AL MANAR
FINANCING & LEASING

2022

Al Manar Financing and Leasing Company K.S.C. (Public)

and its subsidiaries

State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
for the year ended 31 December 2021

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Al Manar Financing and Leasing Company K.S.C.P
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Consolidated Statement of Financial Position as at 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Notes	2021	2020
Assets			
Cash and cash equivalents	5	6,377,148	4,540,375
Investments in Murabaha receivables	6	4,347,321	4,347,321
Finance receivables	7	13,796,070	18,356,858
Other receivables and prepayments	8	1,171,124	1,299,381
Investments in financial securities	9	7,536,644	1,647,741
Investment properties	10	3,872,975	3,946,602
Other assets		68,971	100,119
Total assets		**37,170,253**	**34,238,397**
Liabilities and equity			
Liabilities			
Islamic financing payables	11	4,877,744	2,901,240
Accounts payable and other credit balances	12	681,650	924,880
Provision for staff indemnity		550,478	854,488
Total liabilities		**6,109,872**	**4,680,608**
Equity			
Share capital	13	30,874,759	30,874,759
Share premium		-	312,020
Gain on sale of treasury shares		4,995	-
Statutory reserve	14	140,616	2,000,722
Voluntary reserve	15	140,616	371,744
Fair value reserve		(299,553)	(400,536)
Retained earnings/ (accumulated losses)		198,948	(3,600,920)
Total equity		**31,060,381**	**29,557,789**
Total liabilities and equity		**37,170,253**	**34,238,397**

The accompanying notes form an integral part of these consolidated financial statements.

Faisal Abdel Aziz Al-Nassar
Chairman

Dhary Abdel Aziz Al-Nassar
Acting CEO

Consolidated Statement of Income for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Notes	2021	2020
Revenues			
Finance revenues		2,002,227	2,377,117
Rental income		247,960	252,320
Net gains/ (losses) from investments in financial securities	16	313,262	(399,993)
Other income	17	152,249	106,728
		2,715,698	**2,336,172**
Expenses			
Finance cost		176,530	359,789
Staff costs	18	938,100	923,373
Loss on deferral of financing instalments		-	437,320
(Reversal of)/ provide for provisions for credit facilities	7	(605,374)	3,528,878
Other expenses	19	800,278	687,732
		1,309,534	**5,937,092**
Profit/ (loss) before deductions		**1,406,164**	**(3,600,920)**
NLST		28,405	-
Zakat		11,358	-
KFAS		3,832	-
Net profit/ (loss) for the year		**1,362,569**	**(3,600,920)**
Basic and diluted earnings/ (loss) per share (Fils)	20	**4.41**	**(11.66)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars)

	2021	2020
Net profit/ (loss) for the year	1,362,569	(3,600,920)
Items that will not be reclassified subsequently to consolidated statement of income:		
Change in fair value of equity investments at FVTOCI	135,028	(787,480)
Other comprehensive income/ (loss) for the year	135,028	(787,480)
Total comprehensive income/ (loss)	**1,497,597**	**(4,388,400)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Equity attributable to the shareholders of the Parent Company									Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Voluntary reserve	Fair value reserve	(Accumulated losses)/ retained earnings	Total		
Balance at 1 January 2020	30,874,759	312,020	-	-	2,000,722	1,242,080	386,944	(870,336)	33,946,189	7,650	33,953,839
Net loss for the year	-	-	-	-	-	-	-	(3,600,920)	(3,600,920)	-	(3,600,920)
Accumulated losses transfer to voluntary reserve	-	-	-	-	-	(870,336)	-	870,336	-	-	-
Other comprehensive loss for the year	-	-	-	-	-	-	(787,480)	-	(787,480)	-	(787,480)
Changes in Non-controlling interests	-	-	-	-	-	-	-	-	-	(7,650)	(7,650)
Balance at 31 December 2020	30,874,759	312,020	-	-	2,000,722	371,744	(400,536)	(3,600,920)	29,557,789	-	29,557,789
Balance at 1 January 2021	30,874,759	312,020	-	-	2,000,722	371,744	(400,536)	(3,600,920)	29,557,789	-	29,557,789
Net profit for the year	-	-	-	-	-	-	-	1,362,569	1,362,569	-	1,362,569
Accumulated losses transfer to (note 21)	-	(312,020)	-	-	(2,000,722)	(371,744)	-	2,684,486	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	135,028	-	135,028	-	135,028
Transfers on disposal of investments	-	-	-	-	-	-	(34,045)	34,045	-	-	-
Purchase of treasury shares	-	-	(200,000)	-	-	-	-	-	(200,000)	-	(200,000)
Sale of treasury shares	-	-	200,000	4,995	-	-	-	-	204,995	-	204,995
Transfer to reserves	-	-	-	-	140,616	140,616	-	(281,232)	-	-	-
Balance at 31 December 2021	30,874,759	-	-	4,995	140,616	140,616	(299,553)	198,948	31,060,381	-	31,060,381

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Note	2021	2020
Cash flows from operating activities			
Net profit/ (loss) for the year		1,362,569	(3,600,920)
Adjustments for:			
(Reversal of)/ provide for provisions for credit facilities		(605,374)	3,528,878
Depreciation, amortisation and impairment		234,926	67,816
Net (gains)/ losses from investments in financial securities		(313,262)	399,993
Finance cost		176,530	359,789
Provision for staff indemnity		105,207	85,430
Operating profit before changes in working capital		960,596	840,986
Finance receivables		5,166,162	6,782,340
Other receivables and prepayments		8,030	173,501
Financial assets at fair value through profit or loss (net movement)		(1,643,464)	1,457,494
Disposal of right of use assets		-	267,510
Accounts payable and other credit balances		(210,328)	(710,123)
Payments of staff indemnity		(409,217)	(430,591)
Net cash generated from operating activities		**3,871,779**	**8,381,117**
Cash flows from investing activities			
Dividends income received		49,788	80,240
Purchase of financial securities (FVTOCI and amortized cost)		(4,258,124)	-
Proceeds from sale of financial securities (FVTOCI)		411,187	-
Purchase of other assets		(9,924)	(60,483)
Net cash (used in)/ generated from investing activities		**(3,807,073)**	**19,757**
Cash flows from financing activities			
Proceeds from Islamic financing payables		6,416,250	600,000
Payment for Islamic financing payables		(4,439,746)	(5,033,518)
Lease liability paid		-	(156,763)
Dividends paid		(32,902)	(18,595)
Finance cost paid		(176,530)	(359,789)
Purchase of treasury shares		(200,000)	-
Proceeds from sale of treasury shares		204,995	-
Net cash generated from/ (used in) financing activities		**1,772,067**	**(4,968,665)**
Net increase in cash and cash equivalents		**1,836,773**	**3,432,209**
Cash and cash equivalents at beginning of the year		**4,540,375**	**1,108,166**
Cash and cash equivalents at end of the year	5	**6,377,148**	**4,540,375**

The accompanying notes form an integral part of these consolidated financial statements.

1. Formation and principal activities

Al Manar Financing and Leasing Company K.S.C. (Public) ("the Parent Company") was incorporated in the State of Kuwait in 2003 by the authorized letter of incorporation no. 4857 file 1 dated 6 December 2003.

The Parent Company's shares were registered on Boursa Kuwait on 11 February 2019.

The main activities of the Parent Company and its subsidiaries (together referred to as "the Group") are all financing and investing activities according to the Islamic Shari'a principles.

The main objectives of the Parent Company are as follows:

1) Provide all credit facilities operations for consumers.
2) Provide all leasing services, such as operating or financing lease.
3) Mobilization of resources for finance under leasing and arrange collective finance operations for leasing.
4) Financing consumer goods through Murabaha, Musawma or any other contracts.
5) Real estate investment operations, including development of residential land and construction of housing and commercial units and complexes & warehouses intent to sell and lease.
6) Investing in real estate, industrial, agricultural and other economic sectors by contributing to the establishment of specialized companies or purchase of shares of these companies.
7) Representing or acquiring of national and foreign companies carrying on Parent Company objectives, for the purpose of trading its financial products and services locally and abroad with no violation to Islamic Sharia and the related Kuwaiti laws and regulations.
8) Investment controller.

In general, the Parent Company can carry out all the businesses and services that fall within the jurisdiction of investment companies and that comply with the provisions of Islamic Sharia. The Parent Company may have an interest or participate in any way with the bodies that carry out business similar to its business or that may assist it in achieving its purposes in Kuwait or abroad, and it may establish, participate in, purchase or attach these bodies to it.

During the current year, the Extra-ordinary General Assembly of the Parent Company approve to amend the activities of the Company (Note 21).

The Parent Company is subject to instructions and monitoring by the Central Bank of Kuwait & Capital Markets Authority.

The registered office of the Parent Company is P.O. Box 22828, Safat 13089, Kuwait.

These consolidated financial statements were authorized for issuance by the Board of Directors on 10 March 2022, and are subject to the approval of the Annual General Assembly of the shareholders. The General Assembly of the shareholders have authority to amend these consolidated financial statements after issuance.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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" and Capital Market Authority "CMA" in the State of Kuwait. These regulations require 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 instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). (Collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The consolidated financial statements have been prepared under the historical cost basis except for measurement of financial assets at fair value through other comprehensive income and financial assets through profit or loss.

The impact of COVID-19 is disclosed in Note 26.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021:

Interest Rate Benchmark Reform "phase two" amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. - The amendments apply to all entities and are not optional. - The amendments are effective for annual periods beginning on or after 1 January 2021 with early application permitted. The Group has no assets, liabilities nor derivative IBOR linked contracts.
Covid-19-Related Rent Concessions beyond 30 June 2021 [IFRS 16]	In May 2020 The International Accounting Standards Board (IASB) amends IFRS 16, which relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification, that applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. In March 2021, IASB extended the availability of the practical expedient to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. This is the only change made to the practical expedient. - The amendments are effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

2.2.2 IFRSs issued but not yet mandatorily effective

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

IFRS 17 *Insurance Contracts*	The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 *Reference to the Conceptual Framework*	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same or earlier.
Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted.
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture* The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 The amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies the amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 8	Definition of accounting estimates The amendment is effective for annual periods beginning on or after 1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

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

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at that date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in consolidated other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed off.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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 consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through statement of income are recognised immediately in statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and measurement of financial assets

The Group classifies its financial assets as follows

- Financial assets at amortised cost
- Financial assets fair value through other comprehensive income (“FVTOCI”)
- Financial assets fair value through profit or loss (“FVTPL”).

The classification of financial assets is based on the business model in which a financial asset is managed and its 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. 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. The information considered includes:

- The stated policies and objectives for the portfolio 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 how those risks are managed; and
- 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 profit (SPPP test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPP 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. Profit 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 profit, 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 considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of profit rates.

Contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payment of principal and profit. In such cases, the financial asset is measured at fair value through profit or loss.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Parent Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in the consolidated statement of income.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated statement of income to the extent they are not part of a designated hedging relationship.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

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

Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Foreign exchange gains and losses

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 equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

Impairment of financial assets other than credit facilities

The Group applies the general approach to the creation of provisions against expected credit losses in accordance with IFRS 9 related to the financial instruments other than the credit facilities and investment in financial assets at amortized cost. The Group uses credit rating by external rating agencies to assess the credit risk exposure to these financial assets. These ratings are continuously monitored and updated.

Credit facilities

The CBK regulations require expected credit loss ("ECL") to be measured at the higher of the ECL provision on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions.

Provisions for credit losses in accordance with CBK instructions

Accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% of all receivables net of certain restricted categories of collateral and not subject to specific provision. The specific provisions are recorded based on the duration of the past due of the Credit Facility as below, net of eligible collaterals:

Category	Criteria	Specific provisions
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

ECL provision under IFRS 9 according to the CBK guideline

The ECL provision is based on the credit losses expected to arise over the life of the asset (the Life Time Expected Credit Loss or LT ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Loss (12m ECL).

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument.

The 12m ECL is the portion of LT ECLs that represent the ECLs that result from default events on a Credit Facilities that are possible within the 12 months after the reporting date.

Both LT ECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of Credit Facilities.

The Group has established policy to perform an assessment, at the end of each reporting period, of whether a Credit Facilities' credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the Credit Facility.

The Group classifies its Credit Facilities into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: 12-month 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 recognised 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 100% of net exposure i.e. after deduction from the amount of exposure value of collaterals determined in accordance with CBK guideline.

Significant increase in credit risk

At each reporting date, the Group 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 more than 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.

Credit Impaired

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be 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 more than 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as default or past due event.
- The lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty .
- The disappearance of an active market for a security because of financial difficulties.
- Purchase of a financial asset at a deep discount that reflects the incurred credit loss.

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage 1.

Calculation of ECL

The Group calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Profit Rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio. The Group uses point in time PD (PITPD) for each rating to calculate the ECL. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade financing facilities except for financing facilities granted to Government and banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing financings (except for credit cards).
- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit,

whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per CBK requirements, the Group applies 100% Credit Conversion Factor (CCF) on credit facilities.

- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Other than the above LGD estimation mechanics, the Group also complies with the guidelines mentioned in the CBK Instruction, as follows:

- The Group applies minimum 50% LGD on unsecured Credit Facility and minimum 75% LGD for unsecured subordinated financing receivable.
- The Group applies a minimum haircut to the collateral values as per CBK instructions.

When estimating the ECLs, the Group considers three scenarios (a base case, upside case, and a downside case). Each of these is associated with different PDs, EADs and LGDs, as set out in this basis of preparation. When relevant, the assessment of multiple scenarios also incorporates how defaulted Credit Facilities, are expected to be recovered, including the probability that the Credit Facility will cure and the value of collateral or the amount that might be received from selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial asset.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a Credit Facility that are possible within the 12 months after the reporting date. The Group calculates the 12mECL provision based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original Effective Profit Rate. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a Credit Facility has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios. The expected cash shortfalls are discounted by an approximation to the original Effective Profit Rate.
- Stage 3: For Credit Facilities considered credit-impaired, the Group recognises the lifetime expected credit losses for these facilities in accordance with the CBK requirement as below.

ECL for Credit Facilities classified under the Stage 3 has been calculated at 100% LGD on net default financing receivable balance after considering the collateral as per CBK Instruction.

Forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include oil prices and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Collateral valuation

To mitigate its credit risks on Credit Facility, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as letters of guarantees, real estate securities.

To the extent possible, the Group uses active market data for valuing assets held as collateral. Assets which do not have readily determinable market values are valued using models. Real estate collaterals are valued based on valuation reports obtained from external real estate appraisers.

The Group applies as minimum hair cut on value of collaterals under guidelines of Central Bank of Kuwait.

Derecognition of financial assets

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 party. 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

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 the ‘other gains and losses’ line item in consolidated statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognized in consolidated statement of income.

2.3.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The carrying amounts are reviewed at each reporting date on an individual basis to assess whether they are recorded in excess of their recoverable amount. Provisions for impairment losses, if any, are made where carrying values exceed the recoverable amount.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of income in the period in which the property is derecognised.

2.3.4 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.5 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the consolidated financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.6 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are disposed, gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account to the limit of its credit balance, any additional losses are charged to retained earnings, the reserves and to share premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.7 Dividends

The dividends attributable to shareholders of the Parent Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.3.8 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the consolidated statement of income.

2.3.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Murabaha and Wakala income are recognized on effective yield method.
- Income from operating lease is recognized on a straight line basis over the term of contract.
- Dividend income is recognized when the Group's right to receive dividends is established and it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.
- Interest income from deposits is recognized on effective yield method.
- Fees and commission income are recognised at the time the related services are provided.

2.3.10 Accounting for leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.
- Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of income, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

2.3.11 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3.12 Zakat

Zakat is calculated according to the recommendation of the Fatwa and Shari'a Supervisory board.

The Parent Company calculates and announces Zakat payable on each share. The shareholders are responsible for the payment.

3. Financial risk management

3.1 Financial risk

The Group's activities expose it to a variety of financial risks: market risks (including currency risks, fair value profit rates risk, cash flows profit rates risk, and prices risk) in addition to credit risk and liquidity risks.

The Group management for these financial risks is concentrated in continuous evaluation of market conditions and trends and assessment of long and short-term market factors.

Modified Financial Assets

During the prior year, the board of directors deferred repayment of instalment due in April, May, and June resulting in extension of the maturity of the finance receivable by three months. The instalments deferral resulted in modification loss by an amount of KD 437,320 and recognised in the consolidated statement of income.

A) Market risk

Foreign exchange risk

The foreign exchange risk arises from future transactions on financial instruments in foreign currency classified in the consolidated financial statements of the Group in foreign currencies.

The Group develops policies to manage the risks of foreign currency represented in monitoring changes of the currency rate as well as the impact on the Group's financial situation throughout the year.

Foreign currency exchange risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and through continuously monitoring exchange rate fluctuations. As at the consolidated financial statements date there are no material financial instruments in foreign currency.

Interest rate risk

The Group is not exposed to interest rate risk as the Group operate in accordance with Islamic Shariaa principles.

Price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. The Group manages the risk through diversification of investments in terms of geographic and monitor the fair value of the Group investments on regular basis in order to take the necessary action on timely basis. The sensitivity of the Group's consolidated financial statements to the equity price risk is given below.

For investment securities classified as FVTOCI, a 5% increase in listed stock prices as at 31 December 2021 would have increased other comprehensive income by KD 46,712 (2020: Nil). For such investment securities classified as at FVTPL, the impact on net profit for the year would have been an increase of KD 61,624 (2020: Nil). An equal change in the opposite direction would have had equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

B) Credit risk

The credit risk is the risk that the Group will incur a loss due to the Group's inability to collect the debt because of counter parties fails to discharge their contractual obligations against the Group.

The credit risk is managed on the Group basis. The credit risk is highly concentrated in cash and cash equivalents, finance receivables and investments in Murabaha receivables.

The below schedule sets out the assets exposed to credit risk in the consolidated statement of financial position, without taking into consideration the guarantees:

	2021	2020
Cash and cash equivalents	6,372,273	4,538,273
Investments in Murabaha receivables	4,347,321	4,347,321
Finance receivables	13,796,070	18,356,858
Other receivables (excluding prepayments)	1,154,064	1,273,305
Investments in financial securities-debt sukuks	2,372,086	-

Note (7) shows aging analysis of finance receivables and the credit losses movement.
In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as 'High' quality are those where the default risk from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as 'Standard' quality comprise all other facilities which are not 'impaired'. The default risk on 'Standard' quality is assessed to be higher than that for the exposures classified within the 'High' quality range.

The table below shows the credit quality by class of financial assets (gross) for consolidated statement of financial position lines, based on the Group's credit rating system.

2021	High	Standard	Impaired	Total
Cash and cash equivalents	6,372,889	-	-	6,372,889
Investments in Murabaha receivables	4,365,000	-	-	4,365,000
Finance receivables - net of deferral	-	13,811,251	3,469,477	17,280,728
Other receivables (excluding prepayments)	-	1,154,064	-	1,154,064
Investments in financial securities-Debt sukuks	2,063,712	308,374	-	2,372,086
	12,801,601	15,273,689	3,469,477	31,544,767

2020	High	Standard	Impaired	Total
Cash and cash equivalents	4,538,889	-	-	4,538,889
Investments in Murabaha receivables	4,365,000	-	-	4,365,000
Finance receivables - net of deferral	-	17,930,640	4,084,994	22,015,634
Other receivables (excluding prepayments)	-	1,273,305	-	1,273,305
	8,903,889	19,203,945	4,084,994	32,192,828

Credit risk measurement

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk mainly arises from loans and advances to customers and investment in Wakala and Murabaha Receivables. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

The Group manages the credit risk related to cash, through dealing with financial institutions with a good reputation in the market. Also the Group manages the credit risk by setting credit policies in order to avoid the concentration of credit limit via diversifying the finance portfolio over a large number of customers in addition to the identification of the necessary guarantees received from the customers as well as setting a credit approval limit.

Credit limits are established for all customers after a careful assessment of their creditworthiness. Standard procedures require that all credit proposals be subjected to detailed screening by the relevant division prior to approval. In accordance with the instructions of the Central Bank of Kuwait setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee comprising of competent professional staff and having as its purpose the study and evaluation of the existing credit facilities of each customer of the Group.

This committee is required to identify any abnormal situations and difficulties associated with a customer's position which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level. The committee, which meets regularly throughout the year, also studies the positions of these customers, in order to determine whether further provisions are required.

Assessment of expected credit losses

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- borrower is considered as credit impaired based on qualitative assessment for internal credit risk management purposes.

Any credit impaired or stressed facility that has been restructured would also be considered as in default.

The Group considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants.
- borrower having past due liabilities to public creditors or employees.
- borrower is deceased.

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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 more than 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's do not indicate a significant increase in credit risk.

The potential for default is that the obligor may fail to meet its obligations in the future. IFRS 9 requires the use of probability of default separately for a period of 12 months or over the life of the instruments based on the stage distribution for the obligor. The probability of default used in IFRS 9 should reflect the Group's estimate of the quality of the asset in the future.

The calculation is based on statistical models. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

The Group converts the PD over the course of the PD to PDP time frames in a specified period of time using appropriate models and techniques.

Exposure at default

Exposure at default ("EAD") represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, usage given default, etc.

Loss given default

Loss given default ("LGD") is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For all unsecured credit facilities, the Group considers a minimum of 50% LGD for senior debt and 75% LGD for subordinated debt.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

The probability-weighted scenarios (baseline, upside, and downturn) increased the Group's reported allowance for credit losses for financing receivables in Stage 1 and Stage 2, relative to our Baseline scenario, by KD 29,514 (2020: increased by KD 119,316). If the Group were to use only the downturn scenario, allowance for credit losses on performing loans (Stage 1 and Stage 2) would be KD 33,046 (2020: KD 72,575) higher than the reported allowance for credit losses as at 31 December 2021. Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

Under current probability-weighted scenarios, if all performing loans were in Stage 1, reflecting a 12-month expected loss period, the allowance for credit losses would be KD 2,654,818 as at 31 December 2021 (2020: KD 2,863,572) lower than the reported allowance for credit losses on financing receivables.

C) Liquidity risk

Liquidity risk require from the Group to keep enough balance from cash and high liquid securities, as well as by availability of funding from adequate of committed credit facility in order to make available liquidity of the Group because of dynamic of the business the Group arrange a different finance resources and manage it assets to make available the liquidity and monitor the cash flow and make available the necessary guarantee to get a finance in timely manner when required.

The table below analysis the Group's financial liabilities during the expected periods from the consolidated financial statements date. The disclosed balances are the undiscounted cash flows according to the contractual dates.

	2021		
	Within 3 months	From 3 months to 1 year	From 1 to 3 years
Accounts payable and other credit balances	223,367	458,283	-
Islamic financing payables	2,804,139	1,379,583	779,797

	2020		
	Within 3 months	From 3 months to 1 year	From 1 to 3 years
Accounts payable and other credit balances	595,887	328,993	-
Islamic financing payables	713,335	1,510,967	817,940

The table below analysis the Group's assets and liabilities into relevant maturity groupings based on the expected period at the financial statements date.

	2021			
Assets	**Up to 3 months**	**From 3 months to 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	6,377,148	-	-	6,377,148
Investments in Murabaha receivables	3,000,000	1,347,321	-	4,347,321
Finance receivables	2,909,099	5,207,146	5,679,825	13,796,070
Other receivables and prepayments	-	1,171,124	-	1,171,124
Investments in financial securities	-	2,504,679	5,031,965	7,536,644
Investment properties	-	-	3,872,975	3,872,975
Other assets	-	-	68,971	68,971
Total assets	12,286,247	10,230,270	14,653,736	37,170,253
Liabilities				
Islamic financing payables	2,718,364	1,379,583	779,797	4,877,744
Accounts payable and other credit balances	223,367	458,283	-	681,650
Provision for staff indemnity	-	-	550,478	550,478
Total liabilities	**2,941,731**	**1,837,866**	**1,330,275**	**6,109,872**

	2020			
Assets	**Up to 3 months**	**From 3 months to 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	4,540,375	-	-	4,540,375
Investments in Murabaha receivables	4,347,321	-	-	4,347,321
Finance receivables	2,789,559	6,575,592	8,991,707	18,356,858
Other receivables and prepayments	-	1,299,381	-	1,299,381
Investments in financial securities	-	597,741	1,050,000	1,647,741
Investment properties	-	-	3,946,602	3,946,602
Other assets	-	-	100,119	100,119
Total assets	11,677,255	8,472,714	14,088,428	34,238,397
Liabilities				
Islamic financing payables	680,273	1,440,937	780,030	2,901,240
Accounts payable and other credit balances	595,887	328,993	-	924,880
Provision for staff indemnity	-	-	854,488	854,488
Total liabilities	1,276,160	1,769,930	1,634,518	4,680,608

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of equity balance.

The capital structure of the Group consists of net debt (financing offset by cash and cash equivalents) and equity (comprising capital, reserves, (accumulated losses)/ retained earnings and fair value reserve.

Gearing ratio

The gearing ratio at year end was as follows:

	2021	**2020**
Islamic financing payables	4,877,744	2,901,240
Cash and cash equivalents	(6,377,148)	(4,540,375)
Net debt	(1,499,404)	(1,639,135)
Equity	31,060,381	29,557,789
Net debt to equity ratio (%)	-	-

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Financial assets	Fair value as at 31 December 2021	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss:						
- Quoted foreign funds	1,232,488	-	Level 1	Last bid prices	N/A	N/A
- Unquoted foreign funds	593,341	-	Level 2	Net assets value	Net assets value	N/A
- Unquoted local shares	549,664	425,256	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value
- Unquoted foreign shares	129,186	169,934	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value
- Unquoted local funds	-	2,551	Level 2	Net assets value	Net assets value	N/A
Financial assets at fair value through OCI:						
- Quoted foreign shares	1,179,407	-	Level 1	Last bid prices	N/A	N/A
- Unquoted foreign shares	1,480,472	1,050,000	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value
Financial assets at amortized costs:						
Debt sukuks – quoted at foreign stock exchanges	2,372,086	-	Level 1	Last bid prices	N/A	N/A

Reconciliation of Level 3 fair value measurements

	2021	2020
Balance as at 1 January	1,645,190	-
Transfer into level 3	-	4,370,397
Change in fair value	290,083	(1,267,713)
Net addition/ (disposal)	224,049	(1,457,494)
Balance as at 31 December	2,159,322	1,645,190

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required):

Group's management believe that the carrying amount of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

4. Significant accounting judgments, estimates and assumptions

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The impact of COVID-19 has been disclosed in note 26.

Judgements:

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

Classification of investments in equity instruments

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

Classification of real estate

Management decides on acquisition of real estate whether it should be classified as held for trading or investment property. The Group classifies property as held for trading if this is acquired principally for sale in the ordinary course of the business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Sources of estimation uncertainty

The following are the key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in Notes (3.3, 9).

Impairment of investment properties and useful lives

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 in accordance with accounting policies stated in note 2. The recoverable amount of an asset is determined based on higher of fair value and value in use. The fair valuation is based on sales comparison, income capitalization and market comparable methods and the significant valuation inputs used are based on unobservable market data.

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

Impairment ECL of financial assets

The Group estimates ECL for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments.

Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

- Establishing group of similar financial assets for the purpose of measuring ECL.

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

5. Cash and cash equivalents

	2021	2020
Cash at banks and portfolios	3,871,742	4,538,273
Wakala with banks (less than 3 months)	2,500,531	-
Cash on hand	4,875	2,102
	6,377,148	**4,540,375**

5.1 As at 31 December 2021, the effective yield rate on Wakala is 1.25% (Nil- as at 31 December 2020) per annum.

5.2 Expected credit losses amounted to KD 616 as at 31 December 2021 (KD 616 – 2020).

6. Investments in Murabaha receivables

Investments in Murabaha receivables have been deposited at local financial institutions according to Murabaha contracts. The average yield on those contracts is 1.275% (1.197% - 2020) per annum.

Expected credit losses amounted to KD 17,679 as at 31 December 2021 (KD 17,679 – 2020).

7. Finance receivables

	2021	2020
Finance receivables	19,606,175	25,209,762
Less: deferred revenues	(2,325,447)	(3,194,128)
Less: provision impairment in value/ expected credit losses	(3,484,658)	(3,658,776)
Finance receivables – net	**13,796,070**	**18,356,858**

7.1 Expected credit losses on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 2,809,371 as at 31 December 2021 (2020: KD 3,658,776), which is lower than the provision for credit facilities required by CBK instructions of KD 3,484,658 (2020: KD 3,658,776).

7.2 The movement in gross credit facilities is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	25,240,121	6,935,595	5,108,322	**37,284,038**
Written off during the year	-	-	(4,121,688)	**(4,121,688)**
Net financing/ (collection)	(6,970,920)	(2,068,442)	1,086,774	**(7,952,588)**
Transfer from/ to Stage 1	(5,340,591)	4,592,028	748,563	**-**
Transfer from/ to Stage 2	124,388	(2,007,307)	1,882,919	**-**
Balance at 31 December 2020	13,052,998	7,451,874	4,704,890	**25,209,762**
Written off during the year	-	-	(12,632)	**(12,632)**
Net financing/ (collection)	(1,046,497)	(3,588,445)	(956,013)	**(5,590,955)**
Transfer from/ to Stage 1	(2,132,063)	2,031,308	100,755	**-**
Transfer from/ to Stage 2	1,972,599	(2,307,775)	335,176	**-**
Balance at 31 December 2021	11,847,037	3,586,962	4,172,176	**19,606,175**

7.3 The movement in the provisions for expected credit losses effected is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	246,599	473,133	2,595,238	**3,314,970**
Written off during the year	-	-	(3,473,999)	**(3,473,999)**
Credit losses (reversed)/ charged during the year	(67,035)	152,003	3,732,837	**3,817,805**
Transfer from/ to Stage 1	(98,179)	80,337	17,842	**-**
Transfer from/ to Stage 2	1,138	(242,892)	241,754	**-**
Balance at 31 December 2020	82,523	462,581	3,113,672	**3,658,776**
Written off during the year	-	-	(12,632)	**(12,632)**
Credit losses (reversed)/ charged during the year	(54,175)	(800,356)	17,758	**(836,773)**
Transfer from/ to Stage 1	(14,355)	19,848	(5,493)	**-**
Transfer from/ to Stage 2	43,795	407,708	(451,503)	**-**
Balance at 31 December 2021	57,788	89,781	2,661,802	**2,809,371**

7.4 The movement in the provisions for credit facilities required by CBK instructions effected is as follows:

	2021	2020
Balance at 1 January	3,658,776	3,314,970
Recovery/ (written-off) during the year – net	(12,632)	(3,473,999)
(Reversed) / provided during the year	(161,486)	3,817,805
Balance at 31 December	**3,484,658**	**3,658,776**

7.5 The average effective interest rate on finance receivables for the year ended 31 December 2021 is 6.09% (6.06% - 2020) per annum.

7.6 The Group holds guarantee of KD 4,703,934 at 31 December 2021 (KD 5,361,193 – 2020) as collateral over its finance receivable.

7.7 During the current year, the management of the Group approved to write off finance receivables amounted to KD 12,632 against KD Nil from deferred revenue and KD 12,632 from provision to credit losses (2020 – finance receivables of KD 4,121,688 against deferred revenue of KD 647,689 and provisions of KD 3,473,999).

7.8 During the current year, the Group recovered an amount of KD 443,888 (KD 288,927 - 2020) from the written off finance receivables and reversed the same to the expected credit loss in the consolidated statement of income.

8. Other receivables and prepayments

	2021	2020
Staff advances	269,629	532,139
Due against collection on behalf of the group	533,774	-
Financial assets with call option	-	360,000
Due from related parties	-	92,583
Others	367,721	314,659
	1,171,124	**1,299,381**

- Staff advances include a Qard Hassan granted to the employees against the guarantee of the end of service indemnity. This amount is due within a period of one year from the date of granting.
- Management of the Group believes that there is no need to provide any impairment for “balance due against collection on behalf of the group” considering the legal counsel’s opinion and taking into consideration procedures in place to collect the amount, and expected to finalize the procedures of collection during Q2-2022.

9. Investments in financial securities

	2021	2020
Financial assets at fair value through profit or loss ("FVTPL")		
Quoted foreign funds	1,232,488	-
Unquoted foreign funds	593,341	-
Unquoted local shares	549,664	425,256
Unquoted foreign shares	129,186	169,934
Unquoted local funds	-	2,551
	2,504,679	**597,741**
Financial assets at fair value through other comprehensive income ("FVTOCI")		
Quoted foreign shares	1,179,407	-
Unquoted foreign shares	1,480,472	1,050,000
	2,659,879	**1,050,000**
Financial assets at amortized cost		
Debt sukuks – quoted at foreign stock exchanges	2,372,086	-
	2,372,086	-
	7,536,644	1,647,741

- Fair value of investments has been determined in the manner described in Note 3.3.
- Debt sukuks represents investment in high rated securities and are classified as Stage 1 instruments.

10. Investment properties

The movement in the investment properties is as follows:

	Land	Building	Total
Cost			
At 1 January 2020/ 31 December 2020	3,014,035	1,314,500	4,328,535
At 1 January 2021/ 31 December 2021	3,014,035	1,314,500	4,328,535
Accumulated depreciation and impairment			
At 1 January 2020	-	201,595	201,595
Charge for the year	-	57,088	57,088
Impairment loss	-	123,250	123,250
At 31 December 2020	-	381,933	381,933
Charge for the year	-	51,809	51,809
Impairment loss	-	21,818	21,818
At 31 December 2021	-	455,560	455,560
Carrying amount			
As at 31 December 2021	3,014,035	858,940	3,872,975
As at 31 December 2020	3,014,035	932,567	3,946,602
Useful Life (years)	-	20	

- Investment properties are real estates located in the State of Kuwait.
- The fair value of the Group's investment properties amounted to KD 4,472,000 as at 31 December 2021 (KD 4,333,000 – 2020) has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. The independent valuers are registered at the related governmental bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations.
- The fair value of investment properties is determined based on capitalization rate of net property income and taking into account the capitalization of rental income potential, nature of the property and prevailing market conditions (level 3). The average capitalization rate used was 7.5% as at 31 December 2021 (7.7% - 2020).

A slight increase in the capitalization rate used would result in a significant decrease in fair value and vice versa. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

- During the current year, the Group recorded impairment loss of KD 21,818 (KD 123,250 – 2020) as the fair value of certain properties was less the carrying value with equivalent amount.

11. Islamic financing payables

Islamic financing payables are obtained from local and foreign banks and are denominated in KD and USD. The average cost as at 31 December 2021 is 3.750% - 4.250% and 1.19% for KD and USD, respectively (6.43% for KD - 2020) per annum.

Islamic financing payables are guaranteed against pledge of the following assets:

	2021	2020
Investment in Murabaha receivables	4,347,321	4,347,321
Assigning receivables – net	1,196,316	2,285,221
Investment properties	851,835	851,835
Investment in financial securities	5,074,821	-

12. Accounts payable and other credit balances

	2021	2020
Trade payables	154,193	521,723
Dividends payable	141,471	174,373
Accrued salaries and other staff accruals	273,217	125,420
NLST	28,405	-
Zakat	11,358	2,793
KFAS	3,832	21,270
Lease Liability	-	5,137
Others	69,174	74,164
	681,650	**924,880**

13. Share capital

The authorized, issued and paid up share capital is KD 30,874,759 distributed over 308,747,591 shares with 100 fils per share. All shares are in cash.

14. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST and Zakat is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

15. Voluntary reserve

In accordance with the Parent Company's Articles of Association, a percentage of the profit for the year as determined by an ordinary general assembly is to be transferred to the voluntary reserve. This transfer may be stopped by a resolution adopted by an ordinary general assembly as recommended by the Board of Directors of the Parent Company. There are no restrictions on distributions from the voluntary reserve.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars unless otherwise stated)

16. Net gains/ (losses) from investments in financial securities

	2021	2020
Financial assets at fair value through profit or loss ("FVTPL")		
Change in fair value	263,474	(480,233)
Dividend income	20,943	80,240
	284,417	**(399,993)**
Financial assets at fair value through other comprehensive income ("FVTOCI")		
Dividend income	28,845	-
	313,262	**(399,993)**

17. Other income

	2021	2020
Financing fee income	68,785	65,423
Others	83,464	41,305
	152,249	**106,728**

18. Staff costs

	2021	2020
Salaries and benefits	703,080	700,324
Provision for staff indemnity	105,207	85,430
Leave accruals	40,695	46,836
Others	89,118	90,783
	938,100	**923,373**

19. Other expenses

	2021	2020
Professional and legal expenses	166,618	112,903
Depreciation and amortization – equipment and software	41,072	21,561
Depreciation – right of use assets	-	43,547
Depreciation – investment properties	51,809	57,088
Impairment loss – investment properties	21,818	123,250
Subscription and listing fees	60,317	36,715
Board of Directors Committees' remunerations	61,000	31,000
Others	397,644	261,668
	800,278	**687,732**

20. Basic and diluted earnings/ (loss) per share

Basic and diluted earnings/ (loss) per share are calculated based on the profit/ (loss) for the year divided by the weighted average number of shares outstanding during the year, as follows:

	2021	2020
Profit/ (loss) for the year	1,362,569	(3,600,920)
Weighted average number of the Parent Company's outstanding shares	308,665,191	308,747,591
Basic and diluted earnings/ (loss) per share (fils)	**4.41**	**(11.66)**

21. General Assembly decision/ Board of Directors' proposals

On 21 April 2021, the Ordinary General Assembly approved the consolidated financial statements for the year ended 31 December 2020 and approved the followings:

- Not to distribute dividends to the shareholders of the Parent Company for the year ended 31 December 2020.
- Board of Directors remuneration Nil for the year ended 31 December 2020.
- Amortization of accumulated loss amounted to KD 2,684,486 using voluntary reserve, statutory reserve and share premium of KD 371,744, KD 2,000,722 and KD 312,020 respectively.

On 16 May 2021, the Extraordinary General Assembly decided the followings:

- Approved the amortization of the accumulated losses by amount of KD 2,684,486 using voluntary reserve, statutory reserve and share premium of KD 371,744, KD 2,000,722 and KD 312,020 respectively.
- Amended the activities of the Parent Company as follows:

  Added below new activities:
  - Investment controller

  Removed below activities:
  - Carry out all securities related transactions.
  - Establish investment funds for the company's or third parties' account, underwrite its units, act as custodian and investment manager for investment and leasing funds at home or abroad as per the applicable laws and resolutions in the state.
  - Conducting technical and economic studies and researches concerning employment of funds or other studies necessary to the company's activity or its clients or other parties.
  - Managing all kind of portfolios, investing and increasing funds of its clients through employing such funds in all investment aspects locally and abroad.
- The above-mentioned amendments had been ratified in commercial register on 23 June 2021.
- Cancelled the other proposed agenda items mentioned below:
  - Amortization of the accumulated losses by an amount of KD 916,434 by reducing share capital with the same amount, through cancelling 9,164,340 shares, while authorizing the Board of Directors to dispose the fractional shares resulting from reduction.
  - Reducing the issued and paid-up share capital of the Parent Company by an amount of KD 1,958,325 equivalent to approximately 6.3% of the Parent Company's share capital through cancelling 19,583,250 shares and payment of the nominal value in cash to the company's shareholders on a pro rata basis, and authorizing the Board of Directors to dispose the fractional shares resulting from the reduction.

On 10 March 2022, the Board of Directors proposed:

- Not to distribute dividends to the shareholders of the Parent Company for the year ended 31 December 2021.
- Board of Directors' remunerations amounting to Nil for year 2021 (Nil for year 2020).
- Board of Directors Committees' remunerations of KD 61,000 for year 2021 (KD 31,000 for year 2020).
- Reducing issued and paid-up share capital of the Parent Company by an amount of KD 4,500,000 equivalent to approximately 14.6% of the Parent Company's share capital through cancelling 45,000,000 shares and payment of the nominal value in cash to the Company's shareholders on a pro rata basis, and authorizing the Board of Directors to dispose the fractional shares resulting from the reduction. Therefore

the share capital will be amounting to KD 26,374,759 comprised of 263,747,591 shares with 100 fils per share, and all shares are in cash.

These proposals are subject to the approval of the shareholders of the Parent Company in the ordinary general assembly.

22. Subsidiaries

Group' structure is as follows:

Company name	Ownership percentage (%) 2021	Ownership percentage (%) 2020	Activity	Country of incorporation
Manarat Tasaheel Real Estate Company W.L.L	100	100	Real Estate activities	Kuwait
Al-Manar Express for Marketing Consulting Company W.L.L	100	100	Consulting activities	Kuwait
Al- Manar Watania for Administrative Consulting Company W.L.L	100	100	Consulting activities	Kuwait

Total assets of the subsidiaries are KD 4,412,938 (KD 4,752,424 as at 31 December 2020), and their losses during the year ended 31 December 2021 are KD 247,557 (losses of KD 231,970 for the year ended 31 December 2020).

23. Related parties' transactions

Related parties consist of major shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners. All related parties' transactions are at arm's length terms and are approved by the Group's management.

The related parties' balances and transactions included in these consolidated financial statements are as follows:

		2021	2020
Balances			
a)	Finance receivables	599,756	-
b)	Due from related party	-	96,043
c)	Key Management's benefits payable	185,792	205,208
d)	Advance to staff	73,967	57,730
Transactions			
a)	Remunerations of key Management personnel		
	Staff costs	220,683	192,259
b)	Board of Directors committees' remunerations	61,000	31,000

The Group has entered into an agreement with an ex-related party to collect the outstanding installments from some of the finance receivables on behalf of the Group. The cash collected from that party on behalf of the Parent Company during the year amounted to KD 996,619 (KD 5,341,035 – 2020). The fees paid to that party amounted to KD 6,000 (KD 24,000 – 2020).

24. Segmental information

Operating segments are to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The operating segments are divided into two major business segments Finance (including the credit facilities for consumers), Investment (including the investments in financial securities and investment properties) as follows:

	2021			
	Finance	Investment	Others	Total
Segment revenues	1,946,279	685,955	83,464	2,715,698
Segment expenses	303,618	(160,185)	(1,452,967)	(1,309,534)
Segment results	2,249,897	525,770	(1,369,503)	1,406,164
Segment assets	22,913,085	13,017,073	1,240,095	37,170,253
Segment liabilities	2,914,437	2,117,500	1,077,935	6,109,872

	2020			
	Finance	Investment	Others	Total
Segment revenues	2,384,555	(89,688)	41,305	2,336,172
Segment expenses	(4,454,408)	(245,291)	(1,237,393)	(5,937,092)
Segment results	(2,069,853)	(334,979)	(1,196,088)	(3,600,920)
Segment assets	27,244,554	5,594,343	1,399,500	34,238,397
Segment liabilities	3,422,963	-	1,257,645	4,680,608

25. Contingent liabilities

	2021	2020
Letters of guarantee	5,000	5,000

26. Impact of COVID-19

The COVID-19 pandemic continues to spread across global geographies causing disruption to business and economic activities and bringing significant uncertainties to the global economic environment. Fiscal and monetary authorities worldwide launched extensive responses designed to mitigate the severe consequences of the pandemic.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group and incorporated the outcome in these consolidated financial statements and explained the changes in light of the available guidance of IFRS related to critical judgments and estimates for the year ended 31 December 2021.

The Group considered the best available information about past events, current conditions and forecasts of economic conditions in determination of the reported amounts of the Group’s financial and non-financial assets reported in these consolidated financial statements. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

Expected credit loss estimate

The Group has updated the inputs and assumptions used for the determination of expected credit losses (“ECLs”) as at 31 December 2021. Revised ECLs were estimated based on a range of forecasted economic conditions at the reporting date and considering the fact that situation is fast evolving, the Group has also considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

Valuation estimates and judgements

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group’s financial and non-financial assets. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.

Going concern

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

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