas. The distribution of financial assets which is exposed to credit risk by geographic region is as follows:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD '000
Kuwait	10,406	21,907
North America	5,050	3,517
GCC	3,057	4,822
Europe	806	1,082
Others	133	87
	<b>19,452</b>	<b>31,415</b>

#### 34.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## Notes to the consolidated financial statements (continued)

### 34 Risk management objectives and policies (continued)

#### 34.4 Liquidity risk (continued)

	Upto 1 month KD'000	Upto 1-3 months KD'000	3-12 months KD'000	Above 1 year KD'000	Total KD'000	Weighted average effective interest/profit rate %
<b>31 December 2021</b>						
<b>Financial liabilities</b>						
Due to banks	457	-	-	-	457	
Accounts payable and other liabilities	3,010	5,188	2,240	921	11,359	
Bank borrowings	6,598	4,137	373	16,313	27,421	1.52%to3.5%
Bonds issued	-	405	1,214	39,856	41,475	4.5%to4.75%
	10,065	9,730	3,827	57,090	80,712	
<b>31 December 2020</b>						
<b>Financial liabilities</b>						
Due to banks	649	-	-	-	649	
Accounts payable and other liabilities	2,472	2,085	2,181	66	6,804	
Bank borrowings	205	218	1,056	22,733	24,212	2.98%to3.2%
Bonds issued	-	521	10,911	41,475	52,907	4.25%to5%
	3,326	2,824	14,148	64,274	84,572	

Maturity profile of assets and liabilities at 31 December 2021:

	Within 1 year KD'000	Over 1 year KD'000	Total KD'000
<b>Assets</b>			
Cash and bank balances	10,497	-	10,497
Time deposits	23	83	106
Accounts receivable and other assets	6,225	528	6,753
Loans to customers	13	612	625
Financial assets at fair value through profit or loss	111,618	-	111,618
Financial assets at amortised cost	-	2,167	2,167
Investment in associate and joint venture	-	2,875	2,875
Investment properties	-	75,092	75,092
Right of use assets	-	1,104	1,104
Equipment	-	729	729
	128,376	83,190	211,566
<b>Liabilities</b>			
Due to banks	457	-	457
Accounts payable and other liabilities	10,438	4,639	15,077
Bank borrowings	10,649	14,631	25,280
Bonds issued	-	35,000	35,000
	21,544	54,270	75,814

## Notes to the consolidated financial statements (continued)

### 34 Risk management objectives and policies (continued)

#### 34.4 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2020:

	Within 1 year KD'000	Over 1 year KD'000	Total KD'000
<b>Assets</b>			
Cash and bank balances	9,951	-	9,951
Time deposits	9,483	-	9,483
Accounts receivable and other assets	6,636	27	6,663
Loans to customers	13	492	505
Financial assets at fair value through profit or loss	90,101	-	90,101
Financial assets at fair value through other comprehensive income	-	410	410
Financial assets at amortised cost	-	4,988	4,988
Investment in associate and joint venture	-	3,415	3,415
Investment properties	-	75,401	75,401
Right of use assets	-	328	328
Equipment	-	928	928
	116,184	85,989	202,173
<b>Liabilities</b>			
Due to banks	649	-	649
Accounts payable and other liabilities	6,739	3,560	10,299
Bank borrowings	850	20,231	21,081
Bonds issued	9,350	35,000	44,350
	17,588	58,791	76,379

#### 34.5 Structured entities (Special Purpose Vehicle)

The Group has created certain Special Purpose Vehicles (SPVs) for the Group's asset management activities. These SPVs are used to raise funds from the Group's clients on the basis of product offering documents with eventual objectives of investments in specified asset classes as defined in the offering documents of the SPVs. These SPVs are managed on a fiduciary basis by the Group's asset management teams and as the Group does not control these SPVs as at the reporting date in accordance with the definition of control in IFRS 10, these SPVs are not consolidated into the Group's consolidated financial statements.

The Group's investments in SPV are subject to the terms and conditions of the respective SPV's offering documentation and, are susceptible to market price risk arising from uncertainties about future values of SPV's underlying assets.

The exposure to investments in SPVs at fair value, by strategy employed, is disclosed in the following table.

These investments are included in financial assets at fair value through profit or loss in the statement of consolidated financial position.

Funding Strategy	Type of activities	Number of SPVs	Fair value of Group's investment in SPVs KD '000	% of Net asset attributable to Group
Equity	Investment in real estate	16 (31 December 2020: 11)	15,688 (31 December 2020: 6,217)	24.33% (31 December 2020: 14.93%)



## Notes to the consolidated financial statements (continued)

### 35 Fair value measurement and summary of financial assets & liabilities by category

#### 35.1 Categories of financial assets and liabilities

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

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
<b>Financial assets:</b>		
<i>Financial assets at amortised cost:</i>		
- Cash and bank balances	10,497	9,951
- Time deposits	106	9,483
- Accounts receivable and other assets (excluding prepayment and advance payments)	6,058	5,979
- Loans to customers	625	505
- Financial assets carried at amortised cost	2,167	4,988
<i>Financial assets at fair value through profit or loss</i>	111,618	90,101
<i>Financial assets at fair value through other comprehensive income</i>	-	410
<i>Forward foreign exchange contracts</i>		
- At fair value (included under accounts receivables and other assets)	-	101
<b>Total financial assets</b>	<b>131,071</b>	<b>121,518</b>
<b>Financial liabilities:</b>		
<i>Financial liabilities at amortised cost:</i>		
- Due to banks	457	649
- Accounts payable and other liabilities	11,328	6,804
- Bank borrowings	25,280	21,081
- Bonds issued	35,000	44,350
<i>Forward foreign exchange contracts</i>		
- At fair value (include under accounts payable and other liabilities)	31	-
<b>Total financial liabilities</b>	<b>72,096</b>	<b>72,884</b>

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

#### 35.2 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

## Notes to the consolidated financial statements (continued)

### 35 Fair value measurement and summary of financial assets & liabilities by category

#### 35.2 Fair value hierarchy (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	KD'000			
	Level 1	Level 2	Level 3	Total
<b>31 December 2021</b>				
<b>Financial assets at fair value through profit or loss</b>				
Quoted securities	24,202	-	-	24,202
Managed funds	-	61,690	-	61,690
Equity participations	-	-	20,398	20,398
Fixed income securities	4,828	-	500	5,328
	<b>29,030</b>	<b>61,690</b>	<b>20,898</b>	<b>111,618</b>
<b>Derivative</b>				
Forward foreign currency contracts held for trading	-	(31)	-	(31)
	<b>29,030</b>	<b>61,659</b>	<b>20,898</b>	<b>111,587</b>
<b>31 December 2020</b>				
<b>Financial assets at fair value through profit or loss</b>				
Quoted securities	22,802	-	-	22,802
Managed funds	-	52,173	-	52,173
Equity participations	-	-	10,060	10,060
Fixed income securities	4,266	-	800	5,066
	<b>27,068</b>	<b>52,173</b>	<b>10,860</b>	<b>90,101</b>
<b>Derivative</b>				
Forward foreign currency contracts held for trading	-	101	-	101
<b>Financial assets at fair value through OCI</b>				
Debt instruments	-	-	410	410
	<b>27,068</b>	<b>52,274</b>	<b>11,270</b>	<b>90,612</b>

There have been no significant transfers between levels 1 and 2 during the reporting date.

#### Measurement at fair value

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

##### a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

##### b) Unquoted securities

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

##### c) Investments in managed funds

Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund managers as of the reporting date.

## Notes to the consolidated financial statements (continued)

### 35 Fair value measurement and summary of financial assets & liabilities by category

#### 35.2 Fair value hierarchy (continued)

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
	31 Dec. 2021	31 Dec. 2020				
	KD'000	KD'000				
<b>Financial assets at FVTPL:</b>						
Quoted securities	24,202	22,802	1	Quoted bid prices	N/A	N/A
Managed funds	61,690	52,173	2	NAV Basis	Net Assets Value	Net Assets Value
Fixed income securities	4,828	4,266	1	Quoted bid prices	N/A	N/A
Fixed income securities	500	800	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rate, results in higher fair value
Equity participations	20,398	10,060	3	Adjusted NAV Basis	Discount for lack of marketability	Lower discount rate, results in higher fair value
<b>Financial assets at FVOCI:</b>						
Debt instruments	-	410	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rate, results in higher fair value
<b>Derivative:</b>						
Forward foreign currency contracts held for trading	(31)	101	2	Foreign exchange rate/ DCF method	N/A	N/A

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

## Notes to the consolidated financial statements (continued)

### 35 Fair value measurement and summary of financial assets & liabilities by category

#### 35.2 Fair value hierarchy (continued)

##### Level 3 fair value measurements

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

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Opening balance	11,270	17,470
Net purchase/(redemption)	9,525	(7,109)
Net change in fair value	103	909
Closing balance	<u>20,898</u>	<u>11,270</u>

### 36 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, system failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of the overall risk management.

### 37 Capital management objectives

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The capital structure of the Group consists of the following:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Bank borrowings and bonds issued	60,280	65,431
Less: Cash and cash equivalents	(10,047)	(18,725)
Net debt	<u>50,233</u>	<u>46,706</u>
Total equity	<u>135,752</u>	<u>125,794</u>

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

## Notes to the consolidated financial statements (continued)

### 37 Capital management objectives (continued)

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2021 %	31 Dec. 2020 %
Net debt to equity ratio	37.0	37.1

### 38 Fire incident

During the previous year, one of the structured entities reported a fire incident at a development project in the USA which has damaged substantial part of the project buildings. The project is covered by an insurance policy against damage due to fire. The loss due to fire incident has been fully assessed and the Group's management believes that the insurance claim will cover for the losses incurred on this project as the insurer has already accepted the claim and paid substantial part of the insurance claim for the reconstruction of the damaged site. Accordingly, this incident will not materially impact the Group's consolidated financial statements (refer note 15).

### 39 Effect of COVID-19

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

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements.

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