شركة التسهيلات التجارية ش.م.ك
COMMERCIAL FACILITIES CO. s.a.k

Commercial Facilities Company S.A.K.P.
and Subsidiaries
State of Kuwait

Consolidated Financial Statements and
Independent Auditors' Report
Year Ended 31 December 2022

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Year Ended 31 December 2022

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Independent Auditors' Report to the Shareholders of Commercial Facilities Company S.A.K.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commercial Facilities Company S.A.K.P. (the "Parent Company") and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International *Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Credit losses on finance receivables

The recognition of credit losses on finance receivables ("Financing facilities") is the higher of Expected Credit Loss ("ECL") under International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"), determined in accordance with Central Bank of Kuwait (the "CBK") guidelines, and the provision required by the CBK rules based on classification of credit facilities and calculation of their provision ("the CBK rules") as disclosed in the accounting policies in Note 2.3.2 and Note 4 to the consolidated financial statements.

Recognition of ECL under IFRS 9, determined in accordance with CBK guidelines, is a complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing significant increase in credit risk and classification of financing facilities into various stages; determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures.

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Independent Auditors' Report to the Shareholders of Commercial Facilities Company S.A.K.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Credit losses on finance receivables (continued)

Recognition of specific provisions on impaired facilities under the CBK rules is based on the instructions by CBK on the minimum provision to be recognized together with any additional provision to be recognised based on management estimate of expected cash flows related to those finance receivables.

Due to the significance of finance receivables and the related estimation uncertainty and judgement in the impairment calculation, as well as the high degree of estimation uncertainty due to the current inflationary pressure and high interest rate environment, this was considered as a key audit matter.

Our audit procedures included assessing the design and implementation of controls over inputs and assumptions used by the Group in developing the models and its governance and review controls performed by the management in determining the adequacy of credit losses. Further, our audit procedures were updated to incorporate consideration of the current inflationary pressure and high interest rate environment, including a focus on rescheduled finance receivables. With respect to the ECL based on IFRS 9, determined in accordance with CBK guidelines, we have selected samples from financing facilities outstanding as at the reporting date, which included rescheduled finance receivables, and assessed the Group's determination of significant increase in credit risk and the resultant basis for classification of the financing facilities into various stages. We involved our specialists to review the ECL model in terms of key data, methods and assumptions used to determine if they were in accordance with the requirements of IFRS 9 and CBK guidelines. For a sample of finance receivables, we have assessed the Group's staging criteria, Exposure at Default ("EAD") Probability of Default ("PD") and Loss Given Default ("LGD") and the overlays considered by management in view of the current inflationary pressure and high interest rate environment, in order to determine ECL taking into consideration the CBK guidelines. We also assessed the consistency of various inputs and assumptions used by management to determine ECL.

Further, for CBK provision requirements, we assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, if required, whether it has been computed accordingly. For the samples selected, which included rescheduled finance receivables, we have verified whether all impairment events have been identified by the Group's management, and reperformed the resultant provision calculations.

Other Information included in the Group's 2022 Annual Report

Management is responsible for the other information. The other information comprises of the information included in Group's 2022 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report to the Shareholders of Commercial Facilities Company S.A.K.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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Independent Auditors' Report to the Shareholders of Commercial Facilities Company S.A.K.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2022, that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Market Authority and its related regulations, as amended, during the financial year ended 31 December 2022 that might have had a material effect on the business of the Group or on its financial position.

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Kuwait, 5 February 2023

Commercial Facilities Company S.A.K.P. and Subsidiaries
State of Kuwait

Consolidated Statement of Financial Position as at 31 December 2022

(All amounts are in Kuwaiti Dinar Thousand)

	Notes	2022	2021
ASSETS			
Cash and bank balances	3	32,668	23,627
Other receivables and prepayments		2,566	2,697
Finance receivables	4	171,259	171,131
Investment in securities	5	58,156	54,533
Investments in associates	6	14,549	14,216
Investment properties	7	3,996	4,001
Property and equipment	8	2,827	2,653
Total assets		286,021	272,858
LIABILITIES AND EQUITY			
Liabilities			
Trade creditors and accrued liabilities	9	5,056	4,553
Term loans	10	114,944	105,883
Provision for staff indemnity		4,972	4,388
Total liabilities		124,972	114,824
Equity			
Share capital	11	53,676	53,676
Share premium		1,433	1,433
Legal reserve	12	53,396	52,293
Voluntary reserve	13	48,093	48,093
Fair value reserve		(4,011)	(3,434)
Foreign currency translation reserve		652	872
Land revaluation reserve		1,215	898
Treasury shares	14	(11,296)	(11,271)
Gain on sale of treasury shares		14	14
Retained earnings		17,822	15,413
Equity attributable to shareholders of the Parent Company		160,994	157,987
Non-controlling interests		55	47
Total equity		161,049	158,034
Total liabilities and equity		286,021	272,858

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

Ali Ibrahim Marafi
Chairman

COMMERCIAL FACILITIES CO. (S.A.K.)

Abdallah Saud Abdulaziz Al-Humaidhi
Vice Chairman and Chief Executive Officer

Consolidated Statement of Profit or Loss for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar Thousand)

	Notes	2022	2021
Financing income		12,359	13,048
Share of results of associates	6	1,077	799
Interest income		654	159
Other income		67	42
Rental income from investment property		222	204
Net gains from investments	15	3,796	5,210
Change in fair value of investment properties		(7)	(86)
Total other income		5,809	6,328
Finance cost		(3,656)	(2,341)
Staff costs and related expenses		(3,243)	(2,567)
General and administrative expenses		(1,303)	(1,223)
Net foreign exchange gain/ (loss)		155	(29)
Total expenses		(8,047)	(6,160)
Profit before provision for credit losses		10,121	13,216
Reversal of provision for expected credit loss	4	907	1,829
Profit before taxes and directors' remuneration		11,028	15,045
KFAS		(110)	(150)
NLST and Zakat		(408)	(505)
Directors' remuneration		(140)	(160)
Profit for the year		10,370	14,230
Attributable to:			
Shareholders of the Parent Company		10,362	14,225
Non-controlling interests		8	5
		10,370	14,230
Earnings per share – fils	16	20	28

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar Thousand)

	2022	2021
Profit for the year	10,370	14,230
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange translation adjustment	(220)	(113)
Items that may not be reclassified subsequently to profit or loss		
Change in fair value of financial asstes at FVTOCI	190	(4,178)
Ravaluation of land	317	46
Other comprehensive expenses for the year	287	(4,245)
Total comprehensive income for the year	10,657	9,985
Attributable to:		
Shareholders of the Parent Company	10,649	9,980
Non-controlling interests	8	5
	10,657	9,985

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar Thousand)

	Equity attributable to shareholders of the Parent Company											Non Controlling interests	Total
	Share capital	Share premium	Legal reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Land revaluation reserve	Treasury shares	Gain on sale of treasury shares	Retained earnings	Total		
Balance at 1 January 2021	53,676	1,433	50,788	48,093	1,030	985	852	(11,271)	14	7,485	153,085	42	153,127
Profit for the year	-	-	-	-	-	-	-	-	-	14,225	14,225	5	14,230
Change in fair value of financial assets at FVTOCI	-	-	-	-	(4,178)	-	-	-	-	-	(4,178)	-	(4,178)
Foreign currency translation adjustment	-	-	-	-	-	(113)	-	-	-	-	(113)	-	(113)
Revaluation gain on land	-	-	-	-	-	-	46	-	-	-	46	-	46
Profit on sale of financial assets at FVTOCI	-	-	-	-	(286)	-	-	-	-	286	-	-	-
Total comprehensive income for the year	-	-	-	-	(4,464)	(113)	46	-	-	14,511	9,980	5	9,985
Dividends (Note 18)	-	-	-	-	-	-	-	-	-	(5,078)	(5,078)	-	(5,078)
Transfer to reserves	-	-	1,505	-	-	-	-	-	-	(1,505)	-	-	-
Balance at 31 December 2021	53,676	1,433	52,293	48,093	(3,434)	872	898	(11,271)	14	15,413	157,987	47	158,034
Balance at 1 January 2022	53,676	1,433	52,293	48,093	(3,434)	872	898	(11,271)	14	15,413	157,987	47	158,034
Profit for the year	-	-	-	-	-	-	-	-	-	10,362	10,362	8	10,370
Change in fair value of financial assets at FVTOCI	-	-	-	-	190	-	-	-	-	-	190	-	190
Foreign currency translation adjustment	-	-	-	-	-	(220)	-	-	-	-	(220)	-	(220)
Revaluation gain on land	-	-	-	-	-	-	317	-	-	-	317	-	317
Profit on sale of financial assets at FVTOCI	-	-	-	-	(767)	-	-	-	-	767	-	-	-
Total comprehensive income for the year	-	-	-	-	(577)	(220)	317	-	-	11,129	10,649	8	10,657
Dividends (Note 18)	-	-	-	-	-	-	-	-	-	(7,617)	(7,617)	-	(7,617)
Purchase of treasury shares	-	-	-	-	-	-	-	(25)	-	-	(25)	-	(25)
Transfer to reserves	-	-	1,103	-	-	-	-	-	-	(1,103)	-	-	-
Balance at 31 December 2022	53,676	1,433	53,396	48,093	(4,011)	652	1,215	(11,296)	14	17,822	160,994	55	161,049

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

شركة التسهيلات التجارية ش.م.ك
COMMERCIAL FACILITIES CO. s.a.k

Consolidated Statement of Cash Flows for the year ended 31 December 2022

(All amounts are in Kuwaiti Dinar Thousand)

	Notes	2022	2021
OPERATING ACTIVITIES			
Profit before taxes and directors' remuneration		11,028	15,045
Adjustments for:			
Interest income		(654)	(159)
Reversal of provision for expected credit losses	4.5	(907)	(1,829)
Unrealized gain on fair value of financial assets at FVTPL	15	(411)	(2,582)
Realised gain s on sale of financial assets at FVTPL	15	(878)	(594)
Dividend income	15	(2,507)	(2,034)
Share of results of associates		(1,077)	(799)
Change in fair value of investment properties		7	86
Depreciation		190	342
Finance cost		3,656	2,341
Provision/ (reversal of provision) for staff indemnity		670	(28)
		9,117	9,789
Other receivables and prepayments		131	(2,036)
Finance receivables		2,775	11,640
Trade creditors and accrued liabilities		(198)	(48)
Cash from operations		11,825	19,345
Interest received		654	159
Dividends received		2,506	2,005
Staff indemnity paid		(86)	(173)
Net cash generated from operating activities		14,899	21,336
INVESTING ACTIVITIES			
Proceeds from term deposits		141,897	32,404
Increase in deposits with banks		(135,776)	(39,502)
Purchase of financial assets at FVTPL		(4,259)	(8,265)
Proceeds from sale of financial assets at FVTPL		1,946	2,735
Purchase of financial assets at FVTOCI		(5,216)	(6,900)
Proceeds from sale of financial assets at FVTOCI		5,195	4,137
Dividends from associates		744	463
Purchase of property and equipment	8	(47)	(494)
Net cash generated from/ (used in) investing activities		4,484	(15,422)
FINANCING ACTIVITIES			
Proceeds from term loans		49,575	58,000
Repayment of term loans		(40,514)	(55,239)
Dividends paid		(7,595)	(5,412)
Finance cost – paid		(3,636)	(2,352)
Purchase of treasury shares		(25)	-
Net cash used in financing activities		(2,195)	(5,003)
Net increase in cash and cash equivalents		17,188	911
Net decrease/ (increase) in cash held by third parties		590	(1,163)
Cash and cash equivalents at beginning of year		12,207	12,459
Cash and cash equivalents at end of year	3	29,985	12,207

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

1. Incorporation and principal activities

Commercial Facilities Company – S.A.K.P. ("the Parent Company") was incorporated on 16 January 1977 in accordance with the Commercial Companies Law in the State of Kuwait. The Company's shares were listed on the Kuwait Stock Exchange on 29 September 1984.

The Parent Company is regulated by the Central Bank of Kuwait ("CBK") and the Kuwait Capital Market Authority ("CMA").

The Parent Company and its subsidiaries (collectively "the Group") have been established to perform the following objectives within and outside the State of Kuwait:

- Providing short and medium term loans to individuals and entities with the aim of financing purchase of vehicles, equipment and home appliances.
- Financing consumer products of raw materials, manufactured or semi-manufactured.
- Providing short, medium and long term loans to individuals to finance the purchase of land and properties.
- Providing operating or financing lease for vehicles and equipment.
- Providing necessary guarantees related to the Parent Company objectives.
- Establishing companies, associated with the original company, specialised in marketing to collaborate with products' agents and insurance companies in return for commission or discount that correlate with the volume of sales and insurance achieved with the agent.
- Investing in real estate, industrial, agricultural and other economic sectors through participation in the establishment of specialised companies or the purchase of their shares.
- Purchasing and selling of financial securities such as shares and bonds for the Parent Company's account being a part of the Parent Company's investment portfolio.
- Acting as intermediary in managing loans and syndicated loans on commission basis.
- Managing investment portfolios on behalf others on commission basis.

The Parent Company cannot open current or saving accounts for others, accept deposits, open letters of credit or represent foreign banks. However, without violating this restriction, the Parent Company can have an interest in or collaborate, by all means, with organisations dealing and involved in similar businesses or those that can support and help achieve its objectives within or outside the State of Kuwait and also has the right to purchase these organisations or make them affiliated entities.

The address of the Parent Company's registered office is P.O. Box 24284, Safat 13103, State of Kuwait.

These consolidated financial statements were authorized for issue by the Board of Directors on 5 February 2023.

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 the Capital Market Authority ("CMA") in the State of Kuwait. These regulations require financial institutions regulated by CBK to adopt the International Financial Reporting Standards ("IFRS") with the following amendment:

Expected credit loss ("ECL") on finance receivables to be measured at the higher of ECL computed under IFRS 9 - Financial Instruments ("IFRS") in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

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

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, financial assets through profit or loss, land and investment properties.

2.2. New and revised accounting standards

2.2.1. Effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the following new and amended IASB Standards during the year:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	*Amendments to IFRS 3, 'Business combinations'* update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date *Amendments to IAS 16, 'Property, plant and equipment'* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. *Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'- Cost of Fulfilling a Contract* The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	Annual periods beginning on or after 1 January 2022.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

2.2.2. New standards not yet effective

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

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. Note that the IASB has issued a new exposure draft proposing changes to this amendment. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.	Deferred until accounting periods starting not earlier than 1 January 2024
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023

Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements in the period of initial application and adoption of these new standards, interpretations and amendments will not have any material impact on the 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 Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the 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 polices.

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 the acquisition 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.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a interest margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group 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 interestt rates.

Contractual terms that introduce a more than de minimus 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 interest. In such cases, the financial asset is measured at fair value through profit or loss.

Amortised cost and effective interest method

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 Group 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 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 profit or loss 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 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.

Debt Securities at FVTOCI

A debt security is carried at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt Securities at FVTOCI are subsequently measured at fair value. Interest income, foreign exchange gains and losses and impairment losses are recognised in the consolidated statement of income. Fair value changes are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity until the asset is derecognised or reclassified. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of income.

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. 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 finance receivables

The Group applies the general approach to the creation of Provision for expected credit losses in accordance with IFRS 9 related to the financial instruments other than finance receivables. 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.

Finance receivables

The CBK regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on finance receivables 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 cash facilities 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 finance receivables 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 finance receivables 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 finance receivables.

The Group has established policy to perform an assessment, at the end of each reporting period, of whether a finance receivables' 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 finance receivables 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 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 except where the Group has reasonable and supportable information that demonstrates that the credit risk has not increased significantly even though the contractual payments are more than 30 days past due.

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 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 ECLs

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 customer to calculate the ECL. The minimum PD is 1.34% for any credit facility granted by the Group. None of the customers of the Group is rated by external rating companies.
- 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 utilized cash.
- 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.
- 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 finance receivables, 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 expected credit losses are determined is the contractual life of a financial asset, including other revolving facilities unless the Group has the legal right to call it earlier except for financial assets in Stage 2, the Group considers a minimum maturity of 5 years for all financing facilities (excluding consumer financing, and personal housing financing which is regulated by CBK based on salary) unless financing facilities have non-extendable contractual maturity and final payment is less than 50% of the total facility extended. For consumer financings and personal housing financings which is regulated by CBK based on salary in Stage 2, the Group considers minimum maturity of 5 years and 15 years respectively.

The mechanism 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 Facility 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 Facility 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.

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 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 Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in statement of income on the purchase, sale, issue or cancellation of the Group'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 statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises 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 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. Subsequently, investment properties are measured at fair value determined by independent registered valuers. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of profit or loss in the period in which they arise.

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 the consolidated statement of income in the period in which the property is derecognised.

2.3.4 Property and equipment

Property and equipment (except land) are carried at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment (except land) are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Building	20
Furniture, equipment and others	4
Motor vehicles	4

Depreciation commences when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with effect of any changes in estimate accounted for on prospective basis.

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Land is stated at revalued amount as determined by independent valuations undertaken every year. Any revaluation increase arising on the revaluation of land is credited to the land revaluation reserve, except to the extent that it reverses a revaluation decrease for the land previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land is charged as an expense to the extent that it exceeds the balance, if any, held in the land revaluation reserve relating to a previous revaluation of the land. The land revaluation reserve will be directly transferred to retained earnings when asset is disposed.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

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 consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the cost of the shares reacquired is charged to equity. When the treasury shares are reissued, gains are credited to a separate account in equity (gain on sale of treasury shares), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.3.7 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.

2.3.8 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 contracts 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.

2.3.9 Revenue recognition

Interest income from instalment credit

Interest rate from instalment credit is included at the outset in the lending agreement with the customer. The customer repays the debt in equal instalments over the period of the agreement. Interest income from instalment credit is recognised over the period of the agreement using the effective interest method. Fees which are considered an integral part of the effective yield of a financial asset are recognised using effective yield method. Once an instalment credit has been written down as a result of an impairment loss, the related interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commission income

Fee income earned from services provided over a period of time is recognised over the period of service. Commission income is recognised equally over the period of the contract to which the commission relates. Income relating to future periods is treated as deferred income and is included in the consolidated statement of financial position as a deduction from the gross value of the instalment debtors.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income from term deposit is recognized on effective yield basis. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows and on the amount net of impairment for the purpose of measuring the impairment loss.

2.3.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.3.11 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market rates and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount and is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in the consolidated statement of profit or loss.

2.3.12 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.

2.3.13 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.

2.3.14 Contingent liabilities and contingent assets

Contingent assets are not recognised as an asset till realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

2.3.15 Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

3. Cash and bank balances

	2022	2021
Cash on hand	11	9
Bank balances	4,652	8,773
Term deposits	28,005	14,845
	32,668	23,627
Less: Deposits with original maturity over three months	(1,696)	(9,843)
Less: Cash balance with third parties	(987)	(1,577)
Cash and cash equivalents as per consolidated statement of cash flows	29,985	12,207

3.1. The Group's term deposits denominated in USD and Lebanese Pound amounting to KD 11,306 thousand (KD 11,141 thousand – 2021) are with banks in Lebanon. The Expected credit losses related to bank balances and term deposits is KD 10,468 thousands (KD 8,442 thousands - 2021).

3.2. An analysis of changes in the gross carrying amount in relation to cash and bank balance are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	12,122	11,927	-	24,049
Assets purchased/derecognised during the year -Net	7,903	-	117	8,020
Transfer from/ to Stage 1	-	-	-	-
Transfer from/ to Stage 2	-	(11,927)	11,927	-
Transfer from/ to Stage 3	-	-	-	-
Balance at 31 December 2021	20,025	-	12,044	32,069
Balance at 1 January 2022	20,025	-	12,044	32,069
Assets purchased/derecognised during the year -Net	10,807	-	261	11,068
Transfer from/ to Stage 1	-	-	-	-
Transfer from/ to Stage 2	-	-	-	-
Transfer from/ to Stage 3	-	-	-	-
Balance at 31 December 2022	30,832	-	12,305	43,137

3.3. An analysis of changes in the Expected Credit Losses in relation to cash and bank balance are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	4	1,356	-	1,360
ECL charged during the year	7	(1,356)	8,431	7,082
Balance at 31 December 2021	11	-	8,431	8,442
Balance at 1 January 2022	11	-	8,431	8,442
ECL charge/ (reversed) during the year	(1)	-	2,028	2,027
Balance at 31 December 2022	10	-	10,459	10,469

4. Finance receivables

	2022	2021
Commercial loans	33,956	28,537
Personal loans	188,865	196,926
	222,821	225,463
Less: deferred income	(17,902)	(17,683)
	204,919	207,780
Less: provision for expected credit losses – ECL	(33,660)	(36,649)
	171,259	171,131

4.1. As at 31 December 2022, provisions for expected credit losses in accordance with the requirements of the Central Bank of Kuwait amounted to KD 26,742 thousand (KD 28,512 thousand – 2021), less than the expected credit losses for finance receivables which were calculated in accordance with the requirements of IFRS 9 in accordance with the Central Bank of Kuwait guidelines.

4.2. The movement in total finance receivables during the year is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	157,241	20,057	42,150	219,448
Net financing/ collection	5,956	(6,460)	(11,164)	(11,668)
Transfer from/ to Stage 1	(2,018)	2,018	-	-
Transfer from/ to Stage 2	-	(927)	927	-
Transfer from/ to Stage 3	332	-	(332)	-
Balance at 31 December 2021	161,511	14,688	31,581	207,780
Balance at 1 January 2022	161,511	14,688	31,581	207,780
Net financing/ collection	96,600	(89,755)	(9,706)	(2,861)
Transfer from/ to Stage 1	(93,700)	93,700	-	-
Transfer from/ to Stage 2	-	(3,094)	3,094	-
Transfer from/ to Stage 3	(5,021)	-	5,021	-
Balance at 31 December 2022	159,390	15,539	29,990	204,919

4.3. The movement in the provisions for ECL during the year is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	1,010	3,288	41,652	45,950
ECL reversed during the year	1,785	(830)	(10,256)	(9,301)
Balance at 31 December 2021	2,795	2,458	31,396	36,649
Balance at 1 January 2022	2,795	2,458	31,396	36,349
ECL reversed during the year	(1,076)	(338)	(1,575)	(2,989)
Balance at 31 December 2022	1,719	2,120	29,821	33,660

4.4. The effective interest rate on finance receivables for the year 31 December 2022 is 4.25% (3.62% - 2021) per annum.

4.5. The provision for expected credit loss balance represents as follows:

	2022	2021
Provision reverse for finance receivables	(2,989)	(9,301)
Bad debt write off	85	28
ECL charge for investment in debt securities	(30)	361
ECL on bank balances and term deposits	2,027	7,083
	(907)	(1,829)

5. Investment securities

Financial assets at fair value through profit or loss ("FVTPL")

	2022	2021
Investment in quoted equity securities	16,199	15,188
Investment in unquoted debt securities	7,403	4,812
	23,602	20,000
Financial assets at fair value through other comprehensive income		
Investment in unquoted equity securities	25,795	26,559
Investment in unquoted debt securities	8,759	7,974
	34,554	34,533
	58,156	54,533

The geographical concentration of investment securities at the reporting date is as follows:

	2022	2021
Outside Kuwait	24,098	24,339
Kuwait	34,058	30,194
	58,156	54,533

5.1. An analysis of changes in the gross carrying amount in relation to investment in debt securities are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	7,650	455	-	8,105
Assets purchased/derecognised during the year -Net	300	-	(1)	299
Transfer from/ to Stage 1	-	-	-	-
Transfer from/ to Stage 2	-	(455)	455	-
Transfer from/ to Stage 3	-	-	-	-
Balance at 31 December 2021	7,950	-	454	8,404
Balance at 1 January 2022	7,950	-	454	8,404
Assets purchased/derecognised during the year -Net	750	-	5	755
Transfer from/ to Stage 1	-	-	-	-
Transfer from/ to Stage 2	-	-	-	-
Transfer from/ to Stage 3	-	-	-	-
Balance at 31 December 2022	8,700	-	459	9,159

5.2. An analysis of changes in the Expected Credit Losses in relation to investment in debt securities are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	8	61	-	69
ECL charged during the year	14	(61)	408	361
Balance at 31 December 2021	22	-	408	430
Balance at 1 January 2022	22	-	408	430
ECL reversed during the year	(12)	-	(18)	(30)
Balance at 31 December 2022	10	-	390	400

6. Investments in associates

Details of the investment in associated companies at 31 December are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest 2022	Proportion of ownership interest 2021	Principal activity
Real Estate Facilities Investment Company K.S.C. (Closed)	Kuwait	30.21%	30.21%	Investment in real estate
Priority Automobile Company K.S.C. (Closed)	Kuwait	44.56%	44.56%	Renting and leasing of luxury cars

Summarised financial information in respect of each of the Group's associates is set out below:

	2022		2021	
	Real Estate Facilities Company K.S.C. (Closed)	Priority Automobile Company K.S.C. (Closed)	Real Estate Facilities Company K.S.C. (Closed)	Priority Automobile Company K.S.C. (Closed)
Revenues	3,093	8,353	1,986	8,477
Profit for the year	2,041	1,033	1,153	1,012
Group's share of results of associates	617	460	348	451
Total assets	50,329	19,833	47,461	17,125
Total liabilities	(17,511)	(10,267)	(16,404)	(7,943)
Total equity	32,818	9,566	31,057	9,182
Group's share of associates' net assets	9,265	5,284	9,102	5,114

7. Investment properties

The movement in the investment properties is as follows:

	2022	2021
Balance at the beginning of the year	4,001	4,087
Change in fair value of investment properties	(5)	(86)
Balance at the ending of the year	3,996	4,001

The fair value of the Group's investment properties has been arrived at on the basis of valuations carried out on the respective dates by independent appraisers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on income capitalisation approach. Significant unobservable input used is capitalization rate of 8 %, taking into account the capitalization of rental income potential, nature of the property and prevailing market conditions. A slight increase in the capitalization rate used would result in a slight decrease in fair value and vice versa.

In estimating the fair values of the properties, the highest and the best use of the property is its current use. There has been no change to the valuation technique during the year. The Group's investment properties are included in Level 3 of fair value hierarchy as at 31 December 2022 and 31 December 2021 and are located in Saudi Arabia and Kuwait.

8. Property and equipment

	Land at fair value	Building	Furniture, Equipment and Others	Motor vehicles	Right of use assets	Total
Cost or fair value						
Balance at 31 December 2020	2,137	499	3,005	9	182	5,832
Additions	-	-	494	-	-	494
Revaluation	47	-	-	-	-	47
Balance at 31 December 2021	2,184	499	3,499	9	182	6,373
Additions	-	-	47	-	-	47
Revaluation	316	-	-	-	-	316
Balance at 31 December 2022	2,500	499	3,546	9	182	6,736
Accumulated depreciation						
Balance at 31 December 2020	-	499	2,803	9	67	3,378
Charge for the year	-	-	342	-	-	342
Balance at 31 December 2021	-	499	3,145	9	67	3,720
Charge for the year	-	-	189	-	-	189
Balance at 31 December 2022	-	499	3,334	9	67	3,909
Carrying amount						
As at 31 December 2022	2,500	-	212	-	115	2,827
As at 31 December 2021	2,184	-	354	-	115	2,653

The fair value of the Group's land has been arrived at on the basis of valuations carried out yearly by independent appraisers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on income capitalisation approach. In estimating the fair values of the land, the highest and the best use of the land is its current use. There has been no change to the valuation techniques during the year. The Group's land is included in Level 3 of fair value hierarchy as at 31 December 2022 and 31 December 2021.

9. Trade creditors and accrued liabilities

	2022	2021
Trade creditors	1,684	1,033
KFAS payable	250	290
National Labour Support Tax payable	756	853
Zakat payable	132	132
Other accrued liabilities	2,234	2,245
	5,056	4,553

10. Term loans

	2022	2021
Loans denominated in KD	107,287	105,883
Loans denominated in USD	7,657	-
	114,944	105,883

The repayment of term loans are due as follows:	2022	2021
Due within one year	63,735	51,222
Due after one year	51,209	54,661
	114,944	105,883

10.1. During the year, the Group signed new financing KD loan facilities amounting to KD 60 million (KD 36 million – 31 December 2021) and USD 50 million (Nil – 31 December 2021).

10.2. The effective interest rate on KD loans outstanding at 31 December 2022 was 3.27% per annum and on USD loans was 3.02% per annum (2.43% per annum and 2.91% per annum – 31 December 2021).

10.3. The Group's outstanding term loans at 31 December 2022 are borrowed under floating rate agreements. The Group has assignment of customer payment to borrowings amounting to KD 98,824 thousand (KD 115,557 thousand - 2021) as security over 10 term loans (12 term loans - 2021) with balances outstanding of KD 114,944 thousand (KD 105,883 thousand - 2021).

11. Share capital

Share capital comprises of 536,763,720 authorised and issued shares of 100 fils (2021: 536,763,720 authorised and issued shares of 100 fils) each fully paid in cash.

12. Legal reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the statutory reserve until the reserve exceeds 50% of the paid up share capital. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

13. Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST Zakat and Directors' remuneration is required to be transferred to the voluntary reserve until the shareholders decide to discontinue the transfer. There are no restrictions on distributions from the voluntary reserve. The shareholders' annual general assembly held on 22 April 2014 approved to discontinue any further transfers to the voluntary reserve from 2014.

14. Treasury shares

	2022	2021
Number of shares purchased (000's)	142	-
Cost of shares purchased (KD'000)	25	-
Market value of total treasury shares (KD'000)	5,206	5,933
Percentage of issued shares %	5.42	5.39
Total number of shares (000's)	29,084	28,942

The Parent Company's retained earnings, equivalent to the cost of treasury shares on the date of the consolidated financial statements, are not available for distribution as long as these treasury shares are held by the Parent Company. The treasury shares are not mortgaged.

15. Net gains from investments

	2022	2021
Realised gain on sale of financial assets at FVTPL	411	594
Unrealized gain in fair value of financial assets at FVTPL	878	2,582
Dividend income	2,507	2,034
	3,796	5,210

16. Earnings per share

Earnings per share is computed by dividing profit for the year by the weighted average number of shares outstanding during the year as follows:

	2022	2021
Profit for the year	10,362	14,225
Weighted average number of the Parent Company's issued and paid-up shares (000's)	536,763	536,763
Weighted average number of the Parent Company's treasury shares (000's)	(28,968)	(28,943)
Weighted average number of the Parent Company's outstanding shares (000's)	507,795	507,820
Earnings per share – fils	20	28

17. Subsidiaries

The subsidiaries of the Group as at 31 December are as follows:

Name of subsidiary	% of ownership and voting power 2022	% of ownership and voting power 2021	Country of incorporation	Principal activity
First Real Estate Facilities Company W.L.L.	99%	99%	Kuwait	Real Estate
Tas-hilat Rating and Collection Company K.S.C.C.	97%	97%	Kuwait	Collection
Farwa Real-Estate Company W.L.L.	98%	98%	Kuwait	Real Estate
Motor Al Tas-hilat for Sale and Purchase of Vehicles Company W.L.L.	97%	97%	Kuwait	Buying & selling of cars

18. Dividends

The Board of Directors of the Parent Company proposed a cash dividend of 16 fils per share and a Board of Directors Remuneration of KD 140 thousand for the year ended 31 December 2022. These proposals are subject to the approval of the shareholders' annual general assembly.

On 23 March 2022, the general assembly held and approved the consolidated financial statements for the year ended 31 December 2021 and approved cash dividends of 15 fils per share (10 fils per share – 2020) amounting to KD 7,617 thousand (KD 5,078 thousand – 2020).

19. Related party transactions

Related parties comprise associated companies, major shareholders, directors and key management personnel of the Group, their families and companies of which they are the principal owners. The Group enters into transactions with related parties. Pricing policies and terms are approved by the Group's management.

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

a) Compensation of key management personnel of the Parent Company:

	2022	2021
Salaries and other short-term benefits	519	356
Post-employment benefits	373	(56)
	892	300

b) Finance receivables

	2022	2021
Balance at 1 January	76	21
Loans advanced	-	69
Instalment repayments	(15)	(14)
Transfer on resignation	(39)	-
Balance at 31 December	22	76

20. Revenue and segmental analysis

In accordance with IFRS 8, operating segments are identified based on internal management reporting information that is regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance and is reconciled to Group profit or loss.

The Group operates in one principal area of activity, the granting of finance receivables. Its consumer credit operations are carried out entirely in the domestic market in Kuwait. The Group has investments both inside and outside the State of Kuwait.

The measurement policies that the Group uses for segment reporting under IFRS 8 are the same as those used in its annual audited consolidated financial statements.

A segmental analysis of profit from ordinary activities, total assets, total liabilities and net assets employed by geographical location is as follows:

	Consumer and corporate	Investment	Total
At 31 December 2022			
Total income	12,359	5,809	18,168
Profit before taxes and Directors' remuneration	15,262	(4,234)	11,028
Total assets	171,259	114,762	286,021
Total liabilities	(114,944)	(10,028)	(124,972)
Net assets employed	56,315	104,734	161,049
Other information			
Change in fair value of financial assets at FVTPL	411	-	411
Share of results of associates	1,077	-	1,077
Reversal of provision for expected credit losses	907	-	907
Provision for end of service indemnity	(670)	-	(670)
Depreciation	(190)	-	(190)

	Consumer and corporate	Investment	Total
At 31 December 2021			
Total income	13,048	6,328	19,376
Profit/ (loss) before taxes and Directors' remuneration	22,321	(7,276)	15,045
Total assets	171,131	101,727	272,858
Total liabilities	(105,883)	(8,941)	(114,824)
Net assets employed	65,248	92,786	158,034
Other information			
Changein fair value of financial assets at FVTPL	2,582	-	2,582
Share of results of associates	799	-	799
Reversal of provision for expected credit losses	1,829	-	1,829
Reversal of provision for end of service indemnity	28	-	28
Depreciation	(342)	-	(342)

21. Financial risk management

21.1. Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk (including currency risk, fair value risk arising from changes in interest rates, fluctuations in cash flows arising from changes in interest rates and market price risks), credit risk and liquidity risk.

The Group's management monitors these risks by continuously assessing the market conditions and trends as well as the management's assessment of long and short-term changes in market factors.

(a) Market risk

Currency risk

Currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as deposits, financial assets at fair value through other comprehensive income, and term loans.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar, Bahraini Dinar and Saudi Riyal.

The analysis below shows the effect of a 1% strengthening in the foreign currency rates against KD, with all other variables held constant on the profit for the year. A positive amount in the table reflects a net potential increase in the profit for the year, while a negative amount reflects a net potential decrease.

There have been no changes in the method and the assumptions used in the preparation of the sensitivity analysis as compared to the prior year.

	2022	2021
US Dollar	496	329
Bahraini Dinar	12	31
Saudi Riyal	17	18
Others	71	66

A 1% weakening of the above currencies against the KD would have had an equal, but opposite, effect of the amounts shown above, with all other variables held constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from term deposits, bank overdrafts and term loans. Bank overdrafts and term loans taken at variable rates and term deposits placed at variable rates expose the Group to cash flow interest rate risk.

The Group manages interest rate risk by borrowing funds at market linked floating interest rates and placing term deposits at the best available rates. At 31 December 2022, if interest rates at that date had been 25 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by KD 381 thousand (KD 208 thousand – 2021).

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 geography and monitor the fair value of the Group's investments on regular basis in order to take the necessary action on timely basis.

The effect on profit (as a result of a change in the fair value of equity instruments held as at fair value through profit or loss) at the year end due to an assumed 5% change in market indices, with all other variables held constant, is as follows:

	Effect on profit	
	2022	2021
Kuwait Stock Exchange	± 337	± 478

(b) Credit risk

The credit risk is the risk that the Group will have losses due to its inability to collect the debt as a result of the other party's financial obligations to the Group.

Credit risk is managed at the group level. Assets exposed to credit risk are cash and cash equivalents, finance receivables, and debt investment securities.

An analysis of the Group's financial assets before taking into account other credit enhancements, is as follows:

	Net exposure	
	2022	2021
Cash and bank balances (excluding cash on hand)	32,657	23,618
Other receivables	2,501	2,646
Finance receivables	171,259	171,131
Investment securities	8,759	7,974
	215,176	205,369

Note 4 shows the analysis of the ageing of finance receivables and movement of provision.

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 whose payment performance is fully compliant with contractual conditions and 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 for statement of financial position lines, based on the Group's credit rating system.

	High	Standard	Impaired	Total
2022				
Cash and bank balances	30,822	1,846	10,469	43,137
Other receivables and prepayments	2,566	-	-	2,566
Finance receivables	157,840	13,419	33,660	204,919
Investment in securities	58,156	-	400	58,556
	249,384	15,265	44,529	309,178

	High	Standard	Impaired	Total
2021				
Cash and bank balances	20,014	3,613	8,442	32,069
Other receivables and prepayments	2,697	-	-	2,697
Finance receivables	158,901	12,230	36,649	207,780
Investment in securities	54,533	-	430	54,963
	236,145	15,843	45,521	297,509

(i) *Risk concentration of the maximum exposure to credit risk*

Concentrations of credit risk arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions.

Credit risk may also arise from large concentrations of the Group's assets in a single counterparty. These risks are managed through diversification of portfolios. The Group's financial assets are concentrated in the Middle East and North Africa region.

The Group does not obtain any collateral on its financial assets other than personal guarantees. The Group's concentration on financial assets can be analysed by the following industry sectors:

Industry sector	**2022**	**2021**
Banks and other financial institutions	41,415	31,592
Retail	171,259	171,131
Others	2,501	2,646
	215,175	205,369

Credit risk measurement

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The main activity of the group that generates revenue is lending to customers. Credit risk is therefore a significant risk. Credit risk arises mainly from financing receivables. The Group considers all elements of credit risk exposure, such as default risk, geographic risk and sector risk for risk management.

The Group manages the credit risk related to bank balances and deposits, 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. Standing 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 finance receivables, the Group has formed an internal committee comprising of competent professional staff and having as its purpose the study and evaluation of the existing finance receivables 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.

(c) Liquidity risk

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

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

The table below summarises the maturity profile of Group's assets, liabilities and equity based on contractual cash flows and maturity dates. This does not necessarily take account of the effective maturities.

	Up to 3 months	3 to 12 months	1 to 5 years	Total
2022				
Assets				
Cash and bank balances	31,830	838	-	32,668
Other receivables and prepayments	-	2,566	-	2,566
Finance receivables	41,758	47,131	82,370	171,259
Investment in securities	-	23,602	34,554	58,156
Investments in associates	-	-	14,549	14,549
Investment properties	-	-	3,996	3,996
Property and equipment	-	-	2,827	2,827
	73,588	74,137	138,296	286,021

	Up to 3 months	3 to 12 months	1 to 5 years	Total
2022				
Liabilities and equity				
Trade creditors and accrued liabilities	-	5,056	-	5,056
Term loans	18,645	45,059	51,240	114,944
Provision for staff indemnity	-	-	4,972	4,972
Share capital and reserves	-	-	160,994	160,994
Non-controlling interestss	-	-	55	55
	18,645	50,115	217,261	286,021

	Up to 3 months	3 to 12 months	1 to 5 years	Total
2021				
Assets				
Cash and bank balances	20,928	2,699	-	23,627
Other receivables and prepayments	-	2,697	-	2,697
Finance receivables	43,236	48,500	79,395	171,131
Investment in securities	-	20,000	34,533	54,533
Investments in associates	-	-	14,216	14,216
Investment properties	-	-	4,001	4,001
Property and equipment	-	-	2,653	2,653
	64,164	73,896	134,798	272,858

	Up to 3 months	3 to 12 months	1 to 5 years	Total
2021				
Liabilities and equity				
Trade creditors and accrued liabilities	-	4,553	-	4,553
Term loans	12,543	38,680	54,660	105,883
Provision for staff indemnity	-	-	4,388	4,388
Share capital and reserves	-	-	157,987	157,987
Non-controlling interestss	-	-	47	47
	12,543	43,233	217,082	272,858

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Undiscounted			
	Up to 3 months	3 to 12 months	1 to 5 years	Total
31 December 2022				
Financial liabilities				
Trade creditors and accrued liabilities	4,739	317	-	5,056
Term loans	19,839	47,345	53,818	121,002
	24,578	47,662	53,818	126,058
Commitments				
Commitments for purchase of investments	-	-	-	-

	Undiscounted			
	Up to 3 months	3 to 12 months	1 to 5 years	Total
31 December 2021				
Financial liabilities				
Trade creditors and accrued liabilities	4,252	301	-	4,553
Term loans	13,179	36,959	60,266	110,404
	17,431	37,260	60,266	114,957
Commitments				
Commitments for purchase of investments	-	-	-	-

(d) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by the compliance and risk management function, which ensures compliance with policies and procedures and monitors operational risk as part of overall risk management activities.

21.2. Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from previous year.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (as shown in the consolidated statement of financial position) plus net debt.

Gearing ratio

The gearing ratio at the year end was as follows:

	2022	2021
Total Borrowings	114,944	105,883
Less: Cash and cash equivalents	(29,985)	(12,207)
Net debts	84,959	93,676
Total Equity	161,049	158,034
Total Capital	246,008	251,710
Net debt to total capital %	35	37

21.3. Fair value of financial instruments

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	16,199	7,403	-	23,602
Financial assets at fair value through OCI				
Debt securities	-	8,299	460	8,759
Equity participation	-	-	25,543	25,543
Managed funds	-	252	-	252
	16,199	15,954	26,003	58,156

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	15,188	4,812	-	20,000
Financial assets at fair value through OCI				
Debt securities	-	7,520	454	7,974
Equity participation	-	-	26,559	26,559
	15,188	12,332	27,013	54,533

Financial assets	**Fair value as at**		**Fair value Hierarchy**	**Sector**
	2022	**2021**		
Financial assets at FVTPL - *Quoted securities*	15,989	14,956	Level 1	Financial Institutions
	210	232	Level 1	Services
	16,199	15,188		
Financial assets at FVTPL – Unquoted *Debt securities*	4,367	4,812	Level 2	Financial Institutions
Financial assets at FVTPL – Unquoted *fund*	3,036	-	Level 2	Conglomerate
Financial assets at FVTOCI – *Unquoted debt*	4,549	3,770	Level 2	Financial Institutions
	1,250	1,250	Level 2	Conglomerate
	2,500	2,500	Level 2	Real estate
Financial assets at FVTOCI – *Unquoted funds*	252	-	Level 2	Financial Institutions
	15,954	12,332		
Financial assets at FVTOCI - *Unquoted securities*	20,420	22,297	Level 3	Real estate
	1,367	2,135	Level 3	Financial Institutions
	480	494	Level 3	Services
Financial assets at FVOCI – Unquoted *fund*	3,276	1,633	Level 3	Conglomerate
Financial assets at FVTOCI - *Unquoted debt*	460	454	Level 3	Financial Institutions
	26,003	27,013		
	58,156	54,533		

The most significant unobservable inputs used is the illiquidity discount in the level 3 hierarchy.

Movement in level 3 Unquoted securities is as follows:

	2022	**2021**
Opening balance	27,013	28,842
Change in fair value	225	(4,314)
Purchases/ transfers	2,710	5,700
Sales	(3,945)	(3,215)
Closing balance	26,003	27,013

The fair values of equity investments are obtained from quoted market prices and other models as appropriate.

Valuation techniques include observable market information of comparable companies and net asset values. Inputs used in valuation techniques mainly include market multiples such as price to book and price to earnings. The most significant unobservable inputs used is the illiquidity discount in the level 3 hierarchy.

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values.

A sensitivity analysis on fair value estimations, by varying input assumptions by a reasonable margin, did not indicate any material impact on the consolidated statement of financial position or consolidated statement of profit or loss.

22. Significant accounting judgements and key sources of estimation uncertainty

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 on estimates has been disclosed in Note 24.

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 - IFRS 9

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 a real estate whether it should be classified as trading, investment property, property under development or property and equipment.

The Group classifies it as "trading property" if it is acquired principally for sale in the ordinary course of business. The Group classifies it as "investment property" if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Sources of estimation uncertainty

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

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 note 21.3.

Impairment 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: The probability of default is a key initiation point for measuring expected credit losses. The probability of default is an estimate of the likelihood of a default over a specific period of time based on several factors including data, assumptions and expectations about future circumstances.

Loss given default: The loss given default rate is an estimate of loss due to default. This is accounted for by the difference between the contractual cash flows due and the cash flows expected to be received by the lender, taking into account the cash flows from the integrated and collateralized credit enhancements.

23. Impact of Covid 19

The Group is gradually recovering from the effects of Covid-19 pandemic. High vaccination rates and strict social distancing measures significantly reduced the impact of latest variants of virus. During the years 2020 and 2021, Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the financial service sectors ability to play a vital role in the economy. Those measures are disclosed in the respective notes to the Group's annual consolidated financial statements.