Annual Report 2021

KAMCO INVEST

H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

H.H. Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

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www.Kamcoinvest.com

INVESTOR RELATIONS

Investors seeking more information on Kamco Invest may:

1. Visit our website www.Kamcoinvest.com
2. Call us on +965 2233 6766
3. Send an e-mail to: investors@Kamcoinvest.com

ABOUT US

In 1998, Kamco Investment Company was established as the investment arm of Kuwait Projects Company ("KIPCO"), focusing on offering clients comprehensive access to local and international capital markets through a selection of asset management and financial services. In 2003, the investment Company got listed on Boursa Kuwait (formerly Kuwait Stock Exchange).

Driven by its prudent investment philosophy, innovative financial solutions, and latest market research tools, Kamco Invest rapidly gained recognition in the regional and international financial markets. During this phase in its journey, Kamco Invest overcame exciting challenges and achieved new accomplishments that helped pave the way towards its mission of becoming the preferred asset management and investment banking services provider in the region.

In 2008, unprecedented global economic and trading conditions resulted in a business world that was notoriously unpredictable. During this period, Kamco Invest responded to exceptionally unstable market conditions through strategies designed to protect its clients and the firm's position, as well as create a foundation for future growth. Despite fluctuating market conditions, the Company maintained its strong position in a very volatile financial environment and emerged as one of the few investment companies to report an annual profit in 2008.

Since its inception, Kamco Invest has been dedicated towards enhancing and building upon its innovative investment strategy by widening its offering of quality investment products and full-fledged services. The Company focused on growing its portfolios and assets under management, while successfully concluding milestone transactions for key institutions in the region.

In 2016, Kamco Invest opened the doors to its first international office in Dubai International Financial Centre ("DIFC"). Kamco Invest - DIFC serves as an alternative platform to provide the Company's international and regional client base with new opportunities for development and growth on a larger scale.

To further strengthen its client focus and leadership position, Kamco Invest acquired a strategic stake in Global Investment House in 2018, which led to a merger by amalgamation of the two institutions. The merger, categorized as the first of its kind in Kuwait's investment landscape, was concluded in November 2019.

Today, Kamco Invest operates in key regional capital markets and is widely recognized as one of the largest investment companies in the region in terms of assets under management. The Company now provides a comprehensive range of investment products and services in asset management, investment banking and brokerage. Kamco Invest has AUM of over USD14.6bn as of 31 December 2021 allocated across various asset classes and jurisdictions and has acted as investment banker to deals exceeding USD29.2bn from its inception in equity capital markets, debt capital markets and mergers & acquisitions.

OUR VISION

To become the preferred pan-MENA non-banking financial services powerhouse.

OUR MISSION

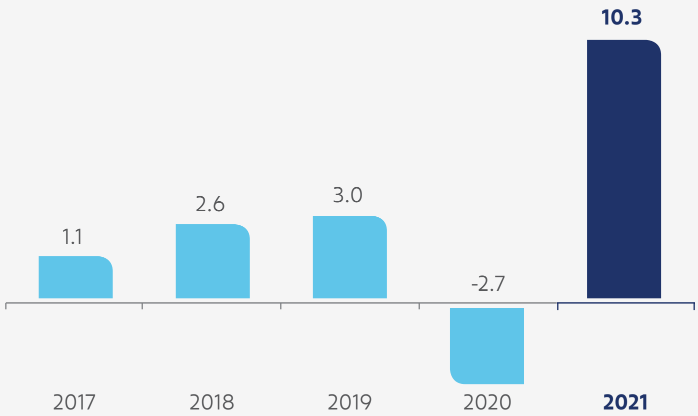
To maximize stakeholders' wealth guided by quality advice and sustained results.

Stock Information

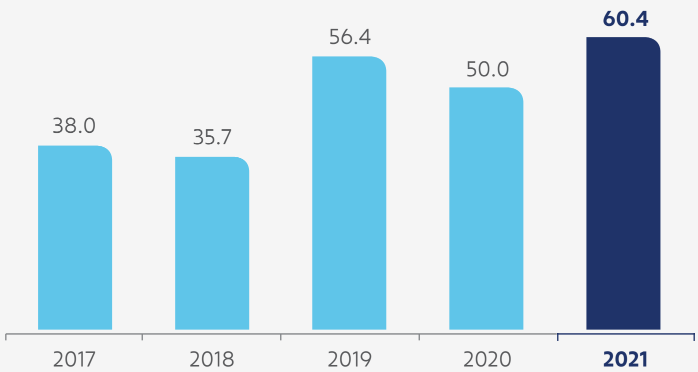
Date Established	16 September 1998
Listing Date	20 October 2003
Stock Ticker	KAMCO
Bloomberg Ticker	KAMCO KK Equity
Thomson Reuters Ticker	KAMC.KW
Paid Up Share Capital	KWD 34,233,263.300
Outstanding Shares	342,332,633
Par-value per Share	100 Fils
Fiscal Year	January - December
Registrar	Kuwait Clearing Company P.O.Box 22077, Safat 13081 Kuwait Tel: (965) 1 841-111 / (965) 2246-9457 Email: info@maqasa.com
Shareholder Structure	Major Shareholders owning over 5% KIPCO Group Companies (United Gulf Bank, Burgan Bank) 62.92%

Financial Highlights

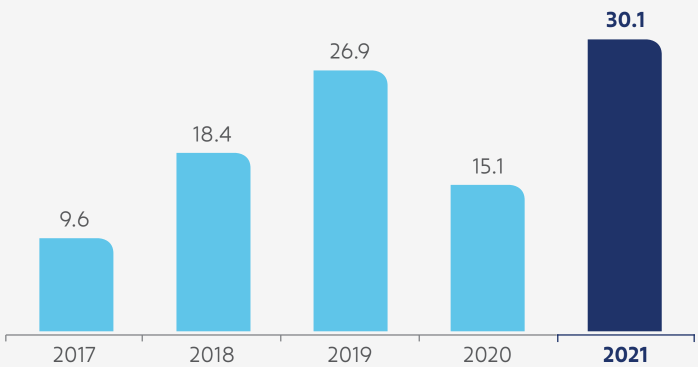
Net Profit Attributable to Equity Holders of the Company
KWD million



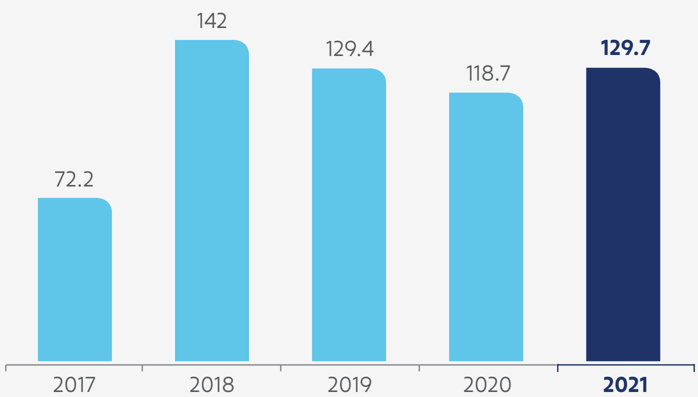
Equity Attributable to Equity Holders of the Company
KWD million



Total Revenue
KWD million

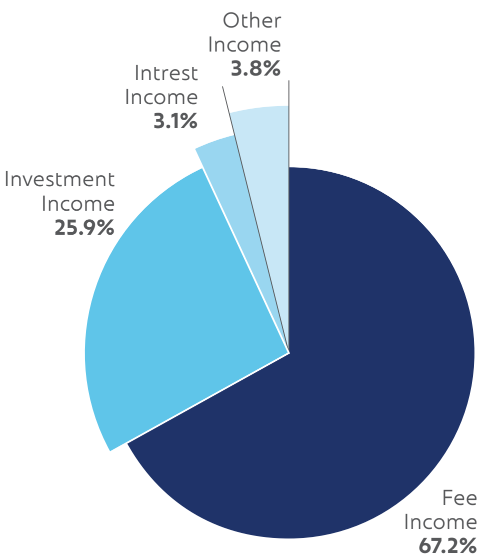


Total Assets
KWD million

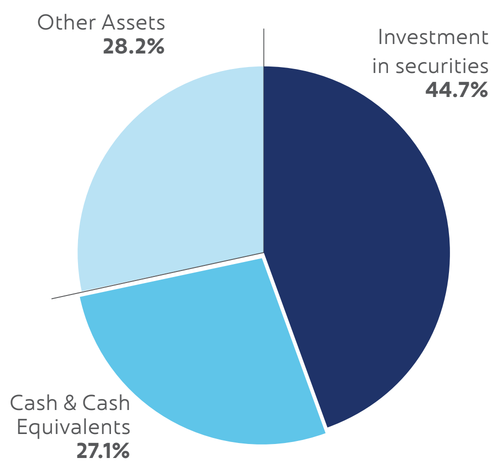


	2017	2018	2019	2020	**2021**
Income Statement Highlights (KWD million)					
Total Revenue	9.6	18.4	26.9	15.1	**30.1**
Total Expenses	8.5	15.7	22.7	17.6	**19.1**
Net Profit Attributable to Equity Holders of the Company	1.1	2.6	3.0	(2.7)	**10.3**
Financial Position Highlights (KWD million)					
Total Assets	72.2	142.0	129.4	118.7	**129.7**
Investment in securities	57.6	66.0	62.5	49.3	**58.0**
Loans & Advances & Other Assets	5.0	19.9	21.1	22.2	**19.9**
Loans & Bonds	26.5	57.1	48.0	46.9	**45.0**
Equity Attributable to Equity Holders of the Company	38.0	35.7	56.4	50.0	**60.4**
Profitability					
Earnings Per Share (Fils)	4.8	10.8	12.5	-7.9	**30.1**
Expenses/Revenues	88%	85%	84%	117%	**63%**
Return on Assets	1.6%	1.8%	2.3%	-2.3%	**8.0%**
Return on Equity Attributable to Equity Holders of the Company	3.0%	7.2%	5.4%	-5.4%	**17.1%**
Capital					
Book Value per share (KWD)	0.160	0.150	0.165	0.146	**0.177**
Equity/Total Assets	52.5%	25.1%	43.6%	42.1%	**46.6%**
Debt to Equity attributable to parent (x)	0.70	1.60	0.85	0.94	**0.74**
Liquidity & Business Indicators					
Loans & Advances and Other Assets/Total Assets	6.9%	14.0%	16.3%	18.7%	**15.3%**
Investment in securities/Total Assets	79.7%	46.5%	48.3%	41.5%	**44.7%**
Assets Under Management (KWD billion)	3.37	3.93	4.10	3.93	**4.41**

Total Revenue



Total Assets



BOARD OF DIRECTORS

Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah
Chairman

Entisar Abdul Raheem Al-Suwaidi
Vice Chairman

Masaud Mahmoud Jawhar Hayat
Board Director

Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah
Board Director

Tariq Mohammad Abdulsalam
Board Director

BOARD OF DIRECTORS' REPORT

Dear Valued Shareholders,

On behalf of the Board of Directors of Kamco Investment Company ("Kamco Invest"), I am pleased to present you with the Company's annual report for the fiscal year ended on 31st December 2021.

2021 was characterized with the gradual return to normal life mainly due to the rise in the number of administered vaccines worldwide, which significantly reduced the hospitalization and mortality rates witnessed in 2020. Economic and business activity also began to recover, and this has been positively reflected in the latest economic outlook published by the International Monetary Fund (IMF). The IMF outlook forecasted an overall real GDP growth of 2.5% for the GCC economies during the year with a faster non-oil GDP growth due to the shift towards non-oil sectors and OPEC+ output cuts.

> Kamco Invest achieved a net profit of KWD10.3mn (EPS: 30.14 fils) during 2021

The average price of Brent Crude increased to USD 70.9/b in 2021, compared to an average of USD 42.0/b in 2020. Brent crude closed off the year at a price of USD 77.24/b, marking a 50.8% increase in comparison to the closing price in 2020. Fiscal deficit for GCC countries is expected to narrow and further improve in 2022 backed by higher oil prices, resumption of economic activity as well as withdrawal of policy support and spending made during the pandemic last year. Global and GCC equity markets performed positively during the year, with the MSCI World Index up 20.1% and the MSCI GCC Index up 34.9%.

The Company achieved a net profit of KWD10.3mn (EPS: 30.14 fils) during 2021, compared to a net loss of KWD2.7mn (EPS: -7.85 fils) in 2020.

The teams leveraged on the positive market sentiments and were able to accomplish numerous achievements at all levels. This included raising more than USD1.1bn in several products and transactions and distributing USD235mn to clients. The Company's assets under management increased by 12.8% to reach USD14.6bn by end of year.

Total revenue during the year stood at KWD30.1mn (2020: KWD15.1mn), while revenue from fees and commissions was KWD20.2mn (2020: KWD15.0mn).

As a result of the Company's strong performance, which was guided by the implementation of a successful and effective strategy, the Board of Directors recommended for the approval of shareholders a 10% cash dividend (10 fils per share) during the annual general assembly for the year ended 31st December 2021. The Board of Directors also proposed the payment of KWD150,000 as remuneration to the Board Members.

The total remuneration received by the Executive Management for the year 2021 was KWD 1,941,554 inclusive of fixed (salaries, wages, and benefits) and variable pay. In addition, members of the Executive Management who hold positions on the Board of Directors of a subsidiary received a total remuneration of KWD18,250 (subject to approval of the AGM of the respective company).

The Company enjoys a strong financial position with KWD60.4mn in shareholders' equity as of 31st December 2021 (2020: KWD50mn) with a "BBB" long-term credit rating and an "A3" short-term rating with a stable outlook by Capital Intelligence.

During the year, Kamco Invest maintained full compliance with the various laws and regulations, while staying up to date with new regulatory requirements and developments.

The Company enjoys a strong financial position

At Kamco Invest, we have always recognized that our long-term value creation is directly correlated to being good corporate citizens. Throughout our years of operations, we were keen on being amongst the leading contributors to the social fabric of Kuwait. We have perceived this responsibility to be a fundamental pillar of our operational strategy and our path towards establishing an ethical sustainable business ecosystem which optimizes our growth in an increasingly dynamic world.

We are proud to fully endorse and support the sustainability strategy

That said, on behalf of the Board of Directors, we are proud to fully endorse and support the sustainability strategy and the issuance of the first sustainability report for the year 2021. This report will be a baseline of our current impact and will allow us to develop a more sustainable growth strategy, effectively manage and deal with changes and challenges as well as capitalize on opportunities that foster our Company’s longevity and our competitive advantage locally and internationally. In doing so, we hope to be doing our part in strengthening our local economy and transforming Kuwait into the financial and trade hub regionally and internationally as per Vision 2035.

The Company will continue to develop its investment products and services, enhance its position as a key regional player, expand its geographical footprint, and strengthen its relationship with clients. Kamco Invest aims to achieve these objectives by offering integrated investment solutions that are compatible with the investment needs of clients. These solutions are structured based on the latest market developments, leveraging on Kamco Invest’s flexible strategies, specialized expertise, and best practice operational standards.

In conclusion, I would like to extend my sincere gratitude and appreciation to our clients and shareholders for their continuous support and confidence, assuring them of our commitment to continuously strive for greater mutual success. In my capacity as Chairman of the Board, I would like to thank the Boards of Directors, Executive Management, and Kamco Invest employees for their efforts, dedication, and hard work. I would also like to extend my deepest gratitude to the Ministry of Commerce and Industry, the Capital Markets Authority of Kuwait, the Central Bank of Kuwait, in addition to the regional regulatory authorities for their continuous support, guidance, and cooperation.

Abdullah Nasser Sabah Al-Ahmad Al-Sabah
Chairman

EXECUTIVE MANAGEMENT

Faisal Mansour Sarkhou
Chief Executive Officer

Faisal was appointed as Chief Executive Officer of Kamco Invest in 2014 and has led the Company to become one of the key players in the regional financial services sector. He enjoys a wealth of experience in investment services namely investment banking and asset management.

He joined the Company in 2000 and has held several managerial positions including head of Corporate Finance and head of Financial Services & Investments, responsible for advising and executing mergers and acquisitions, underwritings, private placements, debt issuances, restructuring transactions, and private equity. Earlier in his career he was a member of the Corporate Finance Team at KPMG in Kuwait.

He sits on the board of several reputable companies, member of advisory boards and executive committees and a prominent speaker in various investment forums.

Faisal holds a BSc Economics degree with honors from the University of Birmingham, UK and an EMBA with distinction from HEC Paris, France.

Sulaiman M. Al-Rubaie
Managing Director of Investment Management

Sulaiman joined Kamco Invest in 2019 as Managing Director of Investment Management following the merger of Global Investment House and Kamco Invest.

He enjoys more than 19 years of experience in merchant banking and private equity. He started his career with boutique investment bank, Brask and Company, in their Placement and later in their M&A team. He then moved back to Kuwait to join the investment banking team at Global before joining the transactions team at Eastgate Capital Group in Dubai. He joined Global again in 2010 and became the head of Alternative Asset Management. He was then promoted to become Deputy Chief Executive Officer in 2017 and then Chief Executive Officer.

Sulaiman is a member of both the Middle East and Frontiers Market Councils of the EMPEA and is a board member of numerous companies in the GCC and Turkey.

He received his MBA from London Business School and a Bachelor of Science Degree in Operations Research and Industrial Engineering from Cornell University, New York.

Abdullah M. AlSharekh
Managing Director of Markets and Investment Banking

Abdullah joined Kamco Invest in 2020 as Managing Director of Markets and Investment Banking bringing with him extensive and diverse experience across all core areas from treasury and corporate banking to investment banking and asset management.

Prior to joining Kamco Invest, Abdullah led the Economic & Investment team of the Hareer and Boubyan Development Agency and was Managing Director at Sharq Capital where he led investment activity across asset classes. Prior to that, he held several executive positions with key international and regional financial institutions including Executive Director at the Securities Division of Goldman Sachs, Executive Manager of Corporate Banking at the National Bank of Kuwait, in addition to Investment Banking at NBK Capital. He also worked for the Fixed Income Trading Group of Brown Brothers Harriman on Wall Street and the M&A Execution Team of HSBC in London.

He holds a dual BA in Economics and Public & Private Sector Organizations from Brown University, USA and a dual MBA in Finance and Entrepreneurial Management from The Wharton School, University of Pennsylvania, USA.

Nawal Mulla-Hussain
Managing Director of Support Operations

Nawal joined Kamco Invest in 2019 as Managing Director of Support Operations following the merger of Global Investment House and Kamco Invest.

She is a professional with over 30 years of experience. She started her career at the Legal Department of Kuwait National Petroleum Company (KNPC) and left five years later to join Kuwait Investment Authority (KIA) in 1994 where she held a Legal Counsel position. At KIA she was part of the team entrusted with the establishment of Kuwait Small Projects Company, the first government initiative aimed at supporting small to medium projects in the local market. In 2004, Nawal joined Global to head the Legal Department and was promoted to Executive Vice President Legal & Compliance in 2010 and played a vital role in the development and restructuring of the Company. In 2017 she was promoted to Chief Operating Officer heading the entire support group.

She holds a Law degree from Kuwait University

Mohammed A. Al-Hubail
Managing Director of Corporate Affairs & Admin

Mohammed joined Kamco Invest in 2009 and was promoted to Chief Resources Officer in 2013. Following the merger of Global Investment House and Kamco Invest in 2019, he became Managing Director of Corporate Affairs & Admin.

He has 30 years of extensive practical experience in the fields of Human Resources, Administration, and Accounting. He worked with Enhanced Engineering & Multi-Technologies Co. as a managing director, Kuwait Investment Project Co., and with the Kuwait Foreign Petroleum Exploration Company.

He is the Chairman and CEO of Manafae Holding Company and a member of board of directors of several companies in Kuwait.

Hanaa Hasan Taha
Chief Financial Officer

Hanaa joined Kamco Invest in 2019 as Director of Financial Planning & Control and Accounting Operations following the merger of Global Investment House and Kamco Invest and she was promoted to Executive Director, Chief Financial Officer.

She is a professional with over 28 years of experience in finance, accounting, business analysis, budgeting and strategic planning, due diligence, and funds and portfolio accounting. Prior to the merger she was Senior Vice President, Head of Finance and Treasury at Global, and played a vital role during the merger transaction. She joined Global in January 2007 and has held several managerial positions. Hanaa served on the board of several regional Asset Management, Investment Banking and Brokerage Companies as a Chairman and Board Member. She also held several positions as a Chairman of Audit Committee and Member of different committees mainly audit committees, investment committees and executive committees. Prior to joining Global, she worked for Kuwait Financial Center.

She holds a Bachelor of Commerce in Accounting from Ain Shams University (Cairo- Egypt).

MANAGEMENT DISCUSSION & ANALYSIS

Dear Valued Shareholders,

The year 2021 was characterized as the year of uncertainty with the rise of the Covid-19 Omicron variant, which increased the number of positive cases and affected market sentiments. However, markets largely overlooked the concerns after several studies showed that the new variant, although fast spreading, led to relatively lower hospitalizations and mortality. In addition, the experience gained during the pandemic, stock of vaccines, availability, and access to several new vaccines, as well as multiple doses already administered in several countries, collectively provided some comfort against the rising cases.

Global equity markets closed 2021 a little short of the record high that was reached during December 2021. This was the third consecutive year of gains bolstered by more than a 20% gain in US and European markets. On the other hand, emerging markets declined during the year mainly reflecting a relatively earlier policy tightening, rising inflation, higher commodity prices as well as persistent supply chain issues that affected key sectors. Asian markets largely underperformed in 2021 as compared to the healthy gains seen last year.

Supported by increasing oil prices and corporate profits, the GCC equity markets outperformed their global peers with a yearly return of 34.9%, fully recovering from the Covid-19 and oil-led decline in 2020.

> We leveraged on positive market sentiments to widen our offerings, grow our business, and enhance our competitive position

Throughout the year, we leveraged on positive market sentiments to widen our offerings, grow our business, and enhance our competitive position in line with the Company's strategy. This enabled us to report a net profit of KWD10.3mn (EPS: 30.14 fils) compared to a net loss of KWD2.7mn in 2020 (EPS: -7.85 fils), with almost double the total income reported last year, reaching KWD30.1mn (2020: KWD15.1mn).

On the business side, 2021 was a record year in terms of client acquisitions, amounts placed, and products' performance, amongst other achievements. This resulted in a growth of 34.3% in fee & commission income compared to 2020, reaching KWD20.2mn.

The Company also enjoys a strong financial position with KWD60.4mn in shareholders' equity as of 31 December 2021, a growth of 20.9% compared to end of 2020. This comes in addition to the "BBB" long-term credit rating and "A3" short-term rating with stable outlook by Capital Intelligence in their last review in May 2021.

> We successfully raised over USD1.1bn for several products and transactions

During the year, we successfully raised over USD1.1bn for several products and transactions, distributed around USD235mn to clients (capital and income distributions) and grew our assets under management by 12.76% to reach USD14.6bn by 31st December 2021. Kamco Invest's equity funds and managed portfolios continued to outperform their peers and respective benchmarks. Following the strong performance, our funds maintained their positions amongst the top performing Kuwait equity funds.

Despite the continued and unprecedented challenges posed by the pandemic across all markets and business activities, 2021 marked an improvement in our real estate activities. During the year, the Real Estate Investments team completed the acquisition of eight properties across four transactions on behalf of clients through our subsidiaries, in addition to two successful exits. The acquisitions and exits comprised assets from the US, UK, and Germany, in both the office and logistics sectors.

During 2021, the total transacted value of real estate assets amounted to USD528mn, resulting in a net AUM of USD1.36bn across 22 assets, and covering 3.35 million square feet. The activities during 2021 imply a net AUM growth of 15.8%. The AUM provided a consistent annual distributable income to investors of USD39.8mn, which generated a weighted average net cash yield of 7.8% on invested equity.

The Special Situations Asset Management team, our tailored "winddown" asset management service offered to clients seeking value enhancement and optimal realization of difficult assets covering multiple asset classes with focus on the MENA region, has successfully executed the portfolios' strategies and resulted in generating cash inflows of more than USD800mn since its inception in 2013 with USD51.6mn in 2021.

On the other hand, the Private Equity team focused on two items during 2021; exits of legacy managed assets and launching new innovative products. The year under review was challenging due to supply chain disruptions, transportation bottlenecks, and geographic restrictions impacted by Covid-19. Despite all these challenges, the team underwent a dedicated plan to exit legacy assets by successfully completing exits from four assets, while continuing to provide liquidity to clients. With the aggregate value of these four exits amounting to USD130mn, we managed to distribute USD49.5mn in 2021.

The Private Equity team also worked on several new initiatives and products, including the successful launch of a Venture Capital fund in 2021, "The JEDI Fund", investing with joint emerging managers & in direct investments. The Company received approval from the Capital Markets Authority to market the fund to qualified investors in Kuwait.

In 2021, the Investment Banking team successfully closed 22 transactions worth USD4.8bn and penetrated new markets including Saudi Arabia, Oman, Jordan, and Bahrain besides the previous activity in Kuwait, Egypt, and UAE. The transactions included six Mergers & Acquisitions transactions, six equity capital market transactions, ten debt transactions. The Equity Capital Markets team concluded six transactions worth USD801mn. The transactions included the private placement and listing of a logistics company on Boursa Kuwait, the accelerated equity offering of a 26.2% equity stake in another Boursa Kuwait-listed company, and four follow-on offerings of listed companies on Boursa Kuwait Furthermore, the team launched iktatib.com, a new online subscription platform that held the first private placement in Kuwait solely relying on an online subscription platform.

> Successfully closed 22 Investment Banking transactions worth USD4.8bn

The Mergers & Acquisitions team successfully concluded six landmark transactions during the year, including three sell-side and three buy-side transactions, totaling to USD336mn. The team acted as the exclusive sell-side advisor for the sale of a 60% stake in a UAE based pharmaceutical company, in addition to two sell-side mandates in the United States and Egypt. The team led the acquisition of a minority stake in a listed company on Boursa Kuwait and facilitated the acquisition of two insurance companies in Kuwait and Jordan by a local insurance group, where Kamco Invest was the exclusive buy-side advisor.

2021 was another record year for the Company's Debt Capital Markets activities, closing ten transactions worth USD3.7bn. The team managed nine bond and sukuk issuances in Kuwait, Saudi Arabia, Oman, and Bahrain, in addition to one debt advisory transaction worth USD330mn. The issuances included six USD international debt issuances and three KWD denominated debt issuances worth USD3.4bn. A notable transaction in 2021 was the pioneering role structuring an innovative debt capital instrument for the local capital market, the first bond issuance by an insurance company and first perpetual bond issuance denominated in Kuwaiti Dinar, representing an important milestone in Kuwait's capital market.

First Securities Brokerage Company, Kamco Invest's brokerage arm, continued to expand its client base in Kuwait and Jordan by leveraging on its online trading platforms. The company successfully completed the MD3 test for netting, which now serves as a new revenue stream. Furthermore, the company is awaiting approval from the Capital Markets Authority on the application filed last September to be licensed as a qualified broker.

Regional offices continued to strengthen their presence in their respective markets by enhancing their offerings and increasing their contributions to the Company's core businesses, namely asset management. Kamco Invest – Saudi continued to deliver high risk adjusted returns for the year for its managed Kamco Saudi Equity Fund. The fund is considered the second largest conventional Saudi equity fund and the largest fund managed by an independent investment company that is not affiliated with a local bank. Kamco Invest – DIFC had another good year by increasing their contribution to the Group's core business significantly, this included raising funds and the acquisition of new clients.

The Investment Strategy & Research team achieved unmatched success during 2021, further strengthening the Company's thought leadership position as one of the pioneer research providers in Kuwait and the region. We adhered to a fastest-to-market approach, thereby enabling investors to take timely investment decisions while covering the length and breadth of the financial market. The team released several research reports that covered multiple sectors and proposed multi-asset strategies through fundamental, technical, and economic research. Our research reports were widely quoted by regional and international business titles, with reports catering to all financial platforms. As we move ahead with changing market dynamics, we will continue to focus on further enlarging our scope of research to better serve the broader investment community in the region.

> Digital transformation remains a key component of our strategy, as well as key offerings

Digital transformation remains a key component of our internal and external strategy, as well as key offerings. During the year, we developed "iktatib.com", a new online subscription platform which was successfully used to hold the first private placement in Kuwait that solely relied on subscribing online. Furthermore, we soft launched the first phase in the multiple development phases of the 'Kamco Invest App', an innovative and dynamic user-friendly platform that aims to transform the digital investment journey for registered users. With a wealth of existing and planned tailored services and solutions, Kamco Invest App is structured to attain a leading role in the digital investment services and solutions landscape.

As a leading non-banking financial powerhouse, we consistently strive to have a resounding and long-lasting positive impact on our society. After years of hard work, we have successfully cultivated a sustainability mindset into our corporate strategy, enabling us to better serve our stakeholders and community.

In the past several years we have taken major strides towards addressing Environmental, Social and Governance (ESG) factors through internal and external initiatives. Our first Sustainability Report covers 2021 and addresses our current sustainability impact and commitment to establishing a sustainable business environment through responsible actions. The report provides a detailed view of our efforts in line with multiple frameworks including Global Reporting Initiative (GRI), UN Sustainable Development Goals (SDGs), Boursa Kuwait ESG indicators, and the seven pillars of the Kuwait National Development Plan (KNDP). This practice is evident to our commitment to achieving the highest degrees of transparency, ethical standards, and accountability, to deliver long-term value for all our stakeholders.

In retrospect, our achievements would have not been possible without the collaboration and hard work of our dedicated internal stakeholders. In this regard, the management would like to express its sincere appreciation to the Board of Directors for the leadership and guidance they have shown during the past year, and our employees for their hard work and dedication. We thank our clients, shareholders, investors, and financiers for their trust, assuring them of Kamco Invest's commitment to consistently create more value for all stakeholders. Lastly, we extend our gratitude to Kuwait's market regulators, government officials, and the organizations who were integral to our success.

Faisal Mansour Sarkhou
Chief Executive Officer

MARKET HIGHLIGHTS

Global equity markets closed 2021 little short of a record high that it reached on 29-December-2021. This was the third consecutive year of gains bolstered by more than 20% gain in US and European markets. The decline in the index during September-2021 and November-2021 was led by rising inflation and talks of rolling back incentives that were announced during the pandemic, including record low interest rates as well as sector-specific targeted schemes.

Meanwhile, the record high daily cases of the Omicron variant of the Covid-19 did affect sentiments, however, markets largely overlooked the concerns after several studies showed that the new variant, although spreads fast, leads to relatively lower hospitalizations. In addition, the experience gained during the pandemic, the stock of vaccines, the availability and access to several new vaccines as well as multiple doses already administered in several countries gave some comfort against the rising cases.

Regional performance showed that last year's underperforming European markets witnessed healthy gains of 22.2% in 2021, whereas the S&P 500 Index witnessed even higher gains of 26.9%. UK and Germany also witnessed double digit gains during the year, although slightly smaller than the US, whereas Japanese market was up merely 4.9%.

On the other hand, emerging markets declined during the year mainly reflecting a relatively earlier policy tightening, rising inflation, higher commodity prices as well as persistent supply chain issues that affected key sectors. Asian markets largely underperformed in 2021 as compared to healthy gains seen last year.

GCC index sees biggest gain in 14 years during 2021...

GCC equity markets outperformed its global peers with a yearly return of 34.9% in 2021. The index recovered fully from the covid-19 and oil-led decline of 3.7% in 2020. All the headline benchmarks in the GCC reported gains during the year, but Abu Dhabi was the highlight for the year with one of the highest returns globally at 68.2% further supported by Saudi Arabia's 29.8% returns. Gains for both Saudi Arabia and ADX were driven by listing of several state-owned firms amid a climate of economic optimism, large scale projects and timely execution of infrastructure development plans.

Several new initiatives were taken in the GCC that were mainly aimed at diversifying state revenues away from oil and at the same time making sure that their market share in the oil market remains robust by way of adding capacity. In addition, the 50% gain in oil prices during the year provided a key support to GCC economies on the fiscal front. Crude oil price averaged at USD 70.9/b during the year that significantly lowered initial fiscal deficit projections for GCC countries and resulted in a decline in fixed income issuances by the government.

Trading activity in the GCC remained upbeat recording gains for the third consecutive year to reach the highest level since 2014 at USD 789.7 Bn, a growth of 19.7% from USD 659.8 Bn recorded in 2020.

The sector performance chart for the year showed gains mainly for the financial services sector with Diversified Financials topping the chart with a return of 62.2% followed by Banks with a gain of 48.8%. Capital Goods index was next with a gain of 45.4% followed by Materials and Healthcare with gains of 30.6% and 27.7%, respectively. On the other hand, decliners mainly included last year's outperforming sectors including Food &

Beverage that recorded a decline of 8.9% closely followed by Food & Drug Retailing with a decline of 8.3%. Last year's other outperformers like Pharma & Biotech, Consumer Durables & Apparels, and Insurance also reported low single digit gains.

Gains during the year also reflected a steep recovery in corporate profits for listed companies on GCC exchanges. Net profits for 9M-2021 more than doubled to USD 139.1 Bn as compared to USD 65.6 Bn during 9M-2020. The increase was mainly led by higher profits reported by Saudi Arabian companies followed by Abu Dhabi and Qatari listed companies. Quarterly profits during Q3-2021 reached record high led by earnings growth across the seven exchanges in the region. Higher profitability reflected accelerated economic activity in the region with the PMI figures for Saudi Arabia and UAE consistently and comfortably above the growth mark of 50 for the entire year. The region recorded one of the fastest vaccination rates and, as a result, bulk of the economic sectors were back at pre-pandemic capacities barring a few that include Tourism and Hospitality sectors.

The primary equity market was vibrant during the year with 20 new IPOs in the GCC in 2021 as compared to 7 during 2020. Total money raised in these IPOs were almost five times more at USD 7.5 Bn in 2021 as compared to USD 1.6 Bn in 2020. The bulk of these listing were in Saudi Arabia followed by Abu Dhabi. Prominent companies that were listed during the year included solutions by STC, Saudi Tadawul Group, Alpha Dhabi Holding, Al Yah Satellite and Fertiglobe that received offers multiple times more than the stocks on sale.

In the fixed income market, aggregate bonds and sukuk issuances in the region declined during 2021 mainly as a result of lower government bond issuance. Total issuances in the GCC reached USD 146.7 Bn during 2021 as compared to USD 151.1 Bn in 2020. Higher crude oil prices led to lower funding requirements by the GCC governments, whereas corporate issuances witnessed increase for the sixed consecutive year. In terms of type of instrument, sukuk issuances increased for the third consecutive year to reach the highest on record at USD 57.2 Bn in 2021 as compared to USD 52.1 Bn in 2020 in the GCC. On the other, bond issuances declined for the first time since 2018 to reach USD 89.5 Bn in 2021 as compared to USD 99.0 Bn in 2020.

Looking ahead...

Like 2021, the year 2022 also started with restrictions related to covid-19 across several countries. However, economies are now in a much better footing as compared to the last two years in terms of preparedness for pandemic and vaccinations. Moreover, the increasing case count in the GCC as well as globally has been largely delinked from the trends in the financial markets.

Most of the markets are maintaining the record high levels that they reached last year as the impact on economic demand and supply from the new Covid-19 variant is expected to be minimal. The gains are mainly on the back of rising corporate profits and supportive government policies aimed at private sector investments. Nevertheless, we believe that it would be difficult to see a repeat of multi-year high returns of last year in 2022 for global markets and for the GCC markets as most of the positive catalysts are already factored in current valuations.

Sectors that were most affected due to the pandemic, including airlines, hospitality, tourism and leisure are yet to see a full rebound due to new variants of the coronavirus. However, the lowered risk estimates related to new variants is expected to support a rebound in growth for these sectors in the near-term. Furthermore, the low interest rate environment is expected to continue during most of 1H-2022 supporting equity markets. But an increase in interest rates during 2H-2022 are expected to dampen the valuation of companies that had remained elevated over the last two years due to record low interest rates. On the other hand, the consistently high positive returns over the last few months are expected to force markets to return to their long-term average returns more quickly than seen over last several years.

For the GCC region, we expect markets to outperform their international peers mainly led by the strength of economic growth in the region. Crude oil prices would also be a key determinant for the region's economic health, although expectations are positive with consensus brent crude at USD 73/b for 2022. This coupled with higher estimated output this year should boost oil revenues and lower fiscal deficits.

For equity markets, we will expect Leisure, Real Estate & Construction and Energy to outperform. Financial Services sector, including Banks are expected to see an economic recovery led growth during the year but returns are expected to be relatively lower vs. more than 50% gains last year. In the primary market, the pipeline remains strong, especially for Saudi Arabia and Dubai with announcements of multiple listings this year. In the primary fixed income market, we expect to see a decline in government issuances once again this year backed by stronger fiscal position that will be partially offset by higher expected issuances from the corporates.

Economic Growth

There were encouraging signs of economic growth across the globe during most of 2H-2021 as against divergent economic trends during the 2020 and 1H-2021. The growth was mainly led by rising global trade volumes, increasing private sector investments, strong business confidence and stable or increasing commodity prices. This also led to lower spending by the government that had peaked during the pandemic in the form of economic support and financial aid during the pandemic. That said, income inequality continues to grow across countries and debt levels as a percentage of GDP has reached record high levels in both advanced economies and developing nations thus increasing the exposure to risky assets.

In addition, with the record low interest rates, inflation reached decades high levels and is expected to result in a faster-than-expected unwinding of financial support by the government and efforts are made to avoid a shock to the financial sector, especially in developing economies. This is expected to affect global GDP rates in the near term as compared to growth in 2021. In addition, new variants of the coronavirus also risks the growth trajectory as seen from the rising cases of the Omicron variant. Average expectations for world GDP growth in 2022 is at 3.9% as compared to 4.3% in 2021. Recently, World Bank lowered its 2022 world GDP forecast by 20 bps to 4.1% mainly led by slower growth expected in advanced economies while also slashing its forecast for emerging market and developing economies by 10 bps to 4.6%.

Economic growth in the GCC region is expected to reach the highest level since 2012 at 5.1% in 2022 based on consensus estimates. Inflation expected to be in line with broader policy at 2.1%. Saudi Arabia is expected to clock a growth rate of 5.9%, the highest since 2011, led by higher oil output and revenues as well as faster non-oil economic growth. GCC economies also stand to benefit from higher vaccination rates. The project market remains robust across the region and is now seeing faster execution with an eye on meeting strategic targets.

CORPORATE GOVERNANCE REPORT

Introduction

Kamco Invest's corporate governance aims to align our activities with leading practices regarding internal processes, control, ethics, as well as local legal & regulatory requirements. Kamco Invest's corporate governance philosophy is centered around trusteeship, transparency, empowerment and accountability, control, and ethical corporate citizenship. Kamco Invest believes that practicing these principles leads to the creation of the appropriate culture, and behaviors & norms in the Company.

As part of the corporate governance framework, members of the Board of Directors, Executive Management, and employees of Kamco Invest are committed to placing the interest of the Company, its shareholders, and other stakeholders at the forefront, without any bias, irrespective of the category, size, or interests of any sub-group.

Overview of Kamco Invest's Corporate Governance Framework

Kamco Invest believes in the importance of applying the principles and standards of sound governance, by adopting professional and ethical standards in business, ensuring transparency in disclosures, announcing key information in a timely manner, maintaining the Company's reputation, and continually enhancing shareholders and other stakeholders' confidence. As part of Kamco Invest's commitment towards implementing the rules of corporate governance, Kamco Invest, represented by its Board of Directors and Executive Management, has developed a governance system that synchronizes the Company's operations and defines the responsibilities of each Board member and Executive Management.

In undertaking its corporate governance practices, Kamco Invest has remained compliant with the requirements of the Capital Markets Authority of Kuwait's Executive Bylaws pertaining to Corporate Governance (Module 15).

This report summarizes the requirements and procedures implemented at Kamco Invest for applying corporate governance rules and regulations.

Kamco Invest's Corporate Governance During COVID-19

2021 witnessed abatement in the pandemic driven by the vaccination campaign undertaken by the State of Kuwait. Disruptions caused by the Delta wave in earlier parts of the year, followed by the widespread but less severe Omicron wave at the end of 2021 were navigated via the robust health & safety protocols implemented by Kamco Invest. The Company re-enforced its health and safety protocols during both waves, prioritizing stakeholder wellbeing and health. A recapitulation of the protocols is given below:

- Employing a "stakeholders first" view with regards to health & safety, for the Company's employees, clients & guests.
- Conducting meetings digitally, whilst ensuring continued oversight of the Company's activities.
- Allowing remote working for employees in accordance with Kamco Invest's Business Continuity Plan, prevailing health conditions in the State of Kuwait, and individual employee circumstances.
- Proactively organizing investor relations conference calls to update our investors about the Company's performance.

Our corporate governance and business resiliency practices have institutionalized agility and nimbleness in our activities.

Rule I: Constructing a Balanced Board Composition

Board's Structure

Kamco Invest's Board of Directors comprises five members appointed during the Company's Annual General Assembly once every three years. The Board Members have strong educational background, professional experience, and extensive business knowledge both locally and regionally.

The role of the Board is to govern the Company, whilst day to day management has been entrusted to the Company's Executive Management. Members of the Board of Directors exercise their duties collectively & independently, devote enough time to their responsibilities, and work in good faith towards the interests of the Company and its shareholders.

Kamco Invest's Board Members

For the year ended 31 December 2021, the members of the Board of Directors were:

Member Name	Classification of the Member	Qualification and Work Experience	Date of Election / Appointment
Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah (Chairman) Representing United Gulf Bank	Non-Executive Director	BA – Business Administration [More than 16 years of experience]	3rd June 2020
Entisar Abdul Raheem Al-Suwaidi (Vice Chairperson) Elected Member (Independent)	Independent Director	BA – Accounting [More than 31 years of experience]	3rd June 2020
Sheikha Dana Nasser Sabah Al-Ahmad Al Sabah Representing AlDeyafa United Real Estate Co.	Non-Executive Director	BA – English Literature [More than 21 years of experience]	3rd June 2020
Masaud Mahmoud Jawhar Hayat Representing AlZad Real Estate Co.	Non-Executive Director	BA – Economics [More than 41 years of experience]	3rd June 2020
Tariq Mohammad Abdulsalam Representing First North Africa Real Estate Co.	Non-Executive Director	BA – Accounting [More than 31 years of experience]	3rd June 2020
Farouq Al-Oumi Head of Human Resources	Secretary of the Board of Directors	BA - Management [More than 22 years of experience]	3rd June 2020

Summary of Board's Meetings in 2021

During 2021, the Board of Directors held 17 meetings. The below table summarizes the dates of each meeting and the attendance by each Board member.

	Member Name				
Meeting Number & Date	**Sheikh Abdullah Nasser Sabah Al-Ahmad Al- Sabah (Chairman)**	**Entisar Abdul Raheem Al-Suwaidi (Vice Chairman)**	**Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah (Board Director)**	**Masaud Mahmoud Jawhar Hayat (Board Director)**	**Tariq Mohammad Abdulsalam (Board Director)**
01/2021 (10th January 2021)	√	√	√	√	√
02/2021 (26th January 2021)	√	√	√	√	√
03/2021 (28th January 2021)	√	√	√	√	√
04/2021 (21st February 2021)	√	√	√	√	√
05/2021 (3rd March 2021)	√	√	√	√	√
06/2021 (21st March 2021)	√	√	√	√	√
07/2021 (19th April 2021)	√	√	√	√	√
08/2021 (6th May 2021)	√	√	√	√	√
09/2021 (11th May 2021)	√	√	√	√	√
10/2021 (2nd June 2021)	√	√	√	√	√
11/2021 (5th June 2021)	√	√	√	√	√
12/2021 (10th August 2021)	√	√	√	√	√
13/2021 (13th October 2021)	√	√	√	√	√
14/2021 (28th October 2021)	√	-	√	√	√
15/2021 (11th November 2021)	√	√	√	√	√
16/2021 (30th November 2021)	√	√	√	√	√
17/2021 (29th December 2021)	√	√	√	√	√

Registering, Coordinating and Archiving Board of Directors Minutes of Meetings

The Board of Directors have a register where all Board of Directors' minutes of meetings and Board of Directors resolutions are maintained (in serial number).

The Board of Directors appointed Board Secretary is responsible for preparing, soliciting approval on, and archiving Board's minutes of meetings, records, resolutions, and reports. The Board Secretary also advises the Board members on the Board of Directors operational processes in line with the regulatory requirements, the Board Charter, and prevailing Board Resolutions.

Independent Member's Acknowledgment

The Independent Member of the Board of Directors of Kamco Invest acknowledges meeting the independence criteria as stated in Article (2-3) of Chapter 3 of Module 15 ("Corporate Governance") of the Executive Regulations of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and Regulating Securities Activity and their amendments. A copy of the acknowledgement is attached to Annexure 1 of this report.

Rule II: Establishing Appropriate Roles and Responsibilities

As part of Kamco Invest's commitment towards good governance, the Company identified the roles and responsibilities of the Board of Directors as follows:

- Adopt the Charter of Board of Directors giving the Board the authority to exercise its role and responsibilities in overseeing the Company.
- Form specialized Board Committees with set authorities and responsibilities to fulfill.
- Establish Key Performance Indicators (KPIs) to evaluate the performance of the Board of Directors.
- Establish Key Performance Indicators (KPIs) to evaluate the performance of the Executive Management in accordance with the Company's objectives and strategy.
- Approve the delegation of authority matrix which identifies the authorities of the Board of Directors vis-à-vis Executive Management.
- Form specialized management committees with set authorities and responsibilities for overseeing regular business & risk aspects of the Company
- Approve the Company's policies and charters as to achieve balance in distribution of authorities between the Board of Directors and Executive Management.

Details of the Board of Directors roles & responsibilities are captured in the Board Charter.

The roles & responsibilities of the Company's Executive Management are defined as follows:

- Execute the strategy of the Company, effectively & efficiently, in line with the strategic goals, objectives, budgets and plans approved by the Board of Directors.
- Manage the daily affairs of the Company in accordance with the policies, directives and resolutions of the Board of Directors or its Committees.
- Ensure the Company's activities comply with applicable constitutional documents of the Company and laws & regulations of the State of Kuwait.
- Exercise their authorities to manage the Company's activities, in line with delegations of the Board of Directors.

Board of Director's Achievements for 2021

Despite the turbulence experienced during 2021, the year was marked by several other achievements by the Board of Directors, namely:

- Ensuring full compliance with various laws and regulations, while staying up to date with new regulatory requirements and developments.
- Endorsing a sustainability strategy for the Company.
- Approving the issuance of Kamco Invest's first Sustainability Report for the year 2021.
- Successfully launching the first phase in the multiple development phases of the 'Kamco Invest App', that aims to transform the digital investment journey for registered users.
- Approving incentive frameworks to facilitate growth in the Company's business.
- Approving several policies to enhance the operational risk framework of the Company.
- Approving and implementing an enhanced contingency funding plan.

Board Committees

The Board has established specialized Committees to assist in performing key functions and responsibilities entrusted to it. The Board approves the charters governing the work of these Committees as they specify the terms, authorities, functions, rights and responsibilities of the Committees and the method through which the Committees are supervised by the Board. The Committees are formed pursuant to a resolution issued by the Board of Directors which appoints the members and specifies the Committee chairperson and the time the Committee should start performing its functions. For the year ending 2021, Kamco Invest had institutionalized the following Board Committees:

a. Board Audit Committee

Committee Roles and Responsibilities

The Committee assists the Board in providing oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations by:

- Reviewing periodical financial statements before providing them to the Board of Directors and provide the Board of Directors with opinion and recommendation concerning thereof.
- Recommending to the Board of Directors to reappoint External Auditors or change them and specifying the remunerations thereof.
- Supervising the internal audit function in the Company, evaluating the extent of sufficiency of internal control conditions applied inside the company and reviewing the results of the internal audit reports.
- Reviewing and approving the internal audit plan.
- Verifying the Company's compliance with related laws, policies, systems, and regulations.
- Following up on external auditors work and reviewing their remarks on the Company's financial statements.
- Undertaking any other responsibilities as required under the mandate of the relevant laws & regulations or as entrusted by the Board of Directors from time to time.

Formation Date and Duration

The Committee was reconstituted in June 2020 for a term of three years, in line with the term of the Board.

Membership

For the year ending 2021, the Committee members were:

- Entisar Abdul Raheem Al-Suwaidi (**Chairperson**)
- Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah (**Member**)
- Tariq Mohammad Abdulsalam (**Member**)

Pradeep Rajagopalan is the appointed secretary of the Committee

Meetings

The Committee met seven times in 2021

b. Board Risk Committee

Committee Roles and Responsibilities

The Committee oversees the risk management practices at the Company by:

- Preparing and reviewing the risk management strategies and policies, seeking approval from the Board on these matters and ensuring their proper implementation, commensurate with the size and nature of Company activities.
- Ensuring availability and sufficiently of resources and systems for risk management.
- Evaluating systems and mechanisms of identifying, measuring and monitoring various types of risks that may face the Company.
- Assisting the Board of Directors in identifying and evaluating the Company's acceptable risk level and ensuring that the Company does not exceed this level, once approved by the Board.
- Reviewing the organizational structure of risk management and providing recommendations in this regard to the Board.
- Verifying independence of the risk management employees.
- Ensuring that the risk management employees fully understand the risks the Company faces.
- Preparing periodic reports about the nature of risks facing the Company and submitting such reports to the Board.
- Reviewing issues raised by the Board Audit Committee, which may affect risk management in the Company.
- Undertaking any other responsibilities as required under the mandate of the relevant laws & regulations or as entrusted by the Board of Directors from time to time.

Formation Date and Duration

The Committee was reconstituted in June 2020 for a term of three years, in line with the term of the Board.

Membership

For the year ending 2021, the Committee members were:

- Tariq Mohammad Abdulsalam (**Chairperson**)
- Entisar Abdul Raheem Al-Suwaidi (**Member**)
- Masaud Mahmoud Jawhar Hayat (**Member**)

Ketan Kapoor is the appointed secretary of the Committee.

Meetings

The Committee met four times in 2021

c. Board Nomination and Remuneration Committee & Remuneration Committee

Committee Roles and Responsibilities

The Committee is responsible for assisting the Board of Directors about its responsibilities pertaining to nomination and remuneration related to the members of the Board of Directors and Executive Management. The Committee assists the Board in reviewing the level of competence of the members of the Board of Directors and Kamco Invest's Executive Management, setting the remuneration framework and ensuring its effectiveness in accordance with the approved remuneration policy. Moreover, the Committee is responsible for establishing criteria for Board and Executive Management remuneration through:

- Recommending nomination and re-nomination acceptance for members of Board of Directors and Executive Management members.
- Setting a policy for Board of Directors and Executive Management members' remunerations, along with annual review of the required proper skills needed for Board membership. In addition to receiving applications for executive positions as required, studying and revising these applications.
- Determining various remuneration categories to be provided for employees such as fixed, performance-based, equity-based and end of service remuneration categories.
- Designing job description for Board members.
- Ensuring continued independence of Independent Board Members.
- Preparing a detailed annual report for all remunerations given to Board of Directors and Executive Management members.
- Undertaking any other responsibilities as required under the mandate of the relevant laws & regulations or as entrusted by the Board of Directors from time to time.

Formation Date and Duration

The Committee was reconstituted in June 2020 for a term of three years, in line with the term of the Board.

Membership

For the year ending 2021, the Committee members were:

- Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah (**Chairperson**)
- Entisar Abdul Raheem Al-Suwaidi (**Member**)
- Masaud Mahmoud Jawhar Hayat (**Member**)
- Tariq Mohammad Abdulsalam (**Member**)

Farouq Al Oumi is the secretary of the Committee

Meetings

The Committee met eleven times during 2021.

Mechanisms Enabling Board Members to Obtain Accurate and Timely Information and Data

The Company has an effective mechanism that enables the Board of Directors to obtain accurate and timely information, which enables them to perform and fulfil their duties and roles efficiently and sufficiently.

The secretaries of the Board and various Board Committees take a proactive approach to ensure that the necessary information, reports, and analysis are made available to members of the Board and Board Committees in a timely, clear, and accurate manner. The Company has also developed the necessary IT infrastructure, which enables high quality, accurate and timely reporting.

Rule III: Recruiting Highly Qualified Candidates for the Board of Directors and Executive Management

Board Nomination and Remuneration Committee

The Board of Directors has formed a Board Nomination and Remuneration Committee, which is responsible for the nomination of members to the Board, Board Committees and Executive Management, in addition to setting policies, incentive schemes related to the Company, and to the Board of Directors and Executive Management remuneration.

Board of Directors' and Executive Management Remuneration

The overall strategy of Kamco Invest is set and approved by the Board of Directors and translated into Key Performance Indicators (KPIs). These KPI's are then documented and communicated to ensure alignment of the management activities to the strategy applied by the Executive Management. These KPIs are monitored and reported to the Board on a regular basis. The remuneration is determined based on the achievement of KPIs, which include financial and non-financial criteria.

The remuneration policy at Kamco Invest aims to link remunerations and acceptable risk levels to attract qualified candidates to the company and ensure transparency. The Policy was revised and approved by the Board of Directors in March 2021. A summary of this policy is presented as follows:

a. Board Members Remuneration

The Board Remuneration consists of four main components:

- **Annual Board Membership Remuneration:** Each Board Member will be entitled to an annual membership remuneration. The total amount for all Board Members combined should not exceed 10% of the net profit of the Company (post the deduction of depreciation, reserves, shareholders dividends not less than 5% of the Company's capital or any higher percentage as stipulated in the Company's Articles of Association).
- **Board Membership Seating Allowance:** Board Members are entitled to a Seating Allowance for each Board of Directors meeting attended.
- **Committee Membership Seating Allowance:** Board Committee Members are entitled to a Seating Allowance for each Board Committee meeting attended.

- **Special Reward for the Independent Board Members:** Independent Board Members may be exempted, based on the approval of the Annual General Assembly, from the maximum limits of remuneration stipulated in this section.

Subsequently, the total Board Remuneration (comprising of the Annual Remuneration, Board and Committees Seating Allowances, and the Special Reward) shall be finally approved by the Annual General Assembly of Shareholders, based on a recommendation from the Board Nomination and Remuneration Committee and as approved by the Board of Directors.

The Company shall make appropriate disclosures on Board of Directors remuneration as required under applicable laws/ regulations.

b. Executive Management Remuneration Policy

Executive Management's remuneration, remuneration components, scales, and distribution of such remuneration are based on the Human Resources Committee's recommendation, and approved by the Board Nomination and Remuneration Committee and the Board of Directors.

The Company operates a total reward philosophy considering two main components of financial remuneration, while ensuring that there is an appropriate balance between the two components:

- **Fixed Remuneration:** Fixed Remuneration includes salaries, allowances and benefits set in Kamco Invest's salary and grading structure approved by the Company's Board of Directors and contractual agreements with employees.
- **Variable Remuneration:** Variable remuneration is designed to motivate and reward high performers within the organization. Variable remuneration awards are allocated to individuals depending upon individual, divisional and company-wide performance using an individual performance assessment system. The variable remuneration is divided into annual cash bonus and long and/or short terms incentives when applicable.

c. Balance between Fixed and Variable remuneration fixed and variable remuneration

The Company ensures that there is an appropriate balance between fixed and variable remuneration to allow for the possibility of reducing variable remuneration in the case of weak or adverse financial performance. The fixed and variable remuneration is reviewed and determined annually by the Board of Directors based on the Board Nomination and Remuneration Committee's recommendations.

Board of Directors Remuneration Details

The Board Nomination and Remuneration Committee has proposed that the Board of Directors receive KWD 150,000 as compensation for the financial year ended 31st December 2021. This proposal has been approved by the Board of Directors. The proposal will be submitted by the Board of Directors to the Annual General Assembly of the Shareholders for the financial year ended 31st December 2021, for approval.

The breakdown of Board of Directors Remuneration is given below:

Rewards & Benefits for Board of Directors

Number of Board Members	5
Rewards & Benefits from Parent Company (Kamco Invest)	
› Fixed Rewards & Benefits (KWD)	
Health Insurance	*Nil*
› Variable Rewards & Benefits (KWD)	
Annual Bonus	*150,000**
Bonus for Committees	*Nil*
Rewards & Benefits from Kamco Invest's Subsidiary Companies	
› Fixed Rewards & Benefits (KWD)	
Monthly Salaries (Total for the year)	*Nil*
Health Insurance	*Nil*
› Variable Rewards & Benefits (KWD)	
Annual Bonus	*Nil*
Bonus for Committees	*Nil*

*Subject to AGM approval from Kamco Invest's shareholders

Executive Management Remuneration Details

Rewards & Benefits from Parent Company (Kamco Invest)	
› Number of Executive Positions	6
› Fixed Rewards & Benefits (KWD)	
Monthly Salaries (Total for the year)	*577,848*
Health Insurance	*13,528*
Travel Allowances	*49,860*
Transport Allowance	*24,000*
End of Service & Holidays	*205,600*
Other Fixed Rewards & Benefits	*148,491*
› Variable Rewards & Benefits (KWD)	
Annual Bonus	*922,227*

Rewards & Benefits from Kamco Invest's Subsidiary Companies	
› Number of Executive Positions	2
› Fixed Rewards & Benefits (KWD)	
Monthly Salaries (Total for the year)	*Nil*
Health Insurance	*Nil*
Annual Tickets	*Nil*
Housing Allowance	*Nil*
Transport Allowance	*Nil*
Children's Education Allowance	*Nil*
Allowance for attending Board meetings	*6,250*
End of Service & Holidays	*Nil*
› Variable Rewards & Benefits (KWD)	
Annual Bonus	*12,000**

*Subject to AGM approval from the respective company's shareholders

Deviations From Remuneration Policy

No substantial deviations from the approved Remuneration Policy have been noted.

Rule IV: Safeguarding the Integrity of Financial Reporting

The Board of Directors acknowledges to the shareholders its responsibility for the fair presentation of Kamco Invest's consolidated financial statements for the year ended 31st December 2021; and that they present all financial aspects of the Company, including data and operational results, and are prepared in accordance with the International Accounting Standards approved by the Capital Market Authority of Kuwait

Furthermore, the Executive Management acknowledges to the Board its responsibility for the fair presentation of Kamco Invest's consolidated financial statements for the year ended 31st December 2021, and that these statements present all financial aspects of the Company accurately, including data and operational results, and are prepared in accordance with the International Accounting Standards approved by the Capital Market Authority of Kuwait.

The Board of Directors have established a Board Audit Committee. The Committee members have educational qualifications and practical experience in the field of accounting and finance. There was no conflict between the recommendations of the Board Audit Committee and the decisions of the Board of Directors during the year 2021.

The External Auditor of the Company is fully independent from the Company and its Board, and the Board Audit Committee verifies their independence on an annual basis. Furthermore, the External Auditor does not provide any material services other than the services related to the Company's external audit function.

Rule V: Applying Sound Systems of Risk Management & Internal Audit

Risk Management Department

The Company's Board of Directors approved organizational structure institutionalizes a fully independent Risk Management department, reporting to the Company's Board Risk Committee.

The Risk Management department is granted full authority to perform its role properly without being granted financial powers. The department has qualified employees with suitable professional competences and technical capabilities.

Board Risk Committee

The Board of Directors formed a Board Risk Committee that consists of three members, and its main responsibilities are to develop and monitor risk management policies & procedures, and the assess the risk profile of the Company.

Kamco Invest's Internal Controls Systems

The Company makes ongoing efforts to enhance its internal controls systems and while doing so, applies the "**Four Eyes Principles**" as follows:

- Proper segregation of authorities between the Board and Executive Management, whilst ensuring appropriate checks and balance.
- Segregation of duties to prevent conflicts of interest.
- Maker-checker control and review.
- Multi-layered approvals/authorizations.

Internal Audit Department

The Company's approved organization structure also includes a fully independent Internal Audit department, reporting directly to the Company's Board Audit Committee. The Head of the Internal Audit department is appointed directly by the Board of Directors based on the nomination of the Board Audit Committee; and the Board of Directors approves the Internal Audit department's mandate, roles, and duties based on the Board Audit Committee's recommendations.

Rule VI: Promoting Code of Conduct and Ethical Standards

The Company has institutionalized a comprehensive Corporate Governance Policy that acts as a backbone of the Company's corporate governance framework. The Corporate Governance Policy acts as the Business Charter for the firm and includes extensive directives to address:

- Related Party Transactions – mechanisms for various internal departments to highlight and appropriately manage transactions that may be undertaken by the Company with related parties.
- Code of Conduct and Ethics – emphasizing confidentiality of information, appropriate care of Kamco Invest's assets, financial responsibility and compliance with applicable laws & regulations. These directives establish the framework of acceptable behavior at Kamco Invest. The Company reiterates its commitment to the Code of Ethics and Conduct. Any violation of the Code of Ethics and Conduct is dealt with severely resulting in immediate disciplinary action.
- Insider Information Management – Kamco Invest prohibits the unauthorized disclosure of sensitive/material information acquired in the normal course of business and the misuse of such information in activities detrimental to the interests of the Company and integrity of capital markets.
- Whistle Blowing – establishment of mechanisms for stakeholders to highlight any potential or alleged wrongdoings, breaches of Corporate Governance Policy, financial crimes, fraud, theft, harassment etc. The mechanisms afford full protection from any retaliation and full confidentiality of all whistleblowers.
- Conflicts of Interest – to ensure any conflicts of interest emanating from Kamco Invest's operations are appropriately identified, discussed, resolved & disclosed. This policy has set the mechanisms to mitigate situations constituting conflicts of interest within Kamco and its subsidiaries and affiliates as to ensure that all conflicts of interest are dealt with and addressed expeditiously.
- Chinese Walls – to ensure segregation of information being generated from various business units of Kamco Invest and to minimize risks of misusing such information.

The Corporate Governance Policy is circulated to all employees of Kamco Invest to enable an understanding of its subject matter by all employees. Any breaches of the Corporate Governance Policy merit strictest of actions under the Company's Human Resources Policies and the Kuwait Labor Law, including but not limited to termination and legal action.

Rule VII: Ensuring Timely and High-Quality Disclosures & Transparency

Mechanism of Disclosure and Transparency

Kamco Invest has been in the forefront in offering transparency in operations through its annual Shafafiya (transparency) forum. In this forum Kamco Invest's management offer insights regarding how the Company has promoted ethical and responsible decision making, while safeguarding the integrity of financial reporting.

The Company adopted policies and procedures pertaining to "Disclosure and Transparency" which details disclosure requirements, guidelines, and responsibilities (including financial, non-financial and regulatory disclosures). The policy requires the application of disclosure practices to ensure disclosure of Company information and material information, in a fair and professional manner and to provide accurate information in a timely manner for the benefit of internal and external stakeholders in compliance with CMA regulations. During 2021, Kamco Invest has made appropriate regulatory disclosures in a timely manner on Boursa Kuwait website and the Company's own official website. The Company aims is to balance the legitimate interests of stakeholders through consistent enhanced performance.

The Company maintains a special register related to all the Board of Directors and Executive Management's disclosures. This register is available to be reviewed by all the Company's shareholders; and is reviewed and updated periodically.

Investors Relations Unit

The Company also incorporated an Investors Relations Unit, which is responsible for providing data and reports to investors. This Unit is reasonably independent, in a manner that allows it to provide accurate data and reports in a timely manner. There is a dedicated section on the Company's website for Investor Relations, which also contains the contact information for the Unit.

Development of Information Technology Infrastructure in the Disclosure Process

The Company also works continuously on developing and updating the information technology infrastructure, to be able to effectively communicate with shareholders, investors, and stakeholders. The Company regularly updates its websites with material information for clients, investors, and other stakeholders. Additionally, the Company's website a dedicated section for corporate governance, where all governance related information and data that shareholders and potential investors might need is available.

Rule VIII: Respecting the Rights of Shareholders

The governance system of the Company ensures that all shareholders are fairly treated, ensuring equal dealing with all shareholders and protection against breach of the rights thereof, in addition to protecting capitals of shareholders against misuse. Furthermore, the Company's Articles of Association also include procedures and controls required to ensure fairness and equality amongst all shareholders.

In addition, the Company has a policy that guarantees the shareholders ability to exercise their rights, which include:

- Listing the shares held by the shareholders and shareholding percentage in the Company records.
- Transacting in the Company's shares, including registration and transfer of ownership.
- Receiving dividends on shares held.
- Obtaining residual claims in the Company's assets in case of liquidation.
- Having access to data and information of the Company's activities and operational and investment strategies regularly and easily.
- Participating in the shareholders' assembly meetings and voting on the resolutions thereof.
- Electing members of Board of Directors.
- Following up on performance of the Company, in general, and the Board of Directors, in particular.
- Holding the Company's Board of Directors or the Executive Management accountable.

The Company has created a special register at Kuwait Clearing Company (Clearing Agency), where shareholders names, nationalities and number of shares held by them are recorded. Furthermore, the Investor Relations Unit maintains a copy of the Shareholders' Register and Bondholders' Register, making it available to shareholders and bondholders. Shareholders can review this register and verify that data is maintained confidentially. The Investor Relations Unit oversees responding to shareholders' queries.

The Company also encourages shareholders to participate and vote in the Company's General Assembly Meeting

- **Mechanism of Participation in the Shareholders General Assembly**

The Shareholders' General Assembly is held upon the call of the Board of Directors; and invitations are published in local newspapers, the Boursa Kuwait website, and the Company's website including meeting type, agenda items, location (physical or virtual) in addition to date and time.

The Investor Relations Unit and the Board Secretary follow up with Kuwait Clearing Company and key shareholders to ensure quorum is met. The agenda, Board of Directors reports and financial statements are prepared and made available to Shareholders.

Shareholders can participate in the General Assemblies and discuss all issues listed in the agenda, raising inquiries therein, and posing questions concerning such issues to be answered by the Board Members and the External Auditor.

- **Mechanism of Voting in the Shareholders General Assembly**

The Company allows shareholders to exercise the right of voting in person or by proxy, without placing any obstacles that would prevent such voting.

Rule IX: Recognizing the Roles of Stakeholders

Kamco Invest acknowledges stakeholder rights and works on encouraging the cooperation between the Company and stakeholders in various areas. Moreover, stakeholders' contributions represent a crucial resource for building the Company's competitiveness and supporting its performance. The Company's Corporate Governance Policy has captured the rules and procedures that ensure acknowledgment and protection of the stakeholders' rights, such as but not limited to:

- Ensuring that dealing between the Company and its stakeholders is conducted without any discrimination or preferential conditions.
- Articulating procedures to be followed in case any party breaches the obligations thereof articulated.
- Compensating stakeholders if the rights set out by the covenants of the agreements are breached.
- Reporting any actual/alleged breaches or improper practices of the Company through pre-defined channels.
- Encouraging the Company to establish good relations with the clients and suppliers and maintaining confidentiality of information of various parties.
- Encouraging redressal of complaints or disputes, which may arise between the Company and any stakeholder.
- Abiding by the instructions of the Company's regulators.

Encouraging stakeholders to participate in following up with the Company's various activities

The Company allows the various stakeholders to access information and data related to the activities related to them in a timely and regular manner. Furthermore, the Company publishes all announcements on its website and press releases of important events and information on a regular basis and when needed. The Company has also set mechanisms and channels, per the client complaints policies & procedures and whistleblowing policies & procedures, which allow stakeholders to communicate any grievances or report unfair, improper, unethical, or illegal practices.

Rule X: Encouraging and Enhancing Performance

The Company developed several mechanisms that would allow Board Members and Executive Management to attend different training programs and workshops that are related to the Company's activities and to the Board Members role, to develop their skills and experience in a manner that would help them perform their duties effectively.

During the year, the Company's Board Members and Executive Management Members attended training programs and workshops related to different topics such as:

- Anti-Money Laundering and Countering Terrorism Financing
- 1-on-1 Leadership coaching
- Leaders Mastermind Sessions
- Paper Discussion - Internal Auditing role in Governing Body / Executive Committees
- Paper Discussion - Agile Risk Management
- Paper Discussion - How boards have risen to the COVID-19 challenge, and what's next
- Paper Discussion - Internal Auditing role in ESG Reporting
- Paper Discussion - Operation Compliance Management and Reporting

The Company also developed mechanisms to evaluate the overall performance of Kamco Invest's Board of Directors and the performance of each member of the Board of Directors and Executive Management periodically, through developing a set of performance measurement indicators related to the extent of achieving strategic goals of the Company.

The Board of Directors also work continuously on ensuring the importance of value creation with the employees of the Company; through enforcing mechanisms that achieve the Company's strategic goals, improve performance, ensure adherence to laws and regulations, and enhance corporate governance. These mechanisms include but are not limited to:

- Setting annual budget and long-range plan for the Company; coupled with regular review of the Company's performance against the set targets and budgets
- Proper and clear distribution of authorities amongst management, management committees, Board Committees, and the Board of Directors
- Institutionalizing appropriate corporate governance policies, procedures & practices
- Institutionalizing appropriate policies related to compliance, anti-money laundering & countering terrorism financing, FATCA, Common Reporting Standards (CRS) etc.
- Institutionalizing appropriate mechanisms for internal governance: To facilitate the value creation in the Company and effectively manage and enhance performance in a risk cognizant manner, the Board of Directors has instituted several management committees that comprise the Company's senior managerial personnel.

These management committees ensure effective execution of various strategic, business, operational and risk-based mandates. A summary of these committees is given below:

Business Excellence & Strategic Transformation Committee

The committee provides strategic oversight to the performance of the Company and facilities cooperation among various business units. The committee reviews all new products/services/transactions offered by Kamco Invest prior to launch, among other matters.

Asset, Liability and Capital Management Committee

The committee provides oversight to the management of Kamco Invest's balance sheet and capitalization.

HR Committee

The committee provides general oversight of Kamco Invest's compensation structure including long term rewards and benefits programs, to review and provide guidance on Kamco Invest's human resources programs, workforce programs, talent review and leadership development and best place to work initiatives. The outcomes of the committee's activities are presented to the Board Nomination and Remuneration Committee and/or Board of Directors for approval, as required under applicable regulations.

Credit Committee

The committee exercises due care, diligence, skill, and oversight towards credit risk management in the loan portfolio of Kamco Invest, within Board approved authorities.

Provisions Committee

This committee approves provisions on the individual loan accounts and on an omnibus basis on the loan portfolio to ensure accurate reflection of recoverability.

Technology Oversight Committee

This committee oversees the Company's technology strategy and initiatives, oversee significant investments in support of such strategy alongside associated operational considerations, operational risks, information, and cybersecurity risks.

Rule XI: Focusing on the Importance of Corporate Social Responsibility (CSR)

Enhancing our added value through sustainability

Kamco Invest is constantly balancing business objectives with broader ethical and social considerations, just as it works on the balance between profits now and the promise of higher returns in the foreseeable future. In 2021, Kamco Invest organized several CSR initiatives to

At Kamco Invest, we have always recognized that our long-term value creation is directly correlated to being good corporate citizens. As of recent years, we have been taking major strides towards Environmental, Social and Governance (ESG) issues through internal and external initiatives as part of incorporating sustainability practices within our daily operations and Companywide strategy.

Our First Sustainability Report

As part of these practices, we have published our first Sustainability Report for the year ended 31st December 2021 which covers multiple facets of Kamco Invest that pertains to our current sustainability impact and simultaneously mark our commitment to establishing a sustainable business environment and community. This report is established in line with multiple frameworks including Global Reporting Initiative (GRI), UN Sustainable Development Goals (SDGs), Boursa Kuwait ESG indicators and the seven pillars of "New Kuwait" which is part of the Kuwait National Development Plan (KNDP) and the Amiri Vision.

The report highlights four sustainability dimensions namely; the social, economic, environmental and governance aspects in efforts of enhancing our transparency, setting future business strategies that are in line with our sustainability impact and creating long-term value for all our stakeholders.

ACKNOWLEDGMENT BY THE INDEPENDENT BOARD MEMBER

I, the undersigned, as an independent member of the Board of Directors of Kamco Investment Company K.S.C. (Public) (“Kamco Invest” or the “Company”), declare that I have the independence as stated in Article (2-3) of Chapter Three of Module Fifteen ("Corporate Governance") of the Executive Regulations of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity, and their amendments.

Accordingly, I acknowledge that:

- I do not own 5% or more of the shares of Kamco Invest
- I’m neither a first-degree relative to any of the Company's Board of Directors, the executive management of the Company or any of its group companies, nor to other key stakeholders.
- I do not hold the position of a non-independent board member in any Company of its group.
- I am neither employed by the Company, any company of its group nor by any of its stakeholders.
- I am not employed by legal persons who own controlling stakes in the Company.
- I have the qualifications, experience and technical skills that are commensurate with the Company's activity.

Entisar Abdul Raheem Al-Suwaidi

FINANCIAL STATEMENTS

Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kamco Investment Company K.S.C.P. (the "Company") and subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the Central Bank of Kuwait 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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 basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)
We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

a) Valuation of investment securities
Investment securities comprises of financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) and are disclosed in Note 25 to the consolidated financial statements.

The valuation of the Group's investment securities involves the exercise of judgment by the management and the use of assumptions and estimates, most predominantly for the instruments classified under level 2 and level 3. COVID-19 has an impact on the volatility of certain inputs used by the management. Key judgments applied by management in valuation of the Group's investment securities carried at fair value include determination of price to book and price to earnings multiples from comparable companies, identification of recent sales transactions, calculated net asset value (NAV) and application of illiquidity discounts in certain cases. Due to these estimations, this is considered a key audit matter. The Group's policies on valuation of investments securities are presented in accounting policies and in Note 3 and Note 25 of the consolidated financial statements.

As part of our audit procedures, we have tested the level 1 fair valuations by comparing the fair values applied by the Group with publicly available market data. For level 2 and 3 valuations we evaluated the models and the assumptions used by the management and tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy. We further assessed that the main assumptions and related uncertainties are appropriately reflected in the disclosure in Note 25 of the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

b) Impact of IFRS 10 on the Group's ownership in funds
The Group has direct investments in various funds which are managed by the Group in the capacity of a Fund manager. The complexity of structure, servicing and ownership in these funds requires the Group to continuously determine control under IFRS 10. This impact assessment is critical for the overall accounting and presentation of Group financial statements therefore we considered this to be a key audit matter.

The Group's policy on control assessment over its managed funds is given in the accounting policies section of the consolidated financial statements.

Our audit procedures included, amongst others, assessment of Group's policies and procedures in identifying the control over investees. We have challenged the Group's assessment of control over the funds managed by the Group and considered the guidance included in IFRS 10. We evaluated the power of the Group through reviewing the contractual and legal agreements including articles and memorandum of incorporation of these funds. We also compared the right to variable returns of the Group from these funds by the industry average. Furthermore, we considered the right of other unitholders for the removal of the Group as fund manager and also the ability of the Group to use its powers over these funds.

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.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 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.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the 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, as amended, and its executive regulations, as amended, or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021, that might have had a material effect on the business of the Company or on its 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 Central Bank of Kuwait and the organization of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business of the Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

17 February 2022
Kuwait

Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	*2021 KD*	*2020 KD*
ASSETS			
Cash and cash equivalents	5	**35,160,321**	31,968,833
Loans and advances	6	**6,188,801**	6,078,015
Financial assets at fair value through profit or loss	25	**27,715,296**	20,841,067
Financial assets at fair value through other comprehensive income	25	**7,519,245**	8,762,653
Investment in associates	7	**22,805,423**	19,672,360
Other assets	8	**13,717,888**	16,154,080
Investment properties	9&25	**11,795,451**	716,423
Property and equipment	9	**955,930**	10,743,688
Intangible assets	10	**3,870,685**	3,725,067
TOTAL ASSETS		**129,729,040**	118,662,186
LIABILITIES AND EQUITY			
Liabilities			
Loans	11	**5,000,000**	6,908,258
Bonds	12	**40,000,000**	40,000,000
Other liabilities	13	**20,533,783**	17,929,285
TOTAL LIABILITIES		**65,533,783**	64,837,543
Equity			
Share capital	14	**34,233,263**	34,233,263
Share premium	14	**9,089,045**	9,089,045
Statutory reserve	14	**6,822,832**	5,726,409
Voluntary reserve	14	**1,421,613**	325,190
Revaluation reserve		**934,057**	-
Cumulative changes in fair values		**(7,493,568)**	(8,114,748)
Foreign currency translation reserve		**469,625**	681,662
Retained earnings		**14,959,615**	8,061,016
Equity attributable to equity holders of the Company		**60,436,482**	50,001,837
Non-controlling interests		**3,758,775**	3,822,806
TOTAL EQUITY		**64,195,257**	53,824,643
TOTAL LIABILITIES AND EQUITY		**129,729,040**	118,662,186

Abdullah Naser Sabah Al-Ahmad Al-Sabah
Chairman

Faisal Mansour Sarkhou
Chief Executive Officer

The attached notes 1 to 29 form part of these consolidated financial statements.

Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2021

	Notes	***2021 KD***	*2020 KD*
INCOME			
Fee income	15	**20,212,260**	15,047,385
Net gain (loss) on financial assets at fair value through profit or loss	16	**4,762,519**	(2,196,516)
Share of results of associates	7	**2,269,860**	(2,549,533)
Net income on disposal of non-current assets exclusively acquired for sale	21	**-**	178,446
Dividend income from non-current assets exclusively acquired for sale		**32,188**	748,877
Dividend income		**380,857**	529,272
Interest income		**943,597**	1,064,526
Foreign exchange (loss) gain		**(271,829)**	735,910
Gain on disposal of associate	7	**-**	434,590
Net gain on fair valuation of investment properties		**360,800**	-
Other income	17	**1,400,554**	1,098,605
		30,090,806	15,091,562
EXPENSES			
General and administrative expenses	18	**16,638,757**	14,326,963
Finance costs		**2,132,619**	2,974,229
Provision for expected credit losses on financial assets	8	**382,963**	482,453
Reversal of provision for expected credit losses on loans and advances, net	6	**(104,161)**	(176,490)
		19,050,178	17,607,155
PROFIT (LOSS) BEFORE TAXATION AND DIRECTORS' REMUNERATION		**11,040,628**	(2,515,593)
Contribution to KFAS		**(98,847)**	-
Zakat		**(113,494)**	-
NLST		**(284,799)**	-
Directors' remuneration		**(150,000)**	-
PROFIT (LOSS) FOR THE YEAR		**10,393,488**	(2,515,593)
Attributable to:			
Equity holders of the Company		**10,317,093**	(2,686,999)
Non-controlling interests		**76,395**	171,406
		10,393,488	(2,515,593)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE – Attributable to equity holders of the Company	19	**30.14 fils**	(7.85) fils

The attached notes 1 to 29 form part of these consolidated financial statements.

Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	*2021 KD*	*2020 KD*
Profit (loss) for the year		**10,393,488**	(2,515,593)
Other comprehensive income			
Items that are or may be reclassified to consolidated statement of income in subsequent periods:			
Foreign currency translation adjustments		**(218,177)**	117,469
Items that will not be reclassified to consolidated statement of income in subsequent periods:			
Share of other comprehensive income of associates	7	**189,183**	6,936
Revaluation surplus on property	9	**934,057**	-
Net loss on equity instruments at fair value through other comprehensive income		**(817,113)**	(2,341,238)
		306,127	(2,334,302)
Total other comprehensive income (loss) for the year		**87,950**	(2,216,833)
Total comprehensive income (loss) for the year		**10,481,438**	(4,732,426)
Attributable to:			
Equity holders of the Company		**10,439,632**	(4,698,120)
Non-controlling interests		**41,806**	(34,306)
		10,481,438	(4,732,426)

The attached notes 1 to 29 form part of these consolidated financial statements.

Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company										
	Share capital KD	*Share premium* KD	*Statutory reserve* KD	*Voluntary reserve* KD	*Revaluation reserve* KD	*Cumulative changes in fair values* KD	*Foreign currency translation reserve* KD	*Retained earnings* KD	*Total* KD	*Non-controlling interests* KD	*Total equity* KD
As at 1 January 2021	34,233,263	9,089,045	5,726,409	325,190	-	(8,114,748)	681,662	8,061,016	50,001,837	3,822,806	53,824,643
Profit for the year	-	-	-	-	-	-	-	10,317,093	10,317,093	76,395	10,393,488
Other comprehensive income (loss)	-	-	-	-	934,057	(598,444)	(213,074)	-	122,539	(34,589)	87,950
Total comprehensive income (loss) for the year	-	-	-	-	934,057	(598,444)	(213,074)	10,317,093	10,439,632	41,806	10,481,438
Transfer to reserves	-	-	1,096,423	1,096,423	-	-	-	(2,192,846)	-	-	-
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	1,219,624	-	(1,219,624)	-	-	-
Ownership changes in subsidiary without loss of control (Note 20)	-	-	-	-	-	-	-	(6,024)	(6,024)	256,024	250,000
Disposal of subsidiaries	-	-	-	-	-	-	1,037	-	1,037	(153,891)	(152,854)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(207,970)	(207,970)
As at 31 December 2021	**34,233,263**	**9,089,045**	**6,822,832**	**1,421,613**	**934,057**	**(7,493,568)**	**469,625**	**14,959,615**	**60,436,482**	**3,758,775**	**64,195,257**

The attached notes 1 to 29 form part of these consolidated financial statements.

Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

	Attributable to equity holders of the Company									
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2020	34,233,263	9,089,045	5,726,409	325,190	(6,121,287)	569,340	12,589,660	56,411,620	4,391,033	60,802,653
(Loss) profit for the year	-	-	-	-	-	-	(2,686,999)	(2,686,999)	171,406	(2,515,593)
Other comprehensive (loss) income	-	-	-	-	(2,123,443)	112,322	-	(2,011,121)	(205,712)	(2,216,833)
Total comprehensive (loss) income for the year	-	-	-	-	(2,123,443)	112,322	(2,686,999)	(4,698,120)	(34,306)	(4,732,426)
Ownership changes in subsidiary without loss of control (Note 20)	-	-	-	-	-	-	-	-	1,051	1,051
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(68,454)	(68,454)
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	129,982	-	(129,982)	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(466,518)	(466,518)
Dividends (Note 14)		-	-	-	-	-	(1,711,663)	(1,711,663)	-	(1,711,663)
As at 31 December 2020	34,233,263	9,089,045	5,726,409	325,190	(8,114,748)	681,662	8,061,016	50,001,837	3,822,806	53,824,643

The attached notes 1 to 29 form part of these consolidated financial statements.

Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
OPERATING ACTIVITIES			
Profit (loss) for the year before taxation and directors' remuneration		**11,040,628**	(2,515,593)
Adjustments for:			
Unrealized (gain) loss on financial assets at fair value through profit or loss	16	**(2,677,907)**	1,821,444
Net income on disposal of non-current assets exclusively acquired for sale	21	**-**	(178,446)
Gain on disposal of associate	7	**-**	(434,590)
Share of results of associates	7	**(2,269,860)**	2,549,533
Impairment of investment in associate	7	**-**	69,678
Dividend income		**(413,045)**	(1,278,149)
Interest income		**(943,597)**	(1,064,526)
Foreign exchange loss (gain)		**271,829**	(735,910)
Net gain on fair valuation of investment properties		**(360,800)**	-
Finance costs		**2,132,619**	2,974,229
Depreciation	9	**157,713**	468,441
Amortization	10	**392,088**	342,400
Provision for expected losses on financial assets	8	**382,963**	482,453
Reversal of provision for expected credit losses on loans and advances, net	6	**(104,161)**	(176,490)
Impairment of property and equipment	9	**-**	654,962
Provision for employees' end of service benefits		**868,060**	807,040
		8,476,530	3,786,476
Change in operating assets and liabilities:			
Loans and advances		**(26,455)**	237,251
Financial assets at fair value through profit or loss		**(4,324,962)**	4,077,663
Financial assets at amortized cost		**-**	85,000
Other assets		**2,110,717**	87,670
Other liabilities		**1,518,303**	(2,642,224)
Cash from operations		**7,754,133**	5,631,836
Dividend received		**413,045**	1,278,149
Employees' end of service benefits paid		**(406,916)**	(849,341)
Net cash flows from operating activities		**7,760,262**	6,060,644
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income		**(1,151,890)**	(267,848)
Proceeds from sale of financial assets at fair value through other comprehensive income		**1,740,492**	335,698
Net purchase of deposits		**(128,192)**	(1,191,116)
Purchase of property and equipment	9	**(157,949)**	(103,031)
Purchase of intangibles	10	**(537,719)**	-
Acquisition of non-current asset classified as held for sale		**(9,707,731)**	(45,649,411)
Proceeds from disposal of non-current asset classified as held for sale		**9,451,111**	45,852,621
Proceeds from disposal of investment in associates	7	**-**	491,441
Acquisition of investment in associates	7	**(1,579,093)**	-
Dividend/capital distribution received from investment in associates	7	**757,139**	636,910
Interest income received		**1,014,749**	998,338
Net cash flows (used in) from investing activities		**(299,083)**	1,103,602

The attached notes 1 to 29 form part of these consolidated financial statements.

Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2021

	Note	***2021 KD***	*2020 KD*
FINANCING ACTIVITIES			
Loans availed		**5,856,914**	60,205,603
Loans repaid		**(7,765,172)**	(61,297,345)
Dividend paid to equity holder of the Parent Company		**(20,477)**	(1,645,515)
Finance costs paid		**(2,133,194)**	(3,046,973)
Distribution to non-controlling interest on liquidation of subsidiary		**(153,891)**	(68,454)
Proceeds from partial disposal of subsidiary without loss of control		**250,000**	-
Distribution to non-controlling interest		**(207,970)**	(465,467)
Net cash flows used in financing activities		**(4,173,790)**	(6,318,151)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,287,389**	846,095
Foreign currency translation adjustments		**(224,093)**	658,358
Cash and cash equivalents at 1 January		**26,307,717**	24,803,264
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**29,371,013**	26,307,717
NON-CASH TRANSACTION			
Investment properties		**(10,720,000)**	-
Property and equipment		**10,720,000**	-
		-	-

The attached notes 1 to 29 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Kamco Investment Company K.S.C.P. (the "Company") and Subsidiaries (collectively the "Group") were authorized for issue by the Board of Directors on 17 February 2022. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly.

The Company is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 28 September 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto and is listed on Boursa Kuwait. The Company is registered with the Central Bank of Kuwait ("CBK") as an investment company and is subject to the supervision of Capital Markets Authority ("CMA").

The Company is a subsidiary of United Gulf Bank B.S.C. (the "Parent Company") which is listed on the Bahrain Stock Exchange. The Parent Company is a subsidiary of Kuwait Projects Company Holding K.S.C.P. (the "Ultimate Parent Company" or "KIPCO") which is listed on the Boursa Kuwait.

The Company's registered head office is at Sharq, Al Shaheed Tower, Khalid Bin Al-Waleed Street, Kuwait City, P.O. Box 28873, Safat 13149, Kuwait.

The purpose for which the Company has been established is to undertake the following activities:

1. Investing in different financial, industrial, real estate, agricultural, and services sectors as directly or indirectly by contribution in outstanding companies or establishment of specialized companies in the mentioned activities, or ownership of projects that fulfill that for the interest of the Company.
2. Manager of investment portfolio.
3. Brokerage in Lending and Borrowing Operations.
4. Subscription agent.
5. Providing loans for third parties with duly observing the ethics of financial solvency in granting such loans and at the same time preserving the continuity of the company's financial position soundness according to the conditions, rules, and limitations set forth by the Central Bank of Kuwait.
6. Dealing and trading in foreign currency market and precious metals market inside Kuwait and abroad for the interest of the Company or its clients.
7. Purchase and sale of securities of local and international companies and governmental authorities for the interest of the Company or its clients.
8. Manager of investment pooling.
9. Ownership of properties and movables necessary for achieving its goals for the interest of the Company or its clients.
10. Unregistered Broker of financial securities in the stock exchange market.
11. Investment consultant.
12. Custodian.
13. Market maker.
14. Financing export and import operations by direct financing or accepting transfers drawn on the Company for short terms.

Also, the Company may have interest or otherwise participate in any manner with such institutions who are practicing similar business, or which may assist the company in realizing its goals in Kuwait or abroad. Furthermore, the company may establish, participate or purchase these institutions or affiliate them.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared under the historical cost convention as modified to include the measurement at fair value of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment property. The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Company.

The comparative information for the previous year ended 31 December 2020 has been reclassified to conform to classification in the current year. This reclassification does not have any effect on profit and equity of the Company. Such reclassification has been made to improve the quality of information presented.

2.2 STATEMENT OF COMPLIANCE

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

The nature and the impact of each new standard and amendment is described below:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships. The Group intends to use the practical expedients in future periods if they become applicable.

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Kamco Investment Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries including Special Purpose Vehicles ("SPVs") as at 31 December 2021. The material subsidiaries of the Group are:

Name of company	*Principal activities*	*Country of incorporation*	*Equity interest as at 31 December*	
			2021	*2020*
Subsidiaries				
Kuwait Private Equity Opportunities Fund ("KPEOF")	Fund	Kuwait	**72.82%**	72.82%
KAMCO GCC Opportunistic Fund ("KGOF")	Fund	Bahrain	**90.75%**	100.00%
KAMCO Investment Company DIFC Limited	Investment management	UAE	**100.00%**	100.00%
Al Jazi Money Market Fund	Fund	Kuwait	**50.86%**	50.86%
Al Tadamun United Holding Company K.S.C. (Closed)	Holding Company	Kuwait	**96.00%**	96.00%
Nawasi United Holding Company K.S.C. (Closed)	Holding Company	Kuwait	**96.00%**	96.00%
Shurooq Investment Services Holding Company SAOG	Financial Services	Oman	**-**	76.97%
First Securities Brokerage Company K.S.C. (Closed) ("FSBC")	Brokerage Services	Kuwait	**93.23%**	93.23%

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Name of company	*Principal activities*	*Country of incorporation*	*Equity interest as at 31 December*	
			2021	*2020*
KAMCO Investment Company Saudi	Financial Services	KSA	**100.00%**	100.00%
Global Investment House – B.S.C. (Closed)	Brokerage Services	Bahrain	**100.00%**	100.00%
KAMCO MENA Plus Fixed Income Fund OEIC Ltd.	Fund	UAE	**57.57%**	57.57%
Held through FSBC				
Global Investment House Company Limited - Jordan	Brokerage Services	Jordan	**100.00%**	100.00%
Held through Shurooq Investment Services Company				
Shurooq Securities Company LLC	Financial Services	Oman	**-**	100.00%
Held through KPEOF				
United Holding Company K.S.C. (Holding)	Holding Company	Kuwait	**99.98%**	99.98%
SPV's treated as subsidiaries				
Al Zad Real Estate Company W.L.L.	Real Estate	Kuwait	**99.48%**	99.48%
First North Africa Real Estate Company W.L.L.	Real Estate	Kuwait	**99.79%**	99.79%
Al Dhiyafa United Real Estate Company W.L.L.	Real Estate	Kuwait	**99.80%**	99.80%
Buckeye Power Manager Limited	Investment management	Jersey	**100.00%**	100.00%
Buckeye Power Advisory Company LLC	Advisory Services	USA	**47.83%**	47.83%
Carnation Manager Limited	Investment management	Jersey	**100.00%**	100.00%
Carnation Advisory Company LLC	Advisory Services	USA	**74.89%**	74.89%
KAMCO Egypt Holding Company (DIFC) Ltd	Holding Company	UAE	**-**	100.00%
KAMCO Capital Partners Ltd.	Investment management	Cayman Islands	**100.00%**	100.00%
KAMCO Capital Management Ltd.	Investment management	Cayman Islands	**100.00%**	100.00%
HP Plaza Investor Inc.	Investment management	USA	**100.00%**	100.00%
Centerstone Investor Inc.	Investment management	USA	**100.00%**	100.00%
Lawson Lane Investor Inc.	Investment management	USA	**100.00%**	100.00%
Martley Holdings GP Limited	Investment management	Jersey	**100.00%**	100.00%
Martley Finance GP Limited	Investment management	Jersey	**100.00%**	100.00%
Kubbar United Real Estate Company (SPC)	Real Estate	Kuwait	**100.00%**	100.00%
Plans United Real Estate Company (SPC)	Real Estate	Kuwait	**100.00%**	100.00%
Held through KAMCO Egypt Holding Company (DIFC) Limited				
Global Investment House – Egypt	Financial Services	Egypt	**-**	100.00%
Held through HP Plaza Investor Inc.				
HP Plaza Advisor LLC	Advisory Services	USA	**50.00%**	50.00%
Held through Centerstone Investor Inc				
Centerstone Advisor LLC	Advisory Services	USA	**50.00%**	50.00%

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

Investment 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.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and is disclosed under 'Share of results of associates'.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as impairment loss on associates in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of income.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
Financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in investment income. In those cases where fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in the consolidated statement of income when the inputs become observable, or when the instrument is derecognized.

Kamco Investment Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Financial liabilities, other than commitments and guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Financial instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

The details of these conditions are outlined below.

Loans payable, bonds and other liabilities are classified as financial instruments at amortized cost.

Financial instruments categorized at amortized cost are subsequently measured at amortized cost and are subject to impairment. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest method (EIR). Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

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. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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 realized 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis 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 payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

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

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

Debt instruments at FVOCI
The Group classifies debt instruments at FVOCI if it meets both of the following conditions: -

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

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognized in consolidated statement of income. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the consolidated statement of income.

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

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition and are not recognized in the consolidated statement of income.

Dividends are recognized in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity investments at FVOCI are not subject to impairment assessment.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Equity instruments at FVPL

The Group classifies equity instruments at fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, interest income and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain equity securities and funds.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and deposits.

Cash and cash equivalents in the consolidated statement of cash flows comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less net of bank overdrafts.

Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition except under circumstances in which the Group acquires, disposes of, or terminates a business line.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, 10%. For financial assets, this assessment is based on qualitative factors.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Group has transferred substantially all the risks and rewards of the asset; Or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include due to bank and other liabilities.

The Group has determined the classification and measurement of its financial liabilities as follows:

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loans and bonds

After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest rate method.

Other liabilities

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

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of financial instruments

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

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), 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 (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

The Group applies three-stage approach to measuring ECL on loans and advances. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Impairment of financial assets (continued)
Overview of the ECL principles (continued)

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognized.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Groups methodology for specific provisions remains largely unchanged.

Determining the stage of Expected Credit Loss
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. 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.

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 credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes.

Measurement of ECLs
ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Provisions for credit losses in accordance with CBK instructions
The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the interest or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due but not impaired and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions.

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As at and for the year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Impairment of financial assets (continued)

Provisions for credit losses in accordance with CBK instructions (continued)

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

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement
The Group measures financial instruments such as, financial assets at fair value through profit or loss and certain financial assets at fair value through other comprehensive income, at fair value at each balance sheet date.

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Investment properties
Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, all investment properties are carried at fair value that is determined based on valuations performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognized in the consolidated statement of income.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the year of derecognition.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Transfer from properties under development are made upon completion of the work and the property being ready for the its intended use at carrying value and subsequently fair valued at reporting date.

Property and equipment

Property and equipment including capital work in progress are stated at cost, net of depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is provided on all property and equipment, except land and capital work in progress, at rates calculated to write off the cost of each asset on a straight-line basis to their residual values over its expected useful life which is between 3 to 5 years for all property and equipment except for certain building fixtures and fittings which are depreciated over expected useful life of 10 years and building civil structure which is depreciated over its expected useful life of 20 years.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation of these assets commences when the assets are ready for their intended use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Licenses	Indefinite
Customer relationships	10 years
Software	3-4 years

Intangible assets with finite lives are amortized to their residual values over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income within other expenses. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable, and reliably measurable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

Foreign currency translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognized in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognized directly through other comprehensive income, foreign exchange differences are recognized directly in other comprehensive income and for non-monetary assets whose change in fair value are recognized in the consolidated statement of income are recognized in the consolidated statement of income.

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in other comprehensive income (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Income recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

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

a. Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period. These fees include management fees on asset management activities, custody fees and recurring retainer and advisory fees.

b. Fee income from providing transaction services
Fees arising for rendering specific advisory services, brokerage services, placement fees, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Incentive fees is recognized when crystallized or are no longer subject to claw back

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

Rental income
The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income recognition (continued)

Fee and commission income (continued)

Interest income

Interest and similar income are considered as an integral part of the effective interest of a loan receivable and is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

*National Labor Support Tax (NLST)*The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year when determining taxable profit.

Zakat

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

Taxation on overseas subsidiaries

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

Contingencies

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

Contingent assets are not recognized in the consolidated statement of financial position but are disclosed when an inflow of economic benefits is probable.

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief operation decision maker.

Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Fiduciary assets

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

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognizes in the Group's consolidated financial statements. The Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability reported in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

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

Classification of real estate property
Management decides on acquisition of real estate whether it should be classified as trading or investment property.

The Group classifies property as trading if it is acquired principally for sale in the ordinary course of business.

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

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

The management has determined that the Investment Funds managed by the Group on fiduciary basis are not structured entities considering voting and similar right available to the unit holders of the Investment Fund. The Group's interest in these Investment Funds (if any) are classified as financial assets at fair value through profit or loss.

The Company is the major shareholder of certain entities either for the Company's investment banking mandates or for the Company's assets management activities. The Company has no material direct beneficial interest in these entities and accordingly they are not consolidated into the Group's consolidated financial statements. Further, the Company has not directly earned any revenue from these entities or transferred any assets to these entities during the year.

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4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of intangible assets

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of unquoted investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Price to book value or earnings model;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

Impairment of financial assets at amortized cost – loans and advances

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortized cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets

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

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

5 CASH AND CASH EQUIVALENTS

	2021 *KD*	*2020* *KD*
Cash at banks and on hand	**25,715,268**	19,439,796
Deposits with banks	**9,445,053**	12,529,037
Cash and cash equivalents in the consolidated statement of financial position	**35,160,321**	31,968,833
Less: Deposits with banks with original maturities of more than three months	**(5,789,308)**	(5,661,116)
Cash and cash equivalents in the consolidated statement of cash flows	**29,371,013**	26,307,717

Cash and cash equivalents as of 31 December 2020 comprises partial consideration to acquire interest in certain special purpose vehicles amounting to KD 431,423 (GBP: 1,045 thousand) held with a third party on behalf of the Group.

6 LOANS AND ADVANCES

	2021 *KD*	*2020* *KD*
Gross amount	**8,768,065**	8,761,440
Less: Provision for expected credit losses	**(2,579,264)**	(2,683,425)
	6,188,801	6,078,015

Loans are granted to GCC companies and individuals and are secured against investments in the funds and securities held in fiduciary portfolios by the Group on behalf of the borrowers.

The movement in the provision for expected credit losses relating to loans and advances during the year is as follows:

	2021 *KD*	*2020* *KD*
At 1 January	**2,683,425**	2,859,915
Charge for the year	**8,059**	32,217
Reversal *	**(112,220)**	(208,707)
At 31 December	**2,579,264**	2,683,425

* Reversal for the year includes an amount of KD 73,374 (2020: KD 176,506) reversed, as a result of settlement agreement with borrowers.

The ECL determined under IFRS 9, as adopted by CBK for financing receivables as of 31 December 2021 is KD 2,525 thousand (2020: KD 2,627 thousand) which is lower than provision for credit losses calculated in accordance with CBK instructions.

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7 INVESTMENT IN ASSOCIATES

Details of associates are as follows:

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December 2021*	*Effective interest as at 31 December 2020*	*2021 KD*	*2020 KD*
Manafae Holding Company K.S.C. (Closed)	Kuwait	Investment	33.90%	33.90%	**3,069,667**	3,037,212
United Capital Transport Company K.S.C. (Closed)	Kuwait	Services	40.00%	40.00%	**1,188,746**	2,024,910
KAMCO Real Estate Yield Fund ("KREYF")	Kuwait	Real Estate Fund	35.77%	35.77%	**2,875,469**	3,090,389
NS 88 SPC	Bahrain	Real Estate	30.00%	20.00%	**4,663,233**	3,037,673
KAMCO Investment Fund ("KIF")	Kuwait	Fund	31.00%	26.85%	**11,008,308**	8,482,176
FINA Corp SA ("FCSA")	Tunisia	Financial Services	49.00%	49.00%	**-**	-
Adhari Park Development Company B.S.C. (Closed)	Bahrain	Financial Services	20.00%	20.00%	**-**	-
					22,805,423	19,672,360

	2021 KD	*2020 KD*
At 1 January	**19,672,360**	22,968,169
Share of results	**2,269,860**	(2,549,533)
Share of reserves	**189,183**	6,936
Foreign currency translation adjustment	**(147,934)**	10,227
Dividend received/ Capital distribution	**(757,139)**	(636,910)
Impairment (a)	**-**	(69,678)
Additions (b)	**1,579,093**	-
Disposals (c)	**-**	(56,851)
At 31 December	**22,805,423**	19,672,360

(a) In the prior year, in accordance with IAS 36: Impairment of assets, the Group assessed the recoverable amount of its investments in associates and fully impaired its investment in FINA Corp SA.

(b) The Group purchased an additional stake from a third party and continues to exercise significant influence in NS 88 SPC.

(c) During the prior year, the Group disposed its entire stake in the associate Lotus Financial Investments Company for a total consideration of KD 491,441 and accordingly recorded a gain on disposal of KD 434,590.

7 INVESTMENT IN ASSOCIATES (continued)

Summarized financial information of material associates is as follows:

	Manafae Holding Company K.S.C. (Closed)		KAMCO Investment Fund		NS 88 SPC	
	2021	2020	**2021**	2020	**2021**	2020
	KD	KD	**KD**	KD	**KD**	KD
Total assets	**8,983,759**	8,889,605	**35,679,383**	31,748,003	**15,537,863**	15,219,171
Total liabilities	**24,846**	25,412	**172,128**	160,251	**36,819**	30,804
Net assets	**8,958,913**	8,864,193	**35,507,255**	31,587,752	**15,501,044**	15,188,367
Group's share in equity	**33.90%**	33.90%	**31.00%**	26.85%	**30.00%**	20.00%
Group's carrying amount of the investment	**3,069,667**	3,037,212	**11,008,308**	8,482,176	**4,663,233**	3,037,673
Associates' revenue and results:						
Revenue	**(91,501)**	(1,044,620)	**10,126,550**	(3,094,092)	**(214,003)**	(1,937,251)
Total loss for the year	**(136,421)**	(1,056,972)	**9,249,261**	(3,873,800)	**(220,103)**	(1,939,016)
Group's share of the loss	**(44,709)**	(323,505)	**2,526,133**	(857,075)	**(66,023)**	(387,807)

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8 OTHER ASSETS

	2021 KD	*2020 KD*
Due from portfolio clients	**2,047,256**	1,410,131
Accrued income	**2,388,756**	2,813,385
Other receivables and deposits	**13,735,524**	16,220,460
	18,171,536	20,443,976
Less: provision for expected credit losses	**(4,453,648)**	(4,289,896)
	13,717,888	16,154,080

Movement in the provision for expected credit losses of other assets was as follows:

	2021 KD	*2020 KD*
As at 1 January	**4,289,896**	4,038,210
Charge for the year	**382,963**	482,453
Write off	**(211,720)**	(249,081)
Foreign exchange	**(7,491)**	18,314
As at 31 December	**4,453,648**	4,289,896

During the year, the Company was refunded the balance of KD 888 thousand previously deposited in a bank under an escrow arrangement for certain legal claims.

9 PROPERTY AND EQUIPMENT

	Land KD	*Building KD*	*Furniture and fixtures KD*	*Office equipment, computers & vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:						
As at 1 January 2021	5,119,064	16,697,113	4,176,711	4,353,599	74,625	30,421,112
Additions	-	-	19,876	41,442	96,631	157,949
Disposals	-	-	-	(3,120)	-	(3,120)
Revaluation of land and building on transfer to investment properties*	649,556	284,501	-	-	-	934,057
Transfer to investment properties	(5,400,000)	(16,522,578)	-	-	-	(21,922,578)
Transfers	-	-	157,949	5,804	(163,753)	-
Exchange differences	(793)	(1,520)	(4,171)	(394)	-	(6,878)
As at 31 December 2021	**367,827**	**457,516**	**4,350,365**	**4,397,331**	**7,503**	**9,580,542**
Depreciation:						
As at 1 January 2021	-	11,286,063	4,091,481	4,299,880	-	19,677,424
Charge for the year	-	65,464	37,827	54,422	-	157,713
Disposals	-	-	-	(3,120)	-	(3,120)
Transfer to investment properties	-	(11,202,578)	-	-	-	(11,202,578)
Exchange differences	-	(399)	(4,107)	(321)	-	(4,827)
As at 31 December 2021	-	**148,550**	**4,125,201**	**4,350,861**	-	**8,624,612**
Net book value:						
As at 31 December 2021	**367,827**	**308,966**	**225,164**	**46,470**	**7,503**	**955,930**

9 PROPERTY AND EQUIPMENT (continued)

*During the year, a property consisting of land and building was transferred from property and equipment to investment properties in accordance with IAS 40 - Investment Property, since the majority of the property is being leased out to third parties and no longer being occupied by the Company. At the date of transfer, the fair value determined by the independent valuer of the property resulted in a revaluation surplus amounting to KD 934,057 which is recognized in the consolidated statement of comprehensive income.

Fair value hierarchy disclosures for investment properties are in Note 25

	Land KD	*Building KD*	*Furniture and fixtures KD*	*Office equipment, computers & vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:						
As at 1 January 2020	5,118,852	16,696,708	4,169,084	4,331,788	654,962	30,971,394
Additions	-	-	6,696	21,710	74,625	103,031
Impairment	-	-	-	-	(654,962)	(654,962)
Exchange differences	212	405	931	101	-	1,649
As at 31 December 2020	5,119,064	16,697,113	4,176,711	4,353,599	74,625	30,421,112
Depreciation:						
As at 1 January 2020	-	10,991,121	3,970,063	4,247,040	-	19,208,224
Charge for the year	-	294,840	120,708	52,893	-	468,441
Exchange differences	-	102	710	(53)	-	759
As at 31 December 2020	-	11,286,063	4,091,481	4,299,880	-	19,677,424
Net book value:						
As at 31 December 2020	5,119,064	5,411,050	85,230	53,719	74,625	10,743,688

10 INTANGIBLE ASSETS

	Customer relationships KD	***License KD***	***Software KD***	***Work in progress KD***	***Total KD***
Cost:					
As at 1 January 2021	3,424,000	1,100,000	-	-	4,524,000
Additions	-	-	441,125	96,594	537,719
As at 31 December 2021	**3,424,000**	**1,100,000**	**441,125**	**96,594**	**5,061,719**
Amortization:					
As at 1 January 2021	798,933	-	-	-	798,933
Charge for the year	342,400	-	49,688	-	392,088
Exchange differences	-	-	13	-	13
As at 31 December 2021	**1,141,333**	-	**49,701**	-	**1,191,034**
Net book value:					
At 31 December 2021	**2,282,667**	**1,100,000**	**391,424**	**96,594**	**3,870,685**

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10 INTANGIBLE ASSETS (continued)

	Customer relationships KD	*License KD*	*Total KD*
Cost:			
As at 1 January 2020	3,424,000	1,100,000	4,524,000
As at 31 December 2020	**3,424,000**	**1,100,000**	**4,524,000**
Amortization:			
As at 1 January 2020	456,533	-	456,533
Charge for the year	342,400	-	342,400
As at 31 December 2020	**798,933**	-	**798,933**
Net book value:			
At 31 December 2020	2,625,067	1,100,000	3,725,067

Customer relationships represent intangible assets with finite life and is amortized on a straight-line basis over its useful life of 10 years.

License represents brokerage license with indefinite useful life and is annually tested for impairment by estimating the recoverable amount of the CGU using value-in-use calculations.

The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets and assuming an average annual growth rate of 8.18%. The pre-tax discount rate applied to cash flow projections is 8.40% and cash flows beyond the 5-year period are extrapolated using a growth rate of 2.5%. As a result of the exercise, management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

Key assumptions used in value in use calculations
The calculation of value in use is sensitive to the following assumptions:

- Discount rates
- Market share during the forecast period
- Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA"); and
- Long-term growth rate (terminal value) used to extrapolate cash flows beyond the forecast period

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

11 LOANS

Loans amounting to KD 5,000,000 (2020: KD 6,908,258) are denominated in Kuwaiti Dinars (2020: denominated in Kuwaiti Dinars and Pound Sterling) and carry an interest rate of 3% (2020: 2.05% to 3.25%).

12 BONDS

	2021 KD	*2020 KD*
Fixed interest of 6.00% per annum and maturing on 26 July 2023	**14,900,000**	14,900,000
Floating interest of 2.75% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 26 July 2023	**25,100,000**	25,100,000
	40,000,000	40,000,000

13 OTHER LIABILITIES

	2021 *KD*	*2020* *KD*
Employees' end of service benefits	**6,074,397**	5,613,433
Accrued expenses	**5,538,697**	1,896,135
Deferred income	**2,225,757**	3,075,336
Other payables	**6,694,932**	7,344,381
	20,533,783	17,929,285

14 EQUITY

a) Share capital
The authorized, issued and fully paid share capital comprises of 342,332,633 shares (2020: 342,332,633 shares) of 100 fils per share (2020: 100 fils per share). This consists of 237,448,325 shares (2020: 237,448,325 shares) which are fully paid up, and 104,884,308 shares (2020: 104,884,308 shares) arising from share swap due to the merger of the Group in 2019.

b) Share premium
The share premium is not available for distribution.

c) Statutory reserve
In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to equity holders of the Company before contribution to KFAS, Zakat, NLST and Directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Company may resolve to discontinue such transfers when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividends due to an absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such a reserve exceeds 50% of the issued share capital.

d) Voluntary reserve
In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year attributable to equity holders of the Company before contribution to KFAS, Zakat, NLST and Directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

e) Dividend
The Board of Directors proposed to distribute cash dividends of 10 fils per share for the year ended 31 December 2021 (2020: Nil fils per share). This proposal is subject to the approval of Company's shareholders at the Annual General Assembly.

The Annual General Assembly of equity holders held on 7 April 2021 approved the consolidated financial statements of the Group for the year ended 31 December 2020 and resolved not to distribute any dividends (31 December 2019: 5 fils).

15 FEE INCOME

	2021 *KD*	*2020* *KD*
Management fees on assets under management	**9,629,013**	9,728,577
Incentive fees on assets under management	**3,511,605**	785,121
Placement fees/structuring fee/redemption fees – managed funds	**1,477,028**	1,637,148
Investment banking fees	**2,706,439**	864,168
Brokerage fees	**1,927,456**	1,842,891
Advisory and other fees	**960,719**	189,480
	20,212,260	15,047,385

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16 NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 KD	*2020 KD*
Unrealized gain (loss)	**2,677,907**	(1,821,444)
Realized gain (loss)	**2,084,612**	(375,072)
	4,762,519	(2,196,516)

17 OTHER INCOME

Other income includes an amount of KD 529 thousand which represents certain liabilities that no longer require settlement by the Company as these liabilities have become extinguished during the year.

18 GENERAL AND ADMINISTRATIVE EXPENSES

The profit (loss) for the year is stated after charging:

	2021 KD	*2020 KD*
Staff costs	**12,460,324**	8,661,338
Depreciation (Note 9)	**157,713**	468,441
Amortization (Note 10)	**392,088**	342,400
Rent - operating leases *	**535,456**	434,892
Impairment losses (Note 7 and 9)	**-**	724,640
Administrative and other expenses	**3,093,176**	3,695,252
	16,638,757	14,326,963

* All the operating leases mature within 1 year from the reporting date.

19 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share amounts are calculated by dividing the profit (loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares, less treasury shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings (loss) per share are identical.

	2021	*2020*
Basic and diluted earnings (loss) per share:		
Profit (loss) for the year attributable to the equity holders of the Company (KD)	**10,317,093**	(2,686,999)
Weighted average number of outstanding shares	**342,332,633**	342,332,633
Basic and diluted earnings (loss) per share (fils)	**30.14 fils**	(7.85) fils

There are no potential diluted shares outstanding as at the reporting date.

20 INVESTMENT IN SUBSIDIARIES

a. During the year, the effective ownership of the Group in KAMCO GCC Opportunistic Fund decreased from 100% to 90.75% on account of partial disposal to third parties. This resulted in an increase of non-controlling interests amounting to KD 256,024.

b. Further, the Company disposed its entire stake in KAMCO Egypt Holding Company (DIFC) Ltd to a third party.

20 INVESTMENT IN SUBSIDIARIES (continued)

c. During the year, the Company liquidated its investment in Shurooq Investment Services Holding Company SAOG ("Shurooq"). Subsequent to the year end, Shurooq was removed from Oman's commercial companies' register.

During the prior year, the following were the major transactions:

a. The effective ownership of the Group in KAMCO MENA Plus Fixed Income (OEIC) Limited decreased from 57.59% to 57.57% as the Group redeemed its units. This resulted in an increase of non-controlling interests amounting to KD 1,051.

b. Further, the Group disposed its entire stake in Flint Advisory Company LLC and Flint Manager Limited.

21 NON-CURRENT ASSETS HELD FOR SALE

a. During the year, the Group acquired interest in certain special purpose vehicles (the "Entities"), for a consideration of KD 8,117,672 (GBP: 19,400 thousand). Through these Entities, the Group acquired a property in the United Kingdom and classified it as "disposal group held for sale".

   Subsequently, the Group disposed a majority interest in these Entities with the carrying value of KD 7,912,211 (GBP: 19,000 thousand) for a consideration equivalent to its carrying value. Accordingly, no gain or loss on disposal of these Entities was recognized in the consolidated statement of income and the remaining interest amounting to KD 162,306 (GBP: 400 thousand) is classified as financial assets at fair value through other comprehensive income.

b. Further, the Group acquired interest in a special purpose vehicle (the "SPV") for a consideration of KD 1,590,059 (GBP: 3,800 thousand) and subsequently disposed the acquired interest at a consideration equivalent to its carrying value. Accordingly, no gain or loss on disposal of the SPV was recognized in the consolidated statement of income.

Upon initial recognition, the Group considered the above Entities meet the criteria to be classified as held for sale for the following reasons:

- These Entities are available for immediate sale and can be disposed of in their current condition.
- The actions to complete disposal are initiated and completed within one year from the date of acquisition.

In the prior year, the following were the major transactions:

a. The Group acquired interest in certain special purpose vehicles (the "Entities"), for a consideration of KD 30,682,240 (USD: 100,400 thousand) and the Entities obtained financing of KD 56,536,000 (USD: 185,000 thousand). Through these Entities, the Group acquired a property in the United States of America and classified it as "disposal group held for sale". Subsequently, the Group disposed a majority interest in certain Entities with the carrying value of KD 30,498,880 (USD: 99,800 thousand) for a consideration of KD 30,854,049 (USD: 100,379 thousand). A net gain on disposal of these Entities amounting to KD 178,446 (USD: 579 thousand) was recognized in the consolidated statement of income.

   The Group's remaining interest was held through Lawson Lane Investor Inc. to provide management services for the property.

b. The Group acquired interest in certain special purpose vehicles (the "Entities"), for a consideration of KD 15,150,532 (GBP:40,000 thousand) and the Entities obtained financing of KD 10,673,455 (GBP:28,180 thousand). Through these Entities, the Group acquired properties in the United Kingdom and classified it as "disposal group held for sale". Subsequently, the Group disposed a majority interest in certain Entities for a consideration of KD 14,999,027 (GBP:39,600 thousand) and the remaining interest amounting to KD 151,505 (GBP:400 thousand) was classified as financial assets at fair value through other comprehensive income.

   Further, the Group had acquired shareholding in Martley Finance GP Limited and Martley Holdings GP Limited, to provide management services for the properties.

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22 COMMITMENTS AND CONTINGENT LIABILITIES

	2021	*2020*
	KD	*KD*
Commitments		
Commitments to invest in private equity funds	**340,313**	-
Contingent liability		
Irrevocable and unconditional bank guarantee	**666,865**	647,133

Commitments to invest in private equity funds

Commitments to invest in private equity funds represent the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion. During the prior period, the Company in its capacity as an investment manager had given a guarantee to a foreign bank for future investment obligations in connection with a real estate transaction. The additional investment, which is highly unlikely in the event of the guarantee being exercised, is estimated to be Nil (2020: KD 2,000,000) owing to the Company's successful exit from the real estate transaction.

The Group is engaged in litigation cases, which involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Company and Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the consolidated financial statements of the Group.

23 RELATED PARTY TRANSACTIONS

Related parties represent the Parent Company / Ultimate Parent Company, associates, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Balances and transactions with related parties are as follows:

	Parent Company / Ultimate Parent Company KD	*Associates KD*	*Other related parties KD*	***Total 2021 KD***	*Total 2020 KD*
Consolidated statement of financial position					
Cash and cash equivalents	3,723,340	-	604,333	**4,327,673**	4,307,628
Financial assets at fair value through profit or loss	-	-	874,160	**874,160**	624,186
Financial assets at fair value through other comprehensive income	-	-	1,705,203	**1,705,203**	2,952,426
Other assets	224,957	2,118,653	446,951	**2,790,561**	2,901,631
Other liabilities	-	-	7,738	**7,738**	3,538
Consolidated statement of income					
Fee income	859,980	693,147	1,852,181	**3,405,308**	2,903,107
Dividend income	-		36,733	**36,733**	3,744
Interest income	3,796	-	8,211	**12,007**	46,654
Other income	-	-	18,875	**18,875**	42,017
Administration expenses	-	-	721,278	**721,278**	600,456

Key management personnel compensation	***2021 KD***	*2020 KD*
Short-term employee benefits	**906,302**	851,491
Termination benefits	**113,025**	108,600
	1,019,327	960,091

The Board of Directors of the Company have proposed a directors' remuneration amounting to KD 150,000 for the year ended 31 December 2021 (2020: Nil). This proposal is subject to the approval of the shareholders at the AGM of the Company.

24 SEGMENTAL INFORMATION

The Group is organized into four major business segments based on the internal reporting provided to the management. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

Investment banking and Advisory	: Private placement of equities and debt, advising and managing listings, initial public offerings (IPOs), arranging conventional and Islamic debt, buy and sell side advisory, advising on strategy, privatization, mergers and reverse mergers and acquisitions and debt restructuring.
Asset management	: Asset management services cover both local and international markets and include securities trading, derivatives trading, discretionary and non-discretionary portfolio management, custody services, portfolio structuring and asset allocation advice, mutual funds and alternative instruments.
Brokerage	: Quoted and unquoted equity and debt instruments brokerage activities and margin financing
Strategic investments and corporate overheads	: Strategic investments include investments which are long term in nature and are aligned with the Group's long-term strategy. Corporate overheads include all support services.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments.

The following table presents information regarding the Group's operating segments:

31 December 2021

	Investment banking and advisory KD	*Asset management KD*	*Brokerage KD*	*Strategic investments and corporate overheads KD*	*Total KD*
Total revenue	**2,815,688**	**21,216,648**	**2,332,046**	**3,726,424**	**30,090,806**
Profit (loss) for the year	**1,992,002**	**15,783,136**	**400,416**	**(7,782,066)**	**10,393,488**
Total assets	**174,198**	**52,448,143**	**16,589,473**	**60,517,226**	**129,729,040**
Total liabilities	-	**16,218,290**	**1,034,531**	**48,280,962**	**65,533,783**
Other disclosures:					
Investment in associates	-	**13,883,777**	-	**8,921,646**	**22,805,423**
Share of results of associates	-	**2,442,689**	-	**(172,829)**	**2,269,860**

31 December 2020

	Investment banking and advisory KD	*Asset management KD*	*Brokerage KD*	*Strategic investments and corporate overheads KD*	*Total KD*
Total revenue	880,466	8,100,383	2,152,921	3,957,792	15,091,562
(Loss) profit for the year	(102,252)	3,574,195	686,209	(6,673,745)	(2,515,593)
Total assets	239,145	45,199,340	17,194,092	56,029,609	118,662,186
Total liabilities	-	18,352,098	1,204,698	45,280,747	64,837,543
Other disclosures:					
Investment in associates	-	11,572,565	-	8,099,795	19,672,360
Share of results of associates	-	(1,296,047)	-	(1,253,486)	(2,549,533)

The Group's total assets include KD 11,965,867 (2020: KD 10,302,501) as non-current assets located outside Kuwait, which mainly include financial assets at fair value through other comprehensive income, investment in associates, investment properties, intangibles and property and equipment.

25 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

i) Financial instruments
Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of financial instruments are not materially different from their carrying values.

The methodologies and assumptions used to determine fair values of financial instruments is described in the fair value section of Summary of significant accounting policies (Note 3).

Fair value hierarchy
The following table shows an analysis of financial instruments recorded at fair value:

31 December 2021	***Level 1 KD***	***Level 2 KD***	***Level 3 KD***	***Total KD***
Financial assets designated at fair value through profit or loss:				
Quoted equities	**2,212,177**	**-**	**-**	**2,212,177**
Quoted debt securities	**3,911,308**	**-**	**-**	**3,911,308**
Unquoted equities	**-**	**-**	**47,132**	**47,132**
Unquoted debt securities	**-**	**-**	**250,000**	**250,000**
Managed funds	**1,667,130**	**12,783,034**	**6,844,515**	**21,294,679**
	7,790,615	**12,783,034**	**7,141,647**	**27,715,296**
Financial assets at fair value through other comprehensive income:				
Quoted equities	**201,141**	**-**	**-**	**201,141**
Unquoted equities	**-**	**-**	**7,305,543**	**7,305,543**
Managed funds	**-**	**-**	**12,561**	**12,561**
	201,141	**-**	**7,318,104**	**7,519,245**

31 December 2020	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Financial assets designated at fair value through profit or loss:				
Quoted equities	2,407,256	-	-	2,407,256
Quoted debt securities	3,782,940	-	-	3,782,940
Unquoted equities	-	-	47,473	47,473
Managed funds	399,305	10,149,126	4,054,967	14,603,398
	6,589,501	10,149,126	4,102,440	20,841,067
Financial assets at fair value through other comprehensive income:				
Quoted equities	162,822	-	-	162,822
Unquoted equities	-	-	8,589,831	8,589,831
Managed funds	-	-	10,000	10,000
	162,822	-	8,599,831	8,762,653

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25 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

i) Financial instruments (continued)

The following table shows a reconciliation of all movements in the fair value of items categorized within Level 3 between the beginning and the end of the reporting period:

	As at 1 January 2021 KD	Gain/(loss) recorded in the consolidated statement of income KD	Purchase / transfers, settlements and sales (net) KD	Gain/(loss) recorded in other comprehensive income KD	As at 31 December 2021 KD
Financial assets at fair value through profit or loss:					
Unquoted equities (a)	47,473	15,250	(15,591)	-	47,132
Unquoted debt securities	-	-	250,000	-	250,000
Managed funds	4,054,967	216,780	2,572,768	-	6,844,515
	4,102,440	232,030	2,807,177	-	7,141,647
Financial assets at fair value through other comprehensive income:					
Unquoted equities (b)	8,589,831	-	(385,485)	(898,803)	7,305,543
Managed funds	10,000	-	(20,524)	23,085	12,561
	8,599,831	-	(406,009)	(875,718)	7,318,104

(a) Certain investment amounting to KD 9 thousand was transferred from Level 1 to Level 3 due to de-listing of the underlying security on a stock exchange. Further, certain other investment amounting to KD 40 was transferred from Level 3 to Level 1 due to listing of the underlying security on a stock exchange.

(b) Certain investment amounting to KD 76 thousand was transferred from Level 3 to Level 1 due to listing of the underlying security on a stock exchange.

	As at 1 January 2020 KD	Gain/(loss) recorded in the consolidated statement of income KD	Purchase / transfers, settlements and sales (net) KD	Loss recorded in other comprehensive income KD	As at 31 December 2020 KD
Financial assets at fair value through profit or loss:					
Unquoted equities	360,721	73,454	(386,702)	-	47,473
Unquoted debt securities	250,000	(10,906)	(239,094)	-	-
Managed funds	4,017,151	(1,323,875)	1,361,691	-	4,054,967
	4,627,872	(1,261,327)	735,895	-	4,102,440
Financial assets at fair value through other comprehensive income:					
Unquoted equities	10,704,810	-	83,663	(2,198,642)	8,589,831
Managed funds	304,862	-	-	(294,862)	10,000
	11,009,672	-	83,663	(2,493,504)	8,599,831

25 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

i) Financial instruments (continued)

Description of significant unobservable inputs to valuation of financial assets:
Unquoted equity securities are valued based on book value and price to book multiple method, multiples using latest financial statements available of the investee entities and adjusted for lack of marketability discount in the range of 20% to 70% (2020: 25% to 50%). The Group has determined that market participants would take into account these discounts when pricing the investments. Funds and managed portfolio have been valued based on Net Asset Value (NAV) of the fund provided by the custodian of the fund or portfolio and certain managed funds were adjusted for lack of marketability discount by 15% to 20% (2020: 15% to 20%).

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

Sensitivity of the inputs
A change in the assumptions used for valuing the Level 3 financial instruments, by ±5% higher or lower liquidity and market discount could have resulted in increase or decrease in the results by KD 357,082 (2020: KD 205,122) and increase or decrease in other comprehensive income by KD 365,905 (2020: KD 429,991).

ii) Non-financial assets
Non-financial asset carried at fair value comprise of investment properties. These are classified under level 3 fair value hierarchy.

	Level 1 KD	*Level 2 KD*	*Level 3 KD*	*Total KD*
31 December 2021				
Investment properties	-	-	**11,795,451**	**11,795,451**
31 December 2020				
Investment properties	-	-	716,423	716,423

There were no transfers between any levels of the fair value hierarchy during 2021 or 2020

Reconciliation of Level 3 fair values

	2021 KD
At 1 January	**716,423**
Transfer from property and equipment (Note 9)	**10,720,000**
Gain recorded in the consolidated statement of income	**360,800**
Foreign currency translation adjustment	**(1,772)**
At 31 December	**11,795,451**

Valuation of investment properties
The fair value of investment properties is determined based on valuations performed by two independent and accredited valuers with recognized and relevant professional qualifications as well as recent experience of the location and category of investment properties being valued. The Group has selected the lower of these two valuations as required by the CMA. The fair values are determined using a mix of the income capitalization method and the market comparison approach considering the nature and usage of each property. The unit of comparison applied by the Group is the price per square meter ('sqm').

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25 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

ii) Non-financial asset (continued)

Description of significant unobservable inputs to valuation of non-financial assets:
The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy are the yield rate (income capitalization approach) and price per sqm (market approach). Fair value using the income capitalization method is estimated based on the normalized net operating income generated by the property, which is divided by the capitalization (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions.

Sensitivity analysis
Significant increase (decrease) in yield rate and price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

26 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss and investment in associates is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

31 December 2021	*Within 3 months KD*	*3 to 12 months KD*	*Sub-total KD*	*Over 1 year KD*	*Total KD*
ASSETS					
Cash and cash equivalents	34,072,345	1,087,976	35,160,321	-	35,160,321
Loans and advances	1,773,955	4,074,929	5,848,884	339,917	6,188,801
Financial assets at fair value through profit or loss	6,972,069	20,743,227	27,715,296	-	27,715,296
Financial assets at fair value through other comprehensive income	-	201,141	201,141	7,318,104	7,519,245
Investment in associates	-	-	-	22,805,423	22,805,423
Other assets	227,891	13,489,997	13,717,888	-	13,717,888
Investment properties	-	-	-	11,795,451	11,795,451
Property and equipment	-	-	-	955,930	955,930
Intangible assets	-	-	-	3,870,685	3,870,685
TOTAL ASSETS	43,046,260	39,597,270	82,643,530	47,085,510	129,729,040
LIABILITIES					
Loans	-	-	-	5,000,000	5,000,000
Bonds	-	-	-	40,000,000	40,000,000
Other liabilities	363,009	14,096,377	14,459,386	6,074,397	20,533,783
TOTAL LIABILITIES	363,009	14,096,377	14,459,386	51,074,397	65,533,783

26 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2020	*Within 3 months KD*	*3 to 12 months KD*	*Sub-total KD*	*Over 1 year KD*	*Total KD*
ASSETS					
Cash and cash equivalents	27,456,343	4,512,490	31,968,833	-	31,968,833
Loans and advances	581,824	5,259,680	5,841,504	236,511	6,078,015
Financial assets at fair value through profit or loss	6,589,503	14,251,564	20,841,067	-	20,841,067
Financial assets at fair value through other comprehensive income	-	162,824	162,824	8,599,829	8,762,653
Investment in associates	-	-	-	19,672,360	19,672,360
Other assets	254,031	15,900,049	16,154,080	-	16,154,080
Investment properties	-	-	-	716,423	716,423
Property and equipment	-	-	-	10,743,688	10,743,688
Intangible assets	-	-	-	3,725,067	3,725,067
TOTAL ASSETS	34,881,701	40,086,607	74,968,308	43,693,878	118,662,186
LIABILITIES					
Loans	6,908,258	-	6,908,258	-	6,908,258
Bonds	-	-	-	40,000,000	40,000,000
Other liabilities	363,584	11,952,268	12,315,852	5,613,433	17,929,285
TOTAL LIABILITIES	7,271,842	11,952,268	19,224,110	45,613,433	64,837,543

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

27.1 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily loans and advances and other assets) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Gross maximum exposure to credit risk
The Group selectively provides credit facilities in form of short-term (maturity up to 12 months) loans and advances on a fully collateralized basis to its customers of the asset management and investment banking products. The credit sanction process typically involves customers' credit appraisal in accordance with the Group's credit policies. The Group's credit risk management associated with the lending activities is governed by the Group's credit policies. The Group's credit policies cover the customer eligibility criteria for credit, large exposure and concentration limits, eligible collateral, collateral valuation methodology, minimum collateralization requirement, credit quality monitoring processes and escalation and foreclosure processes in the event of default.

In accordance with the Group's credit policies all loans and advances with past due interest or principal obligations are considered as non-performing and are subject to specific provisions for credit losses on basis of amount of impairment determined.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.1 CREDIT RISK (continued)

Gross maximum exposure to credit risk (continued)

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances, and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of credit risk mitigation.

	2021 *KD*	*2020* *KD*
Cash and cash equivalents (Note 5)	**35,160,321**	31,968,833
Loans and advances (Note 6)	**6,188,801**	6,078,015
Other assets excluding prepayments	**13,358,428**	15,716,164
Gross maximum credit risk exposure before consideration of credit risk mitigation	**54,707,550**	53,763,012

The exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analyzed by the geographical regions as follows:

	Kuwait *KD*	*GCC and the rest of the Middle East* *KD*	*International* *KD*	*Total* *KD*
31 December 2021				
Cash and cash equivalents	**23,033,288**	**11,705,150**	**421,883**	**35,160,321**
Loans and advances	**3,469,429**	**2,719,372**	-	**6,188,801**
Other assets	**4,382,382**	**8,341,528**	**634,518**	**13,358,428**
Maximum exposure to credit risk assets	**30,885,099**	**22,766,050**	**1,056,401**	**54,707,550**
31 December 2020				
Cash and cash equivalents	18,766,267	12,356,731	845,835	31,968,833
Loans and advances	3,371,550	2,706,465	-	6,078,015
Other assets	6,310,993	8,557,014	848,157	15,716,164
Maximum exposure to credit risk assets	28,448,810	23,620,210	1,693,992	53,763,012

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.1 CREDIT RISK (continued)

Risk concentration of maximum exposure to credit risk (continued)
The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analyzed by the following industry sectors as:

	2021 *KD*	*2020* *KD*
Banks and financial institutions	**35,145,544**	31,954,619
Others	**19,562,006**	21,808,393
	54,707,550	53,763,012

As at 31 December 2021, the maximum credit exposure to a single counterparty amounted to KD 6,253,962 (2020: KD 6,825,138).

Cash and cash equivalents
Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents and term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Credit risk from lending activities
The Group selectively provides credit facilities in form of short-term (maturity up to 12 months) loans and advances on a fully collateralized basis to its customers of the asset management and investment banking products. The credit sanction process typically involves customers' credit appraisal in accordance with the Group's credit policies.

The Group's credit risk management associated with the lending activities is governed by the Group's credit policies. The Group's credit policies cover the customer eligibility criteria for credit, large exposure and concentration limits, eligible collateral, collateral valuation methodology, minimum collateralization requirement, credit quality monitoring processes and escalation and foreclosure processes in the event of default.

In accordance with the Group's credit policies all loans and advances with past due interest or principal obligations are considered as non-performing and are subject to specific provisions for credit losses on basis of amount of impairment determined.

Credit quality of financial assets that are neither past due nor impaired
In accordance with the Group's credit risk management policies all performing credits are graded as: high or medium grade. Credit exposures are classified as 'high grade' when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be extremely remote to low. Credit exposures are classified as 'medium grade' when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be moderate. Whereas, the performing credit exposures when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be high are classified as "low grade". The Group does not have any low-grade financial asset at the reporting date. Non-performing credit exposures are graded as past due or impaired.

Analysis of past due but not impaired
The Group does not have any past due but not impaired financial assets as at 31 December 2021 and 31 December 2020.

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27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.1 CREDIT RISK (continued)

An analysis of the gross carrying amounts of loans and advances and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with the CBK guidelines is as follows:

	Stage 1 KD	*Stage 2 KD*	*Stage 3 KD*	*Total KD*
Gross carrying value				
As at 1 January 2021	6,131,030	42,971	2,587,439	8,761,440
Net transfers between stages	-	(42,971)	42,971	-
Net movement during the year	85,456	-	(78,831)	6,625
As at 31 December 2021	**6,216,486**	-	**2,551,579**	**8,768,065**
As at 1 January 2020	6,187,868	101,499	2,702,567	8,991,934
Net movement during the year	(56,838)	(58,528)	(115,128)	(230,494)
As at 31 December 2020	6,131,030	42,971	2,587,439	8,761,440

The fair value of collateral that the Group holds relating to loans and advances as at 31 December 2021 amounts to KD 24,096,063 (2020: KD 23,325,678).

An analysis of changes in the ECL allowances in relation to loans and advances, is as follows:

	Stage 1 KD	*Stage 2 KD*	*Stage 3 KD*	*Total KD*
ECL allowance				
Balance as at 1 January 2021	55,579	37,216	2,533,813	2,626,608
Net transfers between stages	-	(37,216)	37,216	-
Net decrease in ECL during the year	(26,670)	-	(75,015)	(101,685)
As at 31 December 2021	**28,909**	-	**2,496,014**	**2,524,923**
Balance as at 1 January 2020	59,217	97,303	2,536,549	2,693,069
Net decrease in ECL during the year	(3,638)	(60,087)	(2,736)	(66,461)
As at 31 December 2020	55,579	37,216	2,533,813	2,626,608

27.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the treasury department of the Group. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

As at 31 December 2021, none of the Group's debt (loans & bonds) will mature in less than one year (2020: 14.7%) based on the carrying value of borrowings reflected in the consolidated statement of financial position. The management of the Group is currently considering steps to re-finance the short-term borrowings of the Group. These steps include creating liquidity by realizing cash from sale of assets, dividends from financial assets and re-structuring of short-term borrowings.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.2 LIQUIDITY RISK (continued)

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities.

The table below summarizes the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations:

	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*Over 1 year KD*	*Total KD*
31 December 2021					
Loans	-	**36,986**	**113,014**	**5,430,274**	**5,580,274**
Bonds	**123,554**	-	**1,466,533**	**41,482,650**	**43,072,737**
Other liabilities	**363,009**	-	**14,096,378**	**6,074,396**	**20,533,783**
TOTAL LIABILITIES	**486,563**	**36,986**	**15,675,925**	**52,987,320**	**69,186,794**

	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*Over 1 year KD*	*Total KD*
31 December 2020					
Loans	5,013,356	1,917,506	-	-	6,930,862
Bonds	123,554	-	1,466,533	43,443,400	45,033,487
Other liabilities	363,584	-	11,952,268	5,613,433	17,929,285
TOTAL LIABILITIES	5,500,494	1,917,506	13,418,801	49,056,833	69,893,634

27.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, currency rates and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long- and short-term changes in fair value.

27.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of all future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by the treasury department of the Group.

The Group is exposed to interest rate risk on its variable interest-bearing assets and liabilities (bank deposits and loans), as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest cost using a mix of fixed and variable rate debts. The Group aims to keep a certain portion of its borrowings at variable rates of interest.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit based on floating rate financial assets and financial liabilities held at 31 December 2021 and 2020. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated statement of income, as a result of a change in interest rates, with all other variables held constant.

	Change in basis points	*Effect on profit (loss) for the year +/- KD*
31 December 2021	**±25%**	**151,585**
31 December 2020	±25%	164,914

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.3 MARKET RISK (continued)

27.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Currency risk is managed by the treasury department of the Company on the basis of limits determined by the Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The effect on profit due to change in the fair value of monetary assets and liabilities, as a result of change in currency rate by 5%, with all other variables held constant is shown below:

	Effect on profit +/-	
	2021	*2020*
	KD	*KD*
US Dollar	**1,198,133**	1,227,205
GCC and the rest of the Middle East currencies	**872,410**	862,928

27.3.3 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at FVOCI or FVPL. The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The majority of the Group's quoted investments are listed on the Boursa Kuwait.

The Group's FVPL and FVOCI in different geographical regions and industry sectors are as follows:

Geographical distribution

	Kuwait KD	***GCC and the rest of the Middle East KD***	***International KD***	***Total KD***
31 December 2021				
Financial assets at fair value through profit or loss	**14,377,733**	**6,506,428**	**6,831,135**	**27,715,296**
Financial assets at fair value through other comprehensive income	**4,586,087**	**1,121,382**	**1,811,776**	**7,519,245**
31 December 2020				
Financial assets at fair value through profit or loss	10,709,449	6,135,993	3,995,625	20,841,067
Financial assets at fair value through other comprehensive income	6,109,628	1,533,577	1,119,448	8,762,653

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.3 MARKET RISK (continued)

27.3.3 Equity price risk (continued)

Industry concentration

	Trading and manufacturing KD	*Banks and financial institutions KD*	*Construction and real estate KD*	*Others KD*	*Total KD*
31 December 2021					
Financial assets at fair value through profit or loss	**206,340**	**19,808,856**	**4,455,248**	**3,244,852**	**27,715,296**
Financial assets at fair value through other comprehensive income	**1,870,965**	**250,639**	**4,043,823**	**1,353,818**	**7,519,245**
31 December 2020					
Financial assets at fair value through profit or loss	324,998	15,764,165	2,564,135	2,187,769	20,841,067
Financial assets at fair value through other comprehensive income	1,403,256	1,315,548	3,716,535	2,327,314	8,762,653

The table below summarizes the impact of increases/decreases of the respective price indices in the relevant market on the Group's equity and profit for the period. The analysis is based on the assumption that the equity indexes had increased or decreased by 5% respectively, with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	2021		*2020*	
	Effect on other comprehensive income KD	*Effect on profit KD*	*Effect on other comprehensive income KD*	*Effect on profit KD*
Market indices	**+/- 10,057**	**+/- 833,117**	+/- 8,143	+/- 647,784

27.4 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

27.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risk, the Group is able to manage these risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

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28 CAPITAL MANAGEMENT

The primary objective of the Group's capital management policies is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants.

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

To maintain or adjust the capital structure, the Group may adjust dividend pay-out to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a leverage ratio, which is net debt divided by total capital of the Company. The Group includes within net debt, interest bearing loans and borrowings, bonds, bank overdraft and other payables, less bank balances and cash. Total capital represents equity attributable to the shareholders of the Company.

	2021	*2020*
	KD	*KD*
Interest bearing loans	**5,000,000**	6,908,258
Bonds	**40,000,000**	40,000,000
Other liabilities	**20,533,783**	17,929,285
Less: Bank balances and cash	**(35,160,321)**	(31,968,833)
	30,373,462	32,868,710
Equity attributable to the equity holders of the Company	**60,436,482**	50,001,837
Gearing ratio (%)	**50%**	66%

29 IMPACT OF COVID-19

Coronavirus pandemic (COVID-19), which began to spread by the beginning of 2020 witnessed the rise of a number of cases in most countries worldwide, including Kuwait and has impacted most businesses and economies. In addition, its impact has resulted in the sharp drop in the global oil prices, which in general, tend to affect the economic growth heavily. As at 31 December 2021, the COVID-19 pandemic has continued to cause an unprecedented human and health crisis and the measures necessary to contain the virus have triggered an economic downturn.

The measures to slow the spread of COVID-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The COVID-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

In light of COVID-19, the Group has assessed whether any adjustments and changes in judgements, estimates and risk management are required to be considered and reported in the consolidated financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements:

Fair valuation of financial assets
The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of the fair value of financial assets. The Group has determined the fair value of its quoted and unquoted equities, quoted debt securities and managed funds based on the most recent market information relating to the respective investments and recognized the impact in the consolidated financial statements.

29 IMPACT OF COVID-19 (continued)

Loans and advances, and other assets

The Group has reassessed certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Property and equipment, investment properties, investment in associates and intangible assets (non-financial assets)

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

As the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2021. As a result, the consolidated financial statements have been appropriately prepared on a going concern basis.