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Arzan Financial Group Ordinary General Assembly Meeting Agenda for the Fiscal Year Ended 31 December 2023	جدول اعمال اجتماع الجمعية العامة العادية لمجموعة أرزان المالية عن السنة المالية المنتهية كما في 31 ديسمبر 2023
1. **Discuss and approve the Board of Directors' Annual Report for the financial year ended December 31, 2023**	1. مناقشة تقرير مجلس الإدارة السنوي عن السنة المالية المنتهية في 31 ديسمبر 2023 والمصادقة عليه.
2. **Recite the Corporate Governance Report and the Audit Committee Report for the financial year ended December 31, 2023.**	2. تلاوة تقرير الحوكمة وتقرير لجنة التدقيق للسنة المالية المنتهية في 31 ديسمبر 2023.
3. **Discuss and approve the Independent Auditor's Report for the financial year ended December 31, 2023.**	3. مناقشة تقرير مراقب الحسابات عن السنة المالية المنتهية في 31 ديسمبر 2023 والمصادقة عليه.
4. **Discuss and approve the Audited Consolidated Financial Statements for the financial year ended December 31, 2023.**	4. مناقشة البيانات المالية المجمعة المدققة للسنة المالية المنتهية في 31 ديسمبر 2023 والمصادقة عليها.
5. **Approve the Board of Director's proposal to distribute dividend to the shareholders registered in the Company's records at the end of the record date scheduled on June 3rd, 2024, according to the following:**	5. الموافقة على توصية مجلس الإدارة بتوزيع أرباح للمساهمين المسجلين في سجل مساهمي الشركة كما في نهاية يوم الاستحقاق المحدد له تاريخ 2024/06/03، على النحو التالي:
a) **Cash dividends: at the rate of 2% of the nominal value of the share (i.e. Two fils for each share).**	أ- أرباح نقدية بنسبة 2% من القيمة الأسمية للسهم الواحد (أي بواقع فلسان لكل سهم).
b) **Bonus Shares at the rate of 4% of the capital by issuing 33,239,337 new shares (four shares for every one hundred shares), and to cover the value of such capital increase amounting to KD 3,323,933.700 from the interim profit statement and to delegate the Board of Directors to dispose of any resulting shares fractions at their discretion.**	ب- أسهم منحة بنسبة 4% من رأس المال، وذلك بإصدار 33,239,337 سهماً جديداً (بواقع أربعة أسهم لكل مئة سهم)، وتغطية قيمة الزيادة الناتجة عن ذلك في رأس المال والبالغة مبلغاً وقدره 3,323,933.700 د.ك من حساب الأرباح المرحلة، وتفويض مجلس الإدارة في التصرف في كسور الأسهم الناشئة عنها وفقاً لما يراه مناسباً.
Such cash dividends and bonus shares shall be distributed on Sunday 09/06/2024 and authorizing the company to amend the corporate actions schedule.	وتوزع الأرباح النقدية وأسهم المنحة على المساهمين المستحقين، وذلك اعتباراً من يوم الأحد الموافق 2024/06/09، وتفويض الشركة في تعديل الجدول الزمني لاستحقاقات الأسهم.
6. **Approve the Board of Directors' proposal to deduct 10% for the Company's statutory reserve from the profits for the financial year ended 31 December 2023, in accordance with the provisions**	6. الموافقة على اقتراح مجلس الإدارة باستقطاع احتياطي إجباري بنسبة 10% من أرباح السنة المالية المنتهية في 31 ديسمبر 2023 وذلك

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of Article (222) of the Company Law No. (1) of 2016 and Article (47) of the Company's Articles of Association.

عملاً بحكم المادة (222) من قانون الشركات رقم (1) لسنة 2016 والمادة (47) من النظام الأساسي للشركة.

7. **Approve Board of Directors' proposal to deduct 10% for the Company's voluntary reserve from the profits for the financial year ended 31 December** 2023 **in efforts to meet any future obligations or dividend distributions by the Company during which no profits are realized, in accordance with the provisions of Article (225) of the Company Law No. (1) of 2016 and Article (47) of the Company's Articles of Association.**

7. الموافقة على اقتراح مجلس الإدارة باستقطاع احتياطي اختياري بنسبة 10% من أرباح السنة المالية المنتهية في 31 ديسمبر 2023، وذلك لمقابلة أي التزامات أو توزيعات أرباح مستقبلية على الشركة في السنوات التي لا تتحقق فيها أرباح عملا بحكم المادة (225) من قانون الشركات رقم (1) لسنة 2016 والمادة (47) من النظام الأساسي للشركة.

8. **Discuss and approve the Board of Directors' recommendation to pay a total remuneration to its members in the amount of KD 68,050 (Sixty-eight thousand and fifty Kuwaiti Dinars Only) for the financial year ended December 31, 2023**

8. مناقشة توصية مجلس الإدارة بصرف مكافأة لأعضاء مجلس الإدارة ولجانه بواقع **68,050** د.ك. (ثمانية وستون ألفاً وخمسون ديناراً كويتياً فقط لا غير) عن السنة المالية المنتهية في 31 ديسمبر 2023.

9. **Present the Violations and Penalties Report, registered by the regulators and for which the Company was penalized, for the financial year ended December 31,** 2023**.**

9. استعراض تقرير المخالفات والجزاءات التي رصدتها الجهات الرقابية وأوقعت بشأنها جزاءات على الشركة للسنة المالية المنتهية في 31 ديسمبر 2023 ومناقشة ملاحظات ممثل الجهة الرقابية في حال حضوره.

10. **Present and approve the Related Parties' Transactions Report conducted during the financial year** 2023**, and the authorize the Board of directors in dealing with the related parties for the financial year** 2024**.**

10.استعراض التعاملات التي تمت مع أطراف ذات صلة خلال السنة المالية 2023 والمصادقة عليها، وتفويض المجلس بالتعامل مع الأطراف ذات الصلة في السنة المالية 2024.

11. **Approve the authorization of the Board of Directors to purchase, sell or dispose of up to 10% of the Company's treasury stocks in accordance with the relevant rules and provisions** prescribed **by law, regulations, decrees, and instructions of supervisory bodies. Such authorization shall remain valid for a period of eighteen months from date of issuance.**

11.الموافقة على تفويض مجلس الإدارة بشراء أو بيع أو التصرف فيما لا يتجاوز 10% من أسهم الشركة وذلك وفقا للضوابط والشروط التي ينص عليها القانون واللوائح وقرارات وتعليمات الجهات الرقابية في هذا الخصوص. وعلى أن يستمر التفويض سارياً لمدة ثمانية عشر شهراً اعتباراً من تاريخ صدوره.

12. **Reviewing the company's contribution to social responsibility during the year** 2023 **and authorizing the board of directors to contribute to social responsibility with 1% of the net profit of the fiscal year** 2024 **as a maximum.**

12.الاطلاع على مساهمة الشركة في المسؤولية الاجتماعية خلال عام 2023، وتفويض مجلس الإدارة للمساهمة في المسؤولية الاجتماعية بنسبة 1٪ من صافي أرباح العام 2024 كحد أقصى.

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13. **Approve the authorization of the Board of Directors to issue all types of bonds in Kuwaiti dinar or any other currency, according to their discretion, whether inside or outside of the State of Kuwait, to determine the term, par value, interest rate, maturity date, value coverage, offering rules, amortization as well as all other terms and conditions. The Board of Director may, in this regard, seek support as they deem necessary to execute all or part of the foregoing, subject to obtaining the approvals of competent supervisory authorities.**

13.الموافقة على تفويض مجلس الإدارة في إصدار سندات بكافة أنواعها بالدينار الكويتي أو بأية عملة أخرى يراها مناسبة داخل و/أو خارج دولة الكويت، وفي تحديد مدة تلك السندات وقيمتها الاسمية وسعر الفائدة وموعد الوفاء بها ووسائل تغطية قيمتها وقواعد طرحها واستهلاكها وسائر شروطها وأحكامها، ولمجلس الإدارة أن يستعين بمن يراه في تنفيذ كل أو بعض ما ذكر، وذلك كله بعد أخذ موافقة الجهات الرقابية المختصة.

14. **Approve the discharge and release of the members of the Board of Directors from all matters related to their legal, financial, and administrative actions during the financial year ended December 31,** 2023**.**

14.إخلاء طرف السادة أعضاء مجلس الإدارة وإبراء ذمتهم عن كل ما يتعلق بتصرفاتهم القانونية والمالية والإدارية عن السنة المالية المنتهية في 31 ديسمبر 2023.

15. **Approval of the appointment of the company's auditor, for the fiscal year** 2024**, from the approved list of auditors at the Capital Markets Authority, consider the duration of mandatory change of auditors, and to authorize the Board of Directors to determine their fee.**

15.الموافقة على تعيين مراقب حسابات للسنة المالية 2024 من ضمن القائمة المعتمدة بأسماء مراقبي الحسابات لدى هيئة أسواق المال مع مراعاة مدة التغيير الالزامي لمراقبي الحسابات، وتخويل مجلس الإدارة بتحديد أتعابه.

Board of Directors

مجلس الإدارة

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Arzan Financial Group Extra-Ordinary General Assembly Meeting Agenda	جدول اعمال اجتماع الجمعية العامة غير العادية لمجموعة أرزان المالية

1. Discus the increase of the company's capital, its authorized, issued, and paid-up amounts from KD 83,098,344.500 (eighty three million ninety eight thousand and three hundred forty four Kuwaiti dinar and five hundred fils) to an amount KD 86,422,278.200 (eighty six million four hundred twenty two thousand, two hundred seventy eight Kuwaiti dinar and 200 fils), by issuing 33,239,337 (thirty three million two hundred thirty nine thousand and three hundred thirty seven) new shares, to be distributed as bonus shares to eligible shareholders as detailed in the schedule below:

1. مناقشة زيادة رأس مال الشركة، المصرح به والمصدر والمدفوع، من مبلغ وقدره 83,098,344.500 د.ك (ثلاثة وثمانون مليوناً وثمانيةً وتسعون ألفاً وثلاثمائة أربعة وأربعون دينار كويتي وخمسمائة فلس)، إلى مبلغ وقدره 86,422,278.200 د.ك (ستة وثمانون مليوناً وأربعمائة واثنان وعشرون ألفاً ومئتان وثمانية وسبعون دينار كويتي 200 فلس)، وذلك بإصدار 33,239,337 سهماً (ثلاثة وثلاثون مليوناً ومئتان وتسعة وثلاثون ألف وثلاثمائة وسبعة وثلاثون) سهماً جديداً توزع كأسهم منحة على المساهمين المستحقين لها على النحو المبين في الجدول الزمني التالي:

Event	Date	التاريخ	الحدث
AGM Date	**2024/05/12**		يوم انعقاد الجمعية العامة
CUM-Date	**2024/05/29**		تاريخ حيازة السهم
EX-Date	**2024/05/30**		تاريخ تداول السهم دون الاستحقاقات
Record Date	**2024/06/03**		تاريخ الاستحقاق
Distributions Date	**2024/06/09**		تاريخ التوزيع

Absorbing the value of such capital increase amounting to KD 3,323,933.700 (three million three hundred twenty-three thousand and nine hundred thirty-three Kuwaiti dinar and 700 fils) from the interim profit statement. Furthermore, to delegate the Board of Directors to dispose any shares fractions resulting from the distribution of the free bonus shares at their discretion. and authorizing the company to amend the corporate actions schedule.

وتغطية قيمة الزيادة الناتجة عن ذلك في رأس المال والبالغة مبلغاً وقدره 3,323,933.700 د.ك (ثلاثة ملايين وثلاثمائة وثلاثة وعشرون ألفاً وتسعمائة وثلاثة وثلاثون دينار كويتياً و700 فلس) من حساب الأرباح المرحلة. وتفويض مجلس الإدارة في التصرف في كسور الأسهم الناشئة عن توزيع أسهم المنحة المجانية وفقاً لما يراه مناسباً. وتفويض الشركة في تعديل الجدول الزمني لاستحقاقات الأسهم.

2. Approve the amendments of Article (5) of the Articles of associations and Article (6) of the Memorandum of associations of the company:

2. الموافقة على تعديل نص المادة (5) من النظام الأساسي والمادة (6) من عقد التأسيس لتصبح كالتالي:

Original Article	**Amended Article**	**المادة بعد التعديل**	**المادة قبل التعديل**
The authorized, issued, and fully paid-up capital of the company is KD 83,098,344.500 (eighty-three million ninety-eight thousand and three hundred forty-four Kuwaiti dinar and five hundred fils) distributed over 830,983,445 shares (eight hundred thirty million nine hundred eighty-three thousand and four hundred forty-five shares) each share having a nominal value of 100 fils. All such shares are cash shares.	The authorized, issued, and fully paid-up capital of the company is KD 86,422,278.200 (eighty-six million four hundred twenty-two thousand and two hundred seventy-eight Kuwaiti dinar and two hundred fils) distributed over 864,222,782 shares (eight hundred sixty-four million two hundred twenty-two thousand and seven hundred eighty-two shares) each share having a nominal value of 100 fils. All such shares are cash shares.	حدد رأس مال الشركة المصرح به والمصدر والمدفوع بالكامل بمبلغ 86,422,278.200 د.ك (ستة وثمانون مليوناً وأربعمائة واثنان وعشرون ألفاً ومئتان وثمانية وسبعون دينار كويتي ومئتا فلس) موزع على 864,222,782 سهم (ثمانمائة وأربعة وستون مليون ومئتان واثنان وعشرون ألف وسبعمائة واثنان وثمانون سهم) قيمة كل سهم 100 فلس، وجميع الأسهم نقدية.	حدد رأس مال الشركة المصرح به والمصدر والمدفوع بالكامل بمبلغ 83,098,344.500 د.ك (ثلاثة وثمانون مليوناً وثمانيةً وتسعون ألفاً وثلاثمائة وأربعة وأربعون دينار كويتي وخمسمائة فلس) موزع على 830,983,445 سهم (ثمانمائة وثلاثون مليون وتسعمائة وثلاثة وثمانون ألف وأربعمائة وخمسة وأربعون سهم) قيمة كل سهم 100 فلس، وجميع الأسهم نقدية.

Board of Directors

مجلس الإدارة

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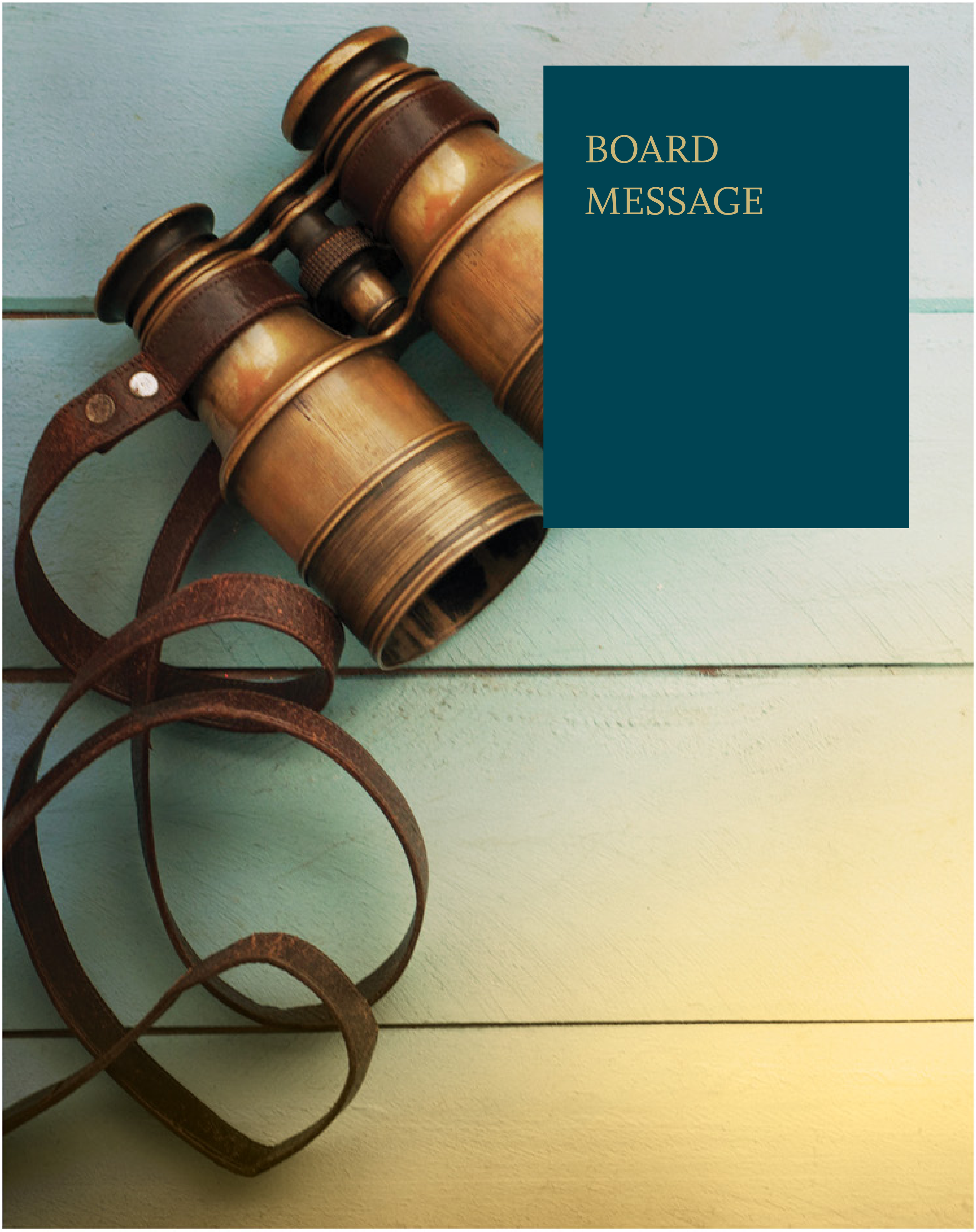

BOARD MESSAGE

Honorable Shareholders and Investors,

Arzan Financial Group's Board of Directors is honored to present the Annual Report and Consolidated Financial Statements of the Group and subsidiaries for the fiscal year ended 31 December 2023.

The year 2023 witnessed the continuation of economic challenges in the world resulting from persistent political tensions in the region and the entire world. This is in addition to continued tightening of regulatory restrictions and monetary policies to combat high inflation, despite its slow growth in the last period of the year. Nevertheless, the rise in global interest rates has impacted many economic sectors, including industry and real estate, in addition to fluctuations in oil and gas prices, which had a bearing on several economies of states around the world.

Despite all these harsh facts, Arzan's prudent and flexible strategy has proven its strength and resilience in facing challenges, thanks to the diversification of income sources through the diversification of operational and investment risks.

The subsidiaries and associates have achieved good results in terms of growth in revenues and profitability, while the Group has completed the establishment of a subsidiary of Arzan Capital, "Arzan Investment Management", specializing in investment funds management in the field of residential and hotel real estate assets' investment in the region.

A management team, with high relevant expertise, has been attracted to add to the existing skills and competencies, with the aim of providing financial and investment products and services to the Group's distinguished customers, as well as to achieve their goals of developing and maintaining their wealth by adopting high-quality, low-risk investment opportunities.

Notwithstanding all these challenges, the Group was able at the end of 2023 to achieve a profit attributable to the shareholders of the Parent Company, amounting to KD 7,034,594, compared to KD 8,149,403 at the end of 2022.

Basic earnings per share attributable to the shareholders of the Parent Company amounted to 8.689 fils, compared to 10.115 fils for the year 2022.

This decrease is due to the aforementioned reasons. In addition, the value of the Group's assets increased at the end of 2023 by 8% to reach KD 209,660,318 due to increase in financial assets at fair value through other comprehensive income at 16%. Also, equity attributable to the shareholders of the Parent Company increased by 14%, amounting to KD 131,784,895, as a result of increase in fair value reserve by 108%, while maintaining the level of the Group's total liabilities compared to the end of 2022.

2023 was full of important milestones and many achievements, the most notable achievement was the promotion of Arzan Financial Group to the premium market after fulfilling the terms of promotion in Boursa Kuwait. This promotion is a result of AFG diligence in the past ten years, the group also launched one of the new services "Arzan Trader Platform" , which allows clients to trade in Boursa Kuwait, regional and international stock exchanges , in addition AFG continued to provide the rest of its various investment and financial services and solutions with the highest levels of quality and standards. In addition , EasyBuy which is one of the group's subsidiaries that specializes in providing the installment sales service with the (BNPL) system, has continued to expand, as the number of its branches reached 147 branches in 2023, in cooperation with 100 Kuwaiti companies from various sectors to provide an integrated set of new products to meet client's needs. The company is also in the process of launching its own online store and premium cards for the clients soon, with the aim of providing the best and easiest services to clients and with the quality that meets their ambitions.

During 2023 AFG donated and participated in many humanitarian and community projects in various fields as a part of its corporate social responsibility.

National identity and Kuwait's strategic objectives achievement are still and ongoingly emphasized by the Group.

We are committed to the National Development Plan and Kuwait Vision 2035.

Hence, the Group continues to consolidate and establish professional principles and high values and create a healthy and attractive work environment for national cadres, guaranteeing the Group's continued success in all sectors of work.

The Board of Directors also affirms its firm belief and commitment to the highest ethical standards and principles of governance, as, in all its policies and at all levels of work, the Group adopts the principles of transparency, accountability and ethical behavior.

Based on the financial results for the year 2023, the Group's Board of Directors recommended distributing cash dividends to shareholders at a rate of 2%, that is at the rate of 2 fils per share, in addition to bonus shares of 4%, at the rate of 4 per share, for every one hundred shares.

We would also like to seize this opportunity to express our sincere thanks and appreciation to our shareholders for their constant support in achieving the Group's goals.

Our gratitude is also extended to the Company's customers for their trust, as well as to the Executive Management and all the Group's employees for their sincerity, dedication and valuable contribution to achieving our objectives and ambitions.

We beseech Allah Almighty to help us towards further achievements and to meet the ambitions of all our shareholders and customers.

Board of Directors
ARZAN FINANCIAL GROUP

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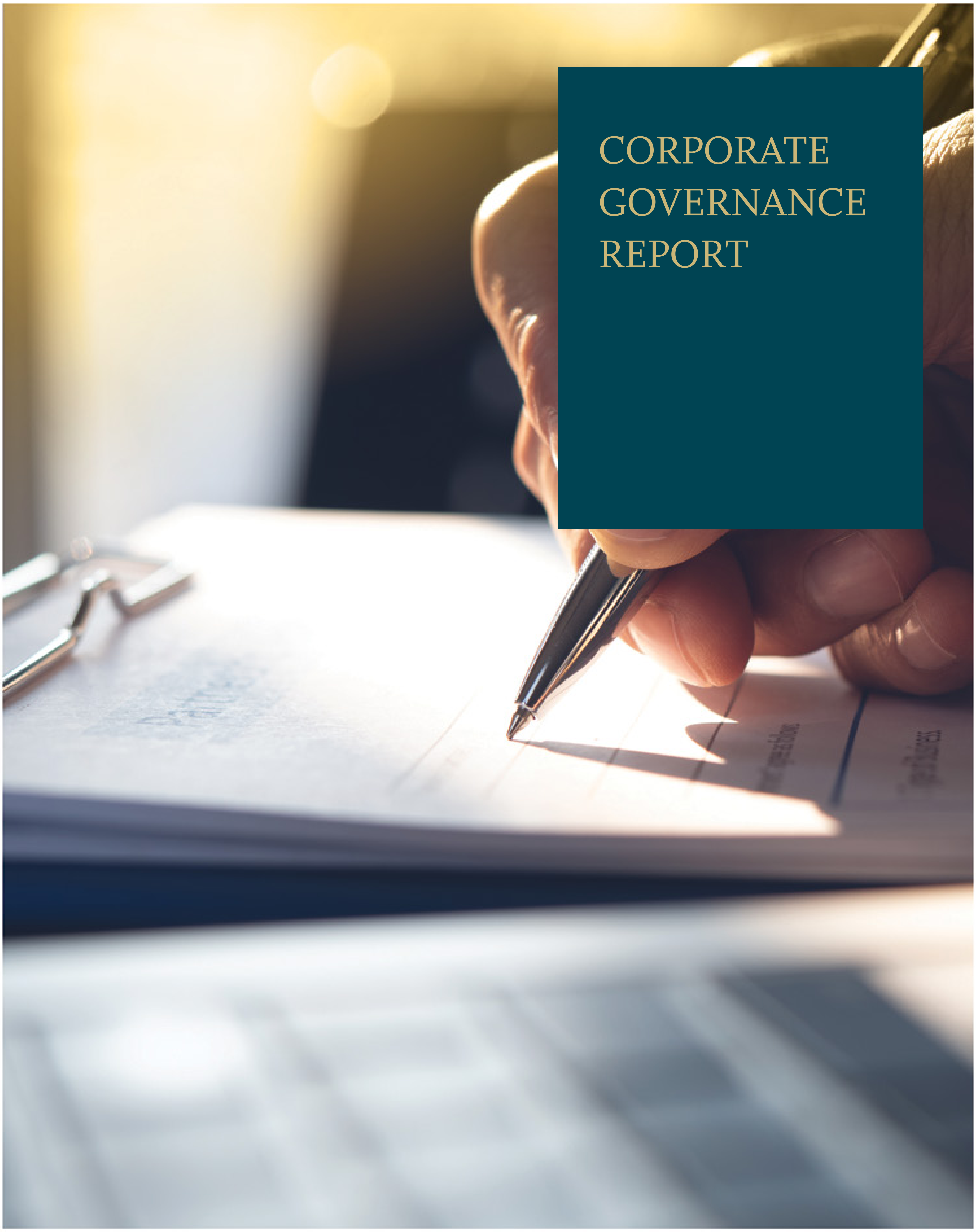
CORPORATE GOVERNANCE REPORT



RULE ONE: BUILDING A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS:

The role of the Board of Directors (the "**Board**") represents the point of balance that works to achieve the shareholders' goals and follow up the tasks of the Executive Management of the Company. Arzan Financial Group's Board of Directors believes that the skills, experiences and characteristics of its members commensurate with their responsibilities and the Company's activities.

Board members provide a range of expertise to the Board, including, for example:

- International, regional and local experience.
- Technical expertise related to the business, regulatory and economic environment in which Arzan Group operates.
- Experience and knowledge of the financial sector.

1.1 Formation of the Board of Directors

The decisions passed by the Board of Directors have a great impact on the Company's performance and the integrity of its financial position. Therefore, the Company has been keen to ensure that its Board of Directors consists of a sufficient number of members that allows the formation of a number of committees emanating therefrom, within the requirements of wise governance.

The Board of Directors consists of seven (7) members, including independent members, for the 2023-2025 term.

The Nomination and Remuneration Committee has examined the documents of the candidates nominated for the Board membership for the new 2023-2025 term and the applicants' fulfilling the requirements of Kuwait Capital Markets Authority in terms of the rules of competence and integrity has been verified.

The Board shall be composed of TWO independent members. The Nomination and Remuneration Committee has ensured that the status of independence is fulfilled in accordance with the regulations of Kuwait Capital Markets Authority.

Name	Member Classification	Qualifications and Practical Expertise	Election Date
Talal Jassem Al-Bahar	Chairman of the Board of Directors (Non-Executive Member)	• Bachelor of Business Administration, Loyola Marymount University (2001), USA. • 18 years of experience in Real estate and investment sector.	12 April 2023
Jassem Hasan Zainal	Vice Chairman of the Board of Directors and Chief Executive Officer (Executive Member)	• Bachelor of Science - Civil Engineering, Miami University (1980), USA. • BA in General Studies - Mathematics, Miami University (1981), Miami, USA. • MA of Science - Civil Engineering, Kuwait University (1991), State of Kuwait. • 40 years of experience in banking, investment and financial institutions	12 April 2023
Ibrahim Saleh Al-Tharban	Board Member. (Non-Executive Member)	• Bachelor of Commerce - Accounting, Kuwait University (1975), State of Kuwait. • 45 years of experience in banking, investment, real estate and financial institutions.	12 April 2023
Emad Abdullah Al-Essa	Board Member. (Non-Executive Member)	• Bachelor of Business Administration, Polytechnic University (1986), Pomona, California, USA. • 36 years of experience in investment, real estate and financial institutions.	12 April 2023
Bader Jassim Al-Hajri	Board Member. (Non-Executive Member)	• Bachelor of Administrative Sciences, Marketing, Kuwait University, (1999), State of Kuwait. • 22 years of experience in banking, investment, real estate, financial and internet services.	12 April 2023
Issa Abdullah Al-Muzaini	Board Member. (Independent Member)	• Bachelor of Science, Civil Engineering, St. Martins College, (1983), USA. • 19 years of experience in banking, investment, educational and information technology institutions.	12 April 2023
Dr. Sulaiman Tareq AL-Abduljader	Board Member. (Independent Member)	• Ph.D. of Financial economics - La Trobe University (2009), Australia. • MA of Business Administration - Specialization in finance and real estate – University of Hartford – (2004), USA. • Bachelor of Civil Engineering, University of Hartford, (2002), USA. • 18 years of experience in banking, investment, financial and academic institutions.	12 April 2023
Ruba Ghanem	Secretary of the Board of Directors	• Bachelor of Business Administration - Banking, Grant Town University (2014), USA. • 23 years of experience in banking, investment and financial institutions.	10 Jan. 2013

1.2 Meetings of the Board of Directors.

Eleven (11) Board meetings have been held during 2023, as follows:

Member Name	Meeting No. (1) on 20/02/2023	Meeting No. (2) on 14/03/2023	Meeting No. (3) on 05/04/2023	Meeting No. (4) on 13/04/2023	Meeting No. (5) on 19/04/2023	Meeting No. (6) on 14/05/2023	Meeting No. (7) on 26/06/2023	Meeting No. (8) on 02/08/2023	Meeting No. (9) on 28/08/2023	Meeting No.(10) on 31/10/2023	Meeting No.(11) on 25/12/2023	Total
Talal Jassem Al-Bahar *	-	-	-	√	√	√	√	√	√	√	√	**8**
Jassem Hasan Zainal	√	√	√	√	√	√	√	√	√	√	√	**11**
Ibrahim Saleh Al-Tharban	√	√	×	√	√	√	√	√	√	√	√	**10**
Emad Abdullah Al-Essa	√	√	√	×	×	√	√	√	√	×	√	**8**
Bader Jassim Al-Hajri	√	√	√	√	√	√	√	√	√	√	√	**11**
Issa Abdullah Al-Muzaini	√	√	√	√	√	√	√	√	√	√	√	**11**
Dr. Sulaiman Tareq AL-Abduljader *	-	-	-	×	√	√	√	√	√	√	√	**7**

***Changes in the membership of the Board of Directors during the year:**

The Ordinary General Assembly meeting of Arzan Financial Group, held on April 12, 2023, resulted in the election of the Board of Directors for a new session (three years, 2023-2025). 7 members were elected to the Board, including Mr. Talal Jassem Al-Bahar and Dr. Sulaiman Tareq AL-Abduljader; moreover, one member, Mr. Mohammad Ahmad Al-Qahtany, has left the Board of Directors.

1.3 Application of the requirements for registration, coordination and keeping minutes of the Board meetings.

The Board of Directors shall devote sufficient time to carry out the tasks and responsibilities entrusted thereto, including preparing for the meeting of the Board and the committees emanating therefrom and keenness to attend these meetings, in addition to organizing the Board meetings in consecutive numbers for the year in which they are held, indicating the venue, date and starting and ending hours of the meeting, as well as preparing the minutes of discussions and deliberations, including the voting process, to be signed by all Board members and the Secretary. All Board minutes of meetings, records, books and reports of the Company, submitted from/to the Board, shall be kept, ensuring a full and rapid access of the members thereto. The Board has appointed a Secretary to the Board from among the Company's employees, specifying her functions in accordance with the Company's corporate governance rules and in line with the responsibilities assigned thereto.
The Board shall hold the least of six (6) meetings annually, with the minimum of one meeting per financial quarter where sufficient documents shall be provided to the Board members to enable them in assessing the topics for which decisions are required. Among the key documents submitted to the Board:

- Quarterly financial statements
- Minutes of the previous Board meeting
- Minutes of the Board committees
- Aspects / developments within each department of the Company
- Reports and observations of regulatory authorities.

1.4 Acknowledgment of the Independent Board Member:

Independent Board Member Acknowledgement

As an independent member in Arzan Financial Group's Board of Directors, I hereby declare the below:

1. I do not hold 5% or more of the Company's shares, nor am I a representative of any owner of this percentage.

2. I do not have a first-degree relation with any of the Members of a Board of Directors or executive management members in the Company or any other company in its Group or the relevant main parties.

3. I am not a Member of a Board of Directors in any company of the Group.

4. I am not an employee in the Company or any company in the Group or for any of the Stakeholders.

5. I am not an employee for corporate entities who own Control shares in the Company.

6. I do meet all board member independence requirements as stated in Article (2-3) of Chapter Three of Module Fifteen 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, of which the above serve as a non-exhaustive list, and I do not have any matter that contravenes with the independence requirements.

7. As an independent member, I have the qualifications, experiences and technical skills which are constituent with the Company's activity.

8. I pledge to notify the Company upon non-compliance to any of the above-mentioned independence requirements or any requirement determined by the regulatory entities (Ministry of Commerce and Industry, and/or Capital Markets Authority).

9. The Company shall have right to take all required procedures should it be deemed that the above acknowledgement is not true.

Name of Independent Board Member: **Dr. Sulaiman Tareq AL-Abduljader**

Signature:

Date:

Independent Board Member Acknowledgement

As an independent member in Arzan Financial Group's Board of Directors, I hereby declare the below:

1. I do not hold 5% or more of the Company's shares, nor am I a representative of any owner of this percentage.

2. I do not have a first-degree relation with any of the Members of a Board of Directors or executive management members in the Company or any other company in its Group or the relevant main parties.

3. I am not a Member of a Board of Directors in any company of the Group.

4. I am not an employee in the Company or any company in the Group or for any of the Stakeholders.

5. I am not an employee for corporate entities who own Control shares in the Company.

6. I do meet all board member independence requirements as stated in Article (2-3) of Chapter Three of Module Fifteen 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, of which the above serve as a non-exhaustive list, and I do not have any matter that contravenes with the independence requirements.

7. As an independent member, I have the qualifications, experiences and technical skills which are constituent with the Company's activity.

8. I pledge to notify the Company upon non-compliance to any of the above-mentioned independence requirements or any requirement determined by the regulatory entities (Ministry of Commerce and Industry, and/or Capital Markets Authority).

9. The Company shall have right to take all required procedures should it be deemed that the above acknowledgement is not true.

Name of Independent Board Member: **Issa Abdullah Al-Muzaini**

Signature:

Date:

RULE TWO: PROPER SPECIFICATION OF TASKS AND RESPONSIBILITIES

2.1 Company’s policy for the tasks, responsibilities and duties of each of the Board members and the Executive Management, as well as the powers and authorities delegated to the Executive Management

The Company’s Board of Directors is a balance point that works to achieve the shareholders' objectives and follow up the Executive Management performance, since the Board seeks to achieve the Company's strategic objectives by ensuring that the Executive Management carries out its tasks to the fullest and that it works to enhance the competitiveness of the Company, in addition to achieving high growth rates, working to maximize profits and that the Executive Management decisions and procedures always work to the interests of the shareholders.

The Board has approved the Company's Governance Policy, which clearly includes the tasks and responsibilities assigned to both the Board of Directors and the Executive Management, as well as a matrix of powers that promotes the separation of the terms of reference between the Board and the Executive Management, in a manner that guarantees full independence, so that the Board of Directors may effectively carry out its responsibilities. This includes the powers and authorities delegated to the Executive Management.

2.2 Board achievements during the year.

Worth noting is that the Board operates in accordance with an approved code that includes the main responsibilities, as well as other responsibilities as provided for in the relevant regulations and laws. Among the most prominent actions undertaken by the Board during 2023, for example:

- Recommending to the General Assembly the distribution of cash dividends and a bonus to shareholders for the end of the fiscal year 31/12/2022.
- Approving Arzan’s financing and borrowing requirements.
- Approving the annual and interim budget and ensuring that performance is measured in accordance with the budget and action plans.
- Examining the annual financial statements, temporary lists, dividend announcements and notifications to shareholders, in accordance with the recommendations of the Board’s Audit Committee and its approvals.
- Ensuring the risk management, internal control, financial and operational systems.
- Ensuring the Company's compliance with the policies and procedures that ensure the Company's respect for the rights of shareholders, the applicable internal activities and regulations and the Company's commitment to implementing the governance system.
- Discussing and approving proposed transactions with related parties.
- Discussing and approving the amendment to the company’s articles of association and Memorandum of Association.
- View the nomination applications for Board of Directors membership for the new session 2023-2025.
- Formation of the Board of Directors and the committees emanating from the Board of Directors according to the new session 2023-2025.
- Following up on the performance of each member of the Board of Directors and the Executive Management according to the key performance indicators (KPI’s).
- Assessing the performance of the Board, board members, board committees, committee members and the CEO.
- Approving the annual/semi-annual reports sent to government/supervisory entities.
- Approving the group’s bonuses for the fiscal year ending on 31/12/2022.

- Approving the reports submitted to the General Assembly.
- Reviewing and approving the amendment of the Company's internal policies and procedures.
- Reviewing reports submitted by committees emanating from the Board of Directors.

2.3 Implementation of the requirements for the Board's formation of specialized independent committees and relevant information on each committee.

Arzan's internal control and management system is based on the directives and regulations issued by the Capital Markets Authority, the Central Bank of Kuwait, Kuwait Stock Exchange, the Company's Memorandum of Association, Articles of Association and internal practices. The Board shall bear full responsibility for the operations of the Company's operations and may delegate some of its powers to the Board Committees. The Board has formed three committees to assist it in monitoring the decision-making process and functions of Arzan. Each Board Committee shall perform its functions in accordance with its own code, as specified in the Code of the Board of Directors and in accordance with the regulations approved by the Board.

The Audit Committee:

The Audit Committee is responsible for assisting the Board in effectively performing its responsibilities in terms of financial reporting, internal controls and internal and external audit, in addition to developing the Company's culture of compliance by ensuring the external auditors' independence and the integrity and fairness of the Company's financial statements, in addition to ensuring the adequacy and efficiency of the Company's internal controls. The Committee operates on the basis of a code approved by the Board. Among the prominent works practices in the year 2023, for example:

- Reviewing and discussing the interim and final financial statements before presenting them to the Board of Directors, expressing an opinion on them, and studying the external auditors' observations on the financial statements and following them up.
- Report on the review and evaluation of internal control systems for the year ending 31/12/2022.
- Report on the extent of compliance with all legislative determinants and requirements contained in the Anti-Money Laundering and Terrorist Financing Law for the fiscal year ending 31/12/2022.
- A report assessing the extent of compliance with the rules and provisions stipulated in Book Seven (Clients' Funds and Assets) for the fiscal year ending in 31/12/2022.
- Recommending to the Board to appoint/reappoint the external auditors.
- Approving the audit committee report for the financial year ending 31/12/2022 and submitting recommendation to the Board.
- Approving the internal audit plan for the year 2023-2024.
- Evaluating the performance of the internal audit manager for the period ending on 31/12/2022 and approving the objectives of the audit department for the year 2023.
- Reviewing the results of internal audit reports and ensuring corrective actions are taken.
- Reviewing the results of the report and evaluating the performance of the Internal Audit Department.

The Audit Committee shall consist of:

Four (4) members appointed by a resolution of the Board of Directors, issued in its Minutes No. (4), dated 13/04/2023, for (2023-2025) term:

- Emad Abdullah Al-Essa - Chairman of the Committee (Non-Executive Member).
- Issa Abdullah Al-Muzaini - Deputy Chairman of the Committee - Independent (Non-Executive Member).
- Bader Jassim Al-Hajri – Committee Member (Non-Executive Member).
- Dr. Sulaiman Tareq AL-Abduljader - Committee Member - Independent (Non-Executive Member). *

During the year 2023, the Audit Committee has convened four (4) meetings as follows:

Member Name	Meeting No. (1) on 20/02/2023	Meeting No. (2) on 14/05/2023	Meeting No. (3) on 02/08/2023	Meeting No. (4) on 25/10/2023	No. of Meetings
Emad Abdullah Al-Essa (Chairman of the Committee)	√	√	√	√	4
Issa Abdullah Al-Muzaini (Deputy Chairman of the Committee)	√	√	√	√	4
Bader Jassim Al-Hajri (Committee Member)	√	√	√	√	4
Dr. Sulaiman Tareq AL-Abduljader (Committee Member) *	-	√	√	√	3
External Auditor	√	√	√	√	4
Internal Auditor	√	√	√	√	4

*** Changes in committee membership during the year:**
At its meeting held on 13/04/2023, the Board approved the restructuring of the committees emanating from the Board of Directors, where Mr. Ibrahim Saleh Al-Tharban left the membership of the Board of Directors Audit Committee, and Dr. Sulaiman Tareq AL-Abduljader joined the membership of the committee.

Risk Committee:

The Risk Committee shall be responsible for assisting the Board in performing the special control and monitoring responsibility for the Company's risk management function, including identifying, assessing, controlling and mitigating the risks the Company is exposed to. The Committee assists the Board in developing the Company's risk management approach and strategy, as well as the overall risk management framework and monitoring the implementation of the executive management of this strategy. The Committee operates on the basis of a code approved by the Board of Directors. The following are examples to the key works undertaken by the Committee during 2023:

- Discussing risk reports of investment and credit proposals, service provision, activities, strategic proposals, and recommendations to the Board of Directors.
- Reviewing periodic reports about the nature of the risks the Company is exposed to and submitting them to the Board of Directors.

- Reviewing capital adequacy reports and submitting them to the Board of Directors.
- Discussing the evaluation of the proposed powers on the company's organizational structure, delegating powers and recommending to the Board of Directors.
- Discussing the annual money laundering risk assessment study and submitting it to the Board of Directors for approval.
- Discussing amendments to the company's internal policies and procedures, committee charters and recommending it to the Board of Directors.
- Review the external penetration test report and report the results of business continuity and data recovery plans and approve mitigation plans and submit them to the Board of Directors
- Reviewing the report on the business continuity and disaster response plan test results and submitting it to the Board.
- Discussing the observations report and issues raised by the Audit Committee that affect the group's risk management (Risk Management).
- Adopting risk management assessment and adopting KPIs

Risk Committee shall consist of:

Four (4) members appointed by a resolution of the Board of Directors, issued in its Minutes No. (4), dated 13/04/2023, for (2023-2025) term:

- Ibrahim Saleh Al-Tharban - Chairman of the Committee (Non-Executive Member).
- Jassem Hasan Zainal - Deputy Chairman of the Committee (Executive Member).
- Issa Abdullah Al-Muzaini - Committee Member - Independent (Non-Executive Member).*
- Bader Jassim Al-Hajri – Committee Member (Non-Executive Member).*

During the year 2023, the Risk Committee has convened four (4) meetings as follows:

Member Name	Meeting No. (1) on 30/03/2023	Meeting No. (2) on 26/06/2023	Meeting No. (3) on 28/08/2023	Meeting No. (4) on 25/12/2023	No. of Meetings
Ibrahim Saleh Al-Tharban (Chairman of the Committee)	√	√	√	√	4
Jassem Hasan Zainal (Deputy Chairman)	√	√	√	√	4
Issa Abdullah Al-Muzaini (Committee Member)*	-	√	√	√	3
Bader Jassim Al-Hajri (Committee Member)*	-	√	√	√	3

***Changes in committee membership during the year:**
At its meeting held on 13/04/2023, the Board approved the restructuring of the committees emanating from the Board of Directors, where Mr. Emad Abdullah Al-Essa and Mr. Mohammad Ahmad Al-Qahtany left the membership of the Board of Directors Committee for Risk Management, and Mr. Issa Abdullah Al-Muzaini and Mr. Badr Jassim Al-Hajri joined the committee.

Nomination and Remuneration Committee:

This Committee shall assume the responsibilities related to the fees of the Arzan Board of Directors and its Executive Management, in line with their performance, qualifications and levels of expertise. The Committee shall also assume additional responsibilities related to the nominations in accordance with CMA regulations and the other laws. The Committee operates on the basis of a code approved by the Board of Directors. Among the key works undertaken by the Committee during 2023, for example:

- Reviewing the qualifications of applicants for Board of Directors membership and submitting comments to the Board of Directors.
- Ensure that the independence of the independent board member is fulfilled.
- Approving the proposed amendments to the job descriptions of the executive members, non-executive members and independent members and recommending them to the Board of Directors.
- Approving the remuneration report for the fiscal year ending on 31/12/2022, including the remuneration, salaries and benefits report for members of the Board of Directors and the executive staff, and submitting it to the General Assembly.
- Submitting recommendations regarding the proposed remuneration to the Board of Directors for approval.
- Identifying and approving objective indicators and behavioral competencies for the Board of Directors and each member of the Board of Directors, including the independents, the Nominations and Remuneration Committee, the Risk Management Committee, the Audit Committee and the CEO for the year 2023.
- Approving the evaluation report of the Board of Directors, Board members, and affiliated committees for the year 2022, and submitting it to the Board of Directors.

The Nomination and Remuneration Committee shall consist of four (4) members, appointed by a resolution of the Board, issued in its minutes No. (4), dated 13/04/2023, for its session (2023 - 2025) as follows:

- Talal Jassem Al-Bahar – Chairman of the Committee (Non-Executive Member).*
- Jassem Hasan Zainal – Deputy Chairman of the Committee (Executive Member).
- Ibrahim Saleh Al-Tharban – Committee Member (Non-Executive Member).*
- Issa Abdullah Al-Muzaini - Member of the Committee (Independent Member).

During the year 2023, the Nomination and Remuneration Committee has convened two (2) meetings, as follows:

Member Name	Meeting No. (1) on 20/02/2023	Meeting No. (2) on 14/03/2023	No. of Meetings
Talal Jassem Al-Bahar (Chairman of the Committee)*	-	-	-
Jassem Hasan Zainal (Vice Chairman)	√	√	2
Ibrahim Saleh Al-Tharban (Committee Member)*	-	-	-
Issa Abdullah Al-Muzaini (Committee Member)	√	√	2

***Changes in committee membership during the year:**
In its meeting held on 04/13/2023, the Board approved the restructuring of the committees emanating from the Board of Directors, where Mr. Bader Jassim Al-Hajri left the membership of the Board of Directors Committee for Nominations and Remuneration, and Mr. Talal Jassem Al-Bahar and Mr. Ibrahim Saleh Al-Tharban joined the membership the committee.

2.4 Implementation of the requirements for allowing Board members to obtain accurate and timely information and data.

The Executive Management works to provide complete, accurate and timely information and data to all Board members in general and to the non-executive and independent Board members in particular, through the Secretary of the Board, who provides the members of the Board with all the documents that will be discussed during the Board meeting sufficiently during the Board meeting, so as to obtain all basic information and data to enable the members of the Council to undertake and carry out their duties and tasks efficiently and effectively.

RULE THREE: SELECTING QUALIFIED PERSONS FOR THE MEMBERSHIP OF THE BOARD AND THE EXECUTIVE MANAGEMENT

3.1 Nomination and Remuneration Committee formation requirements

Following its selection by the General Assembly, the Board has formed the Nomination and Remuneration Committee, consisting of four (4) members, where one of them is an independent member and its chairman is a Non-Executive Board member. The Board has defined the term of the Committee's membership and its method of work, as well as the powers and responsibilities of the Committee within its code of work, as adopted by the Board.

3.2 Report on the remunerations granted to the members of the Board of Directors, the Executive Management and Managers.

3.2.1 Summary of the Nomination and Remuneration Policy at the company, especially for the Board of directors, Executive Management and the Managers.

The Company's Articles of Association stipulate a clear policy for the remunerations of the Board Chairman and the Board members. Further, the company's remuneration policy is based on the following principles:

- Observing the provisions of Companies Law and related laws.
- Recruitment and retention of the best staff.
- Ensuring equality within the Company and competitiveness outside it.
- Transparency in awarding remunerations.

Board Members’ Remuneration:

The Company adheres to the remuneration system of the Board of Directors as stipulated in Article 198 of Companies Law No. (01/ 2016) and the approval of the General Assembly shall be taken regarding the remuneration of the Board members.

Executive Management and Managers Remuneration and Incentives:

Fixed Remuneration: Includes salaries and benefits (including end of service benefits), which are awarded under the scale of salaries approved by the Board of Directors, the applicable laws and regulations and the Human Resources Management Policies and Procedures Manual.

Variable Remuneration: Variable remunerations are linked to the achievement of previously determined objectives. This kind of remuneration is designed to motivate and reward Executive Management members. Variable remuneration is allocated according to the performance of the Executive Management member and the overall performance of the Company. Variable rewards are paid in cash, as well as through the authorized stock option purchase.

Remunerations and incentives of Company's employees

1. One of the most important objectives of awarding bonuses and remunerations is to establish the principle of belonging to the Company and motivate the employees towards working to achieve the objectives of the Company and raise its level. The Company seeks to ensure that the remunerations system reflects and is commensurate with the functions and responsibilities and is fair and equitable.
2. Remunerations to the employees of the Company shall be adopted based on an evaluation of the level of performance, where remunerations are awarded in accordance with an approved policy, in order to achieve the operational and financial objectives, and based on the employees' individual performance and contribution to achieve the strategic objectives.

3.2.2 Remunerations Schedule:

First: The Annual remuneration and sitting fees allowance for the Committees paid to all members of the Board during the period from 1st of January to 31 of December 2023

	The rewards and benefits through the mother company				The rewards and benefits through the subsidiary companies			
	The fixed rewards and Benefits	The variable rewards and Benefits			The fixed rewards and Benefits		The variable rewards and Benefits	
Number	Medical insurance	Annual remunerations	Sitting fees	Committee rewards	Medical insurance	Annual remunerations	Sitting fees	Committee rewards
6	0	33,000	20,550	0	0	0	0	0

Second: The total remunerations and benefits granted to five senior executives who received the highest remuneration, in addition to the CEO and the Chief Financial Officer or his representative, for the financial year from 1st of January to 31 of December 2023

	The rewards and benefits through the mother company													The rewards and benefits through the subsidiary companies							
	The fixed rewards and Benefits								The variable rewards and Benefits					The fixed rewards and Benefits						The variable rewards and Benefits	
Number	Annual salaries	Social insurance	Life insurance	Medical insurance	Air Tickets	Accrued leave	Business trips	End of Service Provision	Annual remunerations	ESS	ESOP	Business calls	Other Benefits	Annual salaries	Accrued leave	End of Service Provision	Medical insurance	Air Tickets	Other Benefits	ESOP	Annual remunerations
5	307,967	10,058	4,304	5,240	8,855	41,409	1,800	52,621	175,700	28,710	59,920	2,661	626	85,506	10,411	10,556	0	0	0	298,502	135,737

3.2.3 There are no substantial deviations from the remuneration policy approved by the Board of Directors..

RULE FOUR: ENSURING INTEGRITY OF FINANCIAL REPORTS

4.1 Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports

The Board of Directors is responsible for monitoring and reviewing the credibility of the financial statements, accounting policies and information contained in the annual report. In undertaking that responsibility, Board members receive continuous support through the below mentioned processes to identify and assess the risks faced by the Company. The independent monitoring process is carried out to ensure the effectiveness of the Executive Management in conducting Company's business and achieving its objectives by the Internal Audit Department, the Risk Management Department and other Board subcommittees.
The credibility and integrity of the financial statements of the Company are among the most important indicators that to the Company's integrity and credibility in presenting its financial position, which increases the confidence of shareholders and investors in the data and information provided by the Company and disclosed to the shareholders. The Executive Management acknowledges to the Board, in writing, that the submitted financial reports are correct and fair and that they include all financial aspects of the Company in terms of data and operating results. These reports are also prepared in accordance with the international accounting standards adopted by the Authority. The annual report submitted to the shareholders from the Board of Directors acknowledges the credibility and integrity of all financial statements and reports related to the Company's activity. These undertakings and acknowledgements contribute to enhancing accountability, whether of the Executive Management to the Board or of the Board to the shareholders.

4.2 Audit Committee formation requirements

The Board has formed the Audit Committee and determined the term of its membership and the method of work. The Committee's powers and responsibilities were stated in its code of work as approved by the Board. The Committee consists of four (4) members, including two independent members, and the Committee's membership does not include the Chairman of the Board of Directors or any of the Executive Members. Among the members of the Committee are members with academic qualifications and/or practical experience in the accounting and financial fields. The Committee meets regularly at least four times annually and on a quarterly basis, where minutes of the meetings shall be recorded. The Committee holds meetings with the external auditor and at least four times with the internal auditor.

4.3 There was no conflict of interest, in 2023, between the Audit Committee recommendations and the decisions of the Board.

4.4 Emphasizing the independence and impartiality of the external auditor.

The Company's Ordinary General Assembly appoints/reappoints the external auditor on the recommendation of the Board. The nomination of the auditor shall be based on the recommendation of the Audit Committee, which shall ensure that auditor is registered in the special register at the Authority, so that he would fulfill all the conditions stipulated in the Authority's requirements regarding the system of recording the auditors. The Committee shall also ensure that the external auditor is independent of the Company and its Board and that he is not performing any other works to the Company that are not within the scope of auditing, which may affect neutrality or independence. The Audit Committee shall discuss with the external auditor before submitting the annual financial statements to the Board for decision.
Mr. Abdul Latif Muhammad Al-Aiban, from Al-Qatami, Al-Aiban and Partners Office (Grant Thornton), were appointed in the capacity of the Group's auditor for the current year ending in 31/12/2023, by a decision issued by the Company's ordinary general assembly, held on 12/04/2023.

The external auditor shall attend the Annual General Assembly meeting and shall recite his report to the shareholders of the Company.

RULE FIVE: ESTABLISHING SOUND SYSTEMS FOR RISK MANAGEMENT AND INTERNAL CONTROL

5.1 Implementing the requirements for forming an independent risk management department/office/unit.

The organizational structure of the Company includes risk management that enjoys complete independence, and the Risk Management Committee, in turn, reports to the Board of Directors.

Arzan has a comprehensive risk management framework that is applied to ensure proper governance of the Company and its related entities. The Board directs the policy and procedures framework and is responsible for risk management and all existing risk control systems in Arzan.

Arzan's Board of Directors ensures integrating the risk management concept into the Company's culture, policies and processes. Risk Management Department enjoy broad powers to perform their duties without granting them any powers and executive and financial powers.

Risk Management Department identifies, evaluates, assesses and reports on all the significant risks to which Arzan is exposed, through key risk indicators identified according to the relevant risk categories, in addition to implementing periodic risk control and monitoring activities, with the preparation and implementation of new audit and control policies. The Department aims to enhance its risk control capabilities through the use of the best IT programs in the field of risk management and assessment. The Risk Management Department reports quarterly to the Board and semi-annually to the Capital Markets Authority.

5.2 Risk Management Committee formation requirements

The Board has formed a Risk Management Committee, consisting of four (4) members, where the Chairman of the Committee is a non-executive member, and the Chairman of the Board of Directors is not a member of the Committee. The Board has determined the term of the Committee’s membership, its method of work, responsibilities in the Committee’s code of work as approved by the Board.

5.3 Internal Control and Monitoring Systems

The integrity and credibility of the internal control systems shall be achieved through policies and procedures, automating the processes in line with the policies and procedures adopted by the Company, wise selection of employees and raising their awareness, as well as an organizational structure that separates responsibilities. Internal control procedures are established to protect the Company's assets and to ensure the approval of the decisions and procedures. Periodic risk assessments are carried out by the Risk Management Department and compliance is being reviewed periodically by the Compliance Department.

5.4 Implementing the requirements for forming an independent internal audit department/ office/unit.

The organizational structure of the Company includes an internal Audit Department that enjoys complete technical independence, which reports to the Audit Committee and, thus, the Board of Directors. The Internal Audit Department submits its reports independently to the Audit Committee, emanating from the Board of Directors. Audits are performed by an internal audit team within the Company, in accordance with the internal audit plan approved by the Audit Committee. Comprehensive reports are to be submitted by the internal auditors directly to the Audit Committee, in addition to adopting appropriate corrective policies and procedures where necessary. The internal audit plan shall be implemented through assessing the effectiveness of the risk control instruments, the risk management and the control and governance systems.

RULE SIX: ENHANCING PROFESSIONAL BEHAVIOR AND ETHICAL VALUES

6.1 Code of Ethics that includes the standards and determinants of professional conduct and ethical values.

Arzan adopts a Code of Professional Conduct, to which the Board, the Executive Management and all employees of the Company are committed. The Code defines the following topics:

1. **Compliance with laws, rules and regulations:** The Board of Directors and the Executive Management shall comply with the laws, rules and regulations in force at Arzan and its subsidiaries.
2. **Trading on the basis of internal information:** All Board members and officials shall not use any special data and information that are not intended for publication or use them for the purpose of trading in shares and achieving commercial gains through such data and information.
3. **Interests of the Company:** The members of the Board and the officials shall not use the Company's property, information or positions in order to achieve personal interests and gains and shall not compete with the Company, either directly or indirectly.
4. **Competitiveness and fair dealing:** The Board and the Company's management are committed to fair treatment and respect for the rights of the Company's customers, suppliers, competitors and employees. Members of the Board or the officials shall not make unfair gains from any party by manipulating or concealing information, misusing any confidential information, misrepresenting fundamental facts or committing any other illegal business practices.

5. **Recordkeeping, financial controls and disclosures:** The Company's books, records, accounts and financial statements shall be kept in detail and shall reflect the Company's transactions properly. They may be disclosed in accordance with any applicable laws and regulations, with full compliance with the applicable legal requirements and with the Company's internal regulations.
6. **Confidentiality of information:** The members of the Board, the Executive Management and the employees of the Company shall maintain the confidentiality of information and any information owned by the Company and entrusted to them by the Company, its customers or suppliers, unless the disclosure of such information is licensed/required by laws or regulations or if disclosed in accordance with the "need to know" rule.
7. **Protection and proper use of the Company's assets:** The Board and Executive Management members are committed to protect the Company's assets, including the Company's proprietary information, including intellectual property rights, such as trade secrets, patents, trademarks and copyrights, as well as service, marketing and trade plans, databases, records, payroll information and any financial statements and unannounced reports. Unauthorized disclosure and distribution are an infringement of the Company's policy, and it may also be considered unlawful and would result in civil and criminal penalties.
8. **Financial reporting:** The Board of Directors and the Executive Management are responsible for the preparation of financial reports professionally and in accordance international standards, in addition to responding to any inquiries regarding general disclosure requirements to shareholders, stakeholders and any other parties.

6.2 Policies and mechanisms for limiting conflict of interest cases.

The Board has developed policies and mechanisms to reduce cases of conflict of interest, as well as methods of dealing with them within the framework of corporate governance, taking into account the provisions of the Companies Law. The Company, in its policies, has observed the existence of a clear separation between the interests of the Company and those associated with the Board members, through the Board's establishing mechanisms to put the interests of the Company before the interests of its members. All Board members shall disclose to the Board any interests shared with them to the Company, whether directly or indirectly. It is also prohibited for Board members to participate in any discussion, express opinion or vote on any subjects presented to the Board, where the member has a joint interest, directly or indirectly, with the Company. Employees of the Company may also report, internally, their doubts about any improper practices or suspicious matters in the financial reports, internal control systems or any other matters. The Company shall allow an independent and fair investigation of any matter brought to its attention, ensuring the good-faith reporter shall be protected against any adverse reaction or damage that may result from his reporting of such practices.

RULE SEVEN: ACCURATE AND TIMELY DISCLOSURE AND TRANSPARENCY

7.1 Accurate and transparent presentation and disclosure mechanisms that define the aspects, fields and characteristics of disclosure.

The Company is committed to the highest levels of transparency, where the Board has adopted disclosure policies and procedures to ensure accurate and timely information provision to shareholders and stakeholders. The Compliance Department shall coordinate with all departments of the Company to disclose information accurately and in a timely manner to the Capital Markets Authority and Kuwait Stock Exchange.

7.2 Board of Directors, Executive Management members' and Managers Disclosure Register requirements.

The Company has a special register that regulates the disclosures by the Board, Executive Management members and Managers. IT infrastructure has been developed to suit the Company's position, this register includes all data related to bonuses, salaries, incentives, and other financial benefits that were granted directly or indirectly by the company or subsidiary companies. This record is updated periodically to reflect the reality of the conditions of the parties involved.

All shareholders of the company can view this record during the normal working hours of the company without any fee or charge.

7.3 Implementation of Investor Affairs Unit formation requirements

The Investors Affairs Unit has been established to provide communication and transparency with the shareholders and to respond to their complaints in accordance with approved policies and procedures. In addition, the Unit:

- Supervises the performance of the registrar and the stock transfer agent in the Company.
- Recommends the general development measures in the quality of the services provided to investors.

7.4 Information technology infrastructure development and reliance thereon in disclosures

The Company has dedicated part of the Company's website to corporate governance, where all latest information and data are presented to help the shareholders and current and prospective investors exercising their rights. This page includes information about the Company, the Board of Directors and the Executive Management, as well as a section on governance and a link to the Insider Disclosure Form. Disclosures of material information and financial statements are also presented on the Company's website.

RULE EIGHT: RESPECT FOR SHAREHOLDERS' RIGHTS:

8.1 Requirements to define and protect the general rights of shareholders, in order to ensure fairness and equality among all shareholders.

The Company is committed to protecting shareholders' rights through a policy approved by the Board that guarantees protecting their rights and providing them with the exercise of those rights granted by the Commercial Companies Law in the State of Kuwait and the instructions of the Capital Market Authority in the state.

The Company treats all shareholders equally and without any discrimination. In no case the Company shall withhold any information from the shareholders or any of their rights. The general rights of the shareholders guaranteed by the Company include the following:

1. Registering the shareholders' propriety value in the Company's records.

2. Shareholders' right to dispose of the shares; ownership registration, assigning and/or transfer.

3. Shareholders' right to receive their share of dividends.

4. Shareholders' right to receive a share of the Company's assets in case of liquidation.

5. Shareholders' right to obtain data and information about the Company's activity and its operational and investment strategy in a regular and easy manner.

6. Shareholders' right to participate in the meetings of the General Assembly of shareholders and vote on their decisions.

7. Shareholders' right to elect the members of the Board of Directors.

8. Shareholders ‘right to monitor the company's performance in general and the work of the Board of Directors in particular.

9. Shareholders ‘right to question the members of the Board of Directors of the company or the executive management and file a liability suit, in the event of their failure to perform the tasks entrusted to them.

10. Shareholders’ right to approve any sale, purchase or disposal in any way of the company’s assets if this transaction amounts to 50% or more of the total value of the company’s assets.

8.2 Clearing Agency’s register to ensure continuous follow-up of shareholders data.

For the purpose of continuous follow-up of all matters related to shareholders' data, the Company maintains a special register at Kuwait Clearing Company, listing the names, nationality and domicile of shareholders, and the number of shares owned by each of them. Any changes in the registered data shall be noted in the Shareholders Register, as per the data received by the Company or the Kuwait Clearing Company. Any interested party may request the Company or the clearing agency any data from the said register.

Data contained in the Company's Shareholders' Register is be treated with the utmost protection and confidentiality, in a manner consistent with the law, the executive regulations and the instructions and controls issued by the Authority.

Arzan Group urges all shareholders to update their data within the in the register at the Clearing Agency.
Clearing Agency Details:
Kuwait Clearing Company
Ahmed Tower
Arabian Gulf Street, Sharq
Kuwait
info@maqasa.com

8.3 Encouraging shareholders’ participation and voting in the Company's assemblies’ meetings.

The Company establishes a mechanism for participating in the meetings of the shareholders’ General Assembly, where the following shall be considered upon conducting those meetings:

1. Inviting the shareholders to attend the General Assembly meeting, where the invitation shall include the agenda, time and venue of the meeting, through announcing according to the mechanism specified in the executive regulations of the Companies Law.

2. The Company shall make it clear to the shareholders that the shareholders are entitled to appoint another person in the presence of the General Assembly, under a special power of attorney or an authorization prepared by the company for this purpose, and the members of the Board of Directors may not participate in voting on the decisions of the General Assembly regarding absolving them of responsibility for their management or those related to a special benefit for themselves, their spouses or relatives of the first degree, or a dispute between them and the company.

3. The Company shall allow the shareholders an opportunity, sufficiently prior to the General Assembly, to obtain all information and data related to the agenda, in particular the reports of the Board of Directors, the auditor and the financial statements.

4. The Company shall allow the shareholders to participate actively and effectively in the meetings of the General Assembly, discuss the issues on the agenda and the related queries on the different aspects of the activities, addressing the questions thereon to the members of the Board of Directors and the External Auditor. The Board of Directors or the External Auditor shall answer such questions to the possible extent that does not expose the Company's interests.

5. Shareholders who own (5%) of the company's capital are able to add items to the agenda of the General Assembly meetings.

6. The Company shall allow shareholders to view all data contained in the register of disclosures of members of the Board of Directors and members of the Executive Management.

7. The issues presented to the General Assembly should be accompanied by sufficient information that enables the shareholders to make their decisions properly.

RULE NINE: RECOGNIZING STAKEHOLDERS ROLE

9.1 Systems and policies that guarantee protection and recognition of stakeholders' rights.

Arzan recognizes the rights of stakeholders and guarantees the protection and acknowledgement of their rights in the various fields. The Company's Board of Directors has approved a Stakeholder Rights Policy, and a link has also been placed on the Company's website allowing stakeholders to report any act that may constitute a violation of their rights.

9.2 Encouraging stakeholders' participation in following up the Company's various activities.

In order to avoid any conflict between stakeholders' transactions, whether they are contracts or deals with the Company and the interests of the shareholders, it shall be observed that none of the stakeholders may be granted any advantage in dealing with the contracts and transactions that fall within the Company's usual activities. The Company sets internal policies and regulations, including a clear mechanism for awarding the contracts and transactions of various types, through tenders or various purchase orders.

The Company has also established mechanisms to ensure maximum benefit from the contributions of stakeholders, encouraging them to participate in following-up the Company's activities, consistently with the full achievement of their interests. The Company provides its stakeholders with access to all information and data relevant to their activities, to be relied upon in a timely and on a regular basis. The Company has also facilitated stakeholders' reporting of any improper practices they may be exposed to by the Company, along with providing appropriate protection for the reporting parties.

RULE TEN: PERFORMANCE ENHANCEMENT AND IMPROVEMENT

10.1 Implementation of the requirements for establishing mechanisms to grant the Board and the Executive Management members continuous training programs and courses.

Arzan has developed training plans for the members of the Board and the Executive Management, as well as for all the employees of the Company. Training programs are carried out on a regular basis in accordance with the Company's approved training plan.

10.2 Board of Directors performance evaluation and the performance of each Board of Directors and the Executive Management member

Evaluation of the performance of the Board of Directors and its Committees:
The Company has adopted policies and procedures approved by the Board of Directors, through which a formal process of reviewing the annual performance of the Board and its Committees is carried out, along with reviewing the effectiveness of their performance and their contribution to the affairs of Arzan Finance Group. The purpose of the performance appraisal process is to have a formal, structured and consistent way of evaluating the performance of the Board and its Committees, with a view to taking steps to improve the performance of the Board. This process will also be used in submitting the Board's recommendations to the shareholders in the members' re-election phase.

Executive Management Performance Evaluation:
Performance evaluation is a powerful tool for translating business plans into actions, developing the Company's culture to achieve its strategic objectives. The Company evaluates the Executive Management through the human resources system (MENAME) according to the key performance indicators approved for each department at the beginning of each year. The performance data obtained during the year shall be consolidated and summarized for a comprehensive annual assessment of all that has been achieved and how such results have been attained.

This process consists of questionnaires covering broad requirements/expectations under the Corporate Governance Guidelines methodology, for the Board’s performance self-evaluation, with a special evaluation of its committees, and an evaluation of the overall performance of the Board; in order to take steps to improve the performance of the Board. In addition, this evaluation includes the requirements set forth in the Code of the Board of Directors and its Committees, the Company's Code and the Conflict of Interest policies and procedures, which shall be accomplished through filling out the below questionnaires by the Board members:

A. Self-Assessment Questionnaire

B. Committee Evaluation Questionnaire

C. Board of Directors' Evaluation Questionnaire

The Nominations and Remuneration Committee shall review these evaluations and submit a brief report to the Board of Directors with its recommendations.

10.3 Efforts of the Board to establish corporate values within the Company's employees, through achieving strategic goals and improving performance rates.

The Board of Directors promotes corporate values and transmits them to the employees of the Company through achieving strategic goals and improving performance rates, in addition to the annual training programs that Arzan Group provides its employees with, in order to improve their performance and develop their skills.

RULE ELEVEN: FOCUSING ON SOCIAL RESPONSIBILITY

11.1 Setting a policy to ensure balance between the Company's and society's objectives.

The Company is committed to achieving sustainable development for society and the economy, in general, and for its employees in particular. The Company adopts a social responsibility policy approved by the Board of Directors to ensure its contribution to sustainable social and economic development.

11.2 Used programs and mechanisms that help highlighting the Company's efforts in the field of social work.

Arzan Group uses social media and its own website so as to demonstrate its efforts on a large scale, in addition to utilizing local newspapers and magazines to achieve this goal.

- January 2023 - Arzan Financial Group sponsored a group of Kuwait University students from the College of Engineering in their graduation projects, out of its keenness to support students and education.
- January 2023 - Arzan Financial Group for Finance and Investment announced its donation, support and sponsorship to the Kuwaiti Society for Combating Smoking and Cancer out of its concern for public health and community safety from diseases.
- March 2023 - Arzan Financial Group for Finance and Investment announced its donation and participation as a humanitarian contributor with the Kuwait Red Crescent Society in its various community and humanitarian campaigns.
- March 2023 - Arzan Financial Group for Finance and Investment announced its donation and participation with the Kuwait Heart Association in its community campaign and various projects out of concern for public health.
- August 2023 - Arzan Financial Group sponsored the Faculty of Engineering Student Association at Kuwait University, out of its keenness to support students and education.

- August 2023 - Arzan Financial Group sponsored the Student Association of the Faculty of Administrative Sciences at Kuwait University, out of its keenness to support students and education.
- October 2023 - Arzan Financial Group for Finance and Investment announced its donation to the Kuwait Red Crescent Society in its Palestine relief campaign, out of its belief in the importance of championing and supporting the Palestinian cause.
- December 2023 - Arzan Financial Group hosted a number of university students with the aim of increasing their financial and investment awareness, in addition to introducing them to Arzan Financial Group and the various services it provides in the investment sector.

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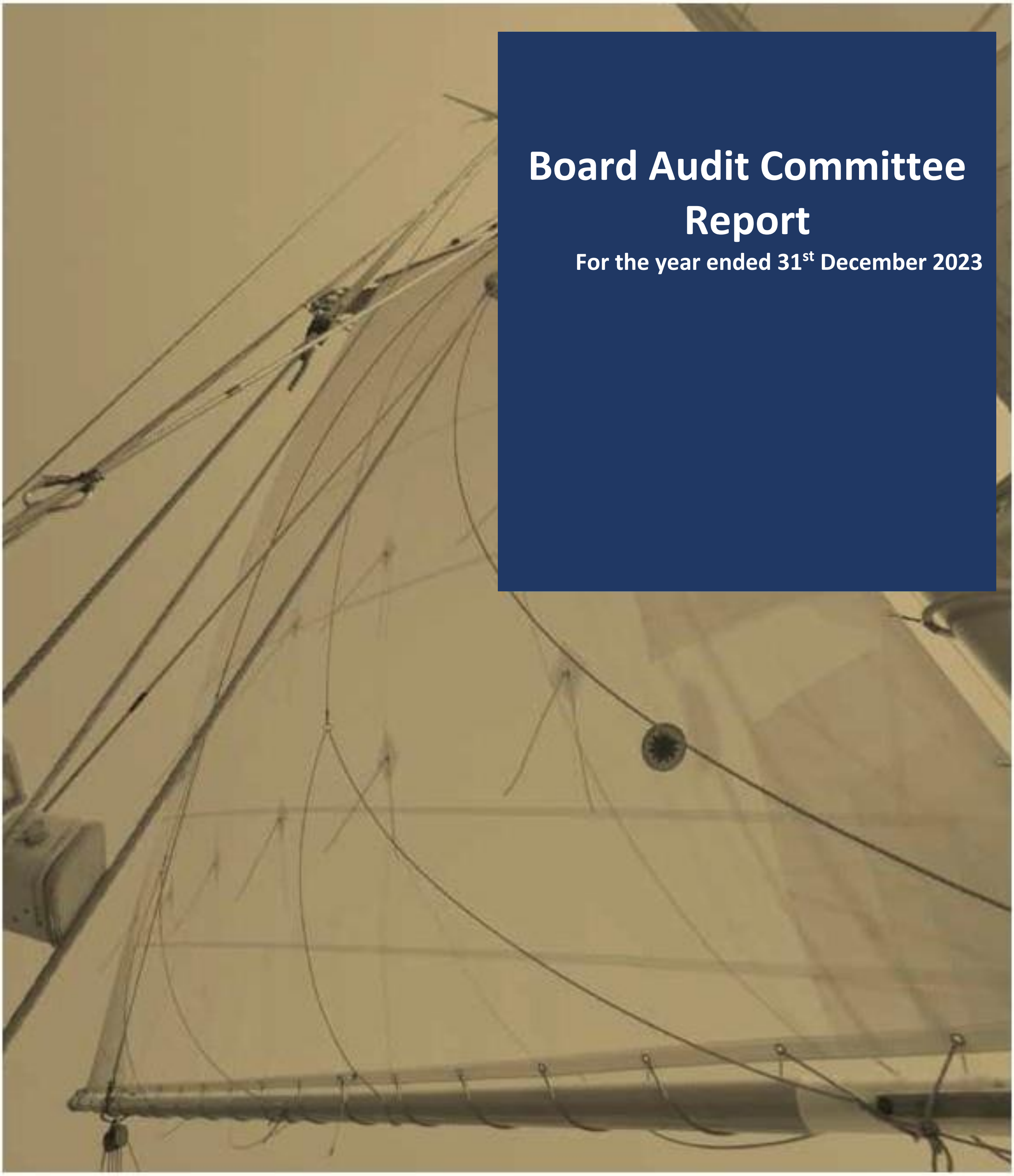
Board Audit Committee Report

For the year ended 31st December 2023



Dear Shareholder,

As Chairman of Board Audit Committee of Arzan Financial Group, I am pleased to present the report of the Board Audit Committee for the year ended 31st December 2023 which has been prepared by the Committee and approved by the Board of Directors on 28 March 2024, which highlights the responsibilities and activities undertaken by the Board Audit Committee during the year 2023:

Responsibility	Activity
Financial Statements	
To meet to review and discuss with the independent auditor the annual audited financial statements and quarterly financial statements," and any other matters required to be reviewed under applicable legal and regulatory requirements.	The Board Audit Committee reviewed the financials and gave its approvals and recommendations to the Board of Directors on a quarterly basis; further, the External Auditors were invited during the year 2023 and all the matters pertaining to the audited financials were discussed independently without the presence of executive management. The Board Audit Committee also discussed with the external auditors about any difficulties or situations affecting their independence and there were no such situations as explained by external auditors for the year 2023.
Appointment of External Auditors	
To appoint and approve the external auditors and approval of audit fees.	The Board Audit Committee appointed the external auditors Grant Thornton to continue as external auditors for the year 2023 and approved the annual audit fees and gave recommendations to the Board of Directors for final approval.
Internal Audit Function	
To approve the annual internal audit plan and review the internal controls of the company and monitor the performance of the internal audit function.	The Board Audit Committee approved the annual internal audit plan for the year 2023-2024. The Committee also monitors the performance of the internal audit function and has approved the Key Performance Indicators (KPI'S) for the Head of the Internal Audit department.
Board Audit Committee Meetings	
The Board Audit Committee must meet 4 times in a financial year and at least on a quarterly basis according to the Kuwait Capital Market Authority Regulations.	The Board Audit Committee has met 4 times during the financial year 2023 and at least on a quarterly basis in accordance with Kuwait Capital Market Authority Regulations.

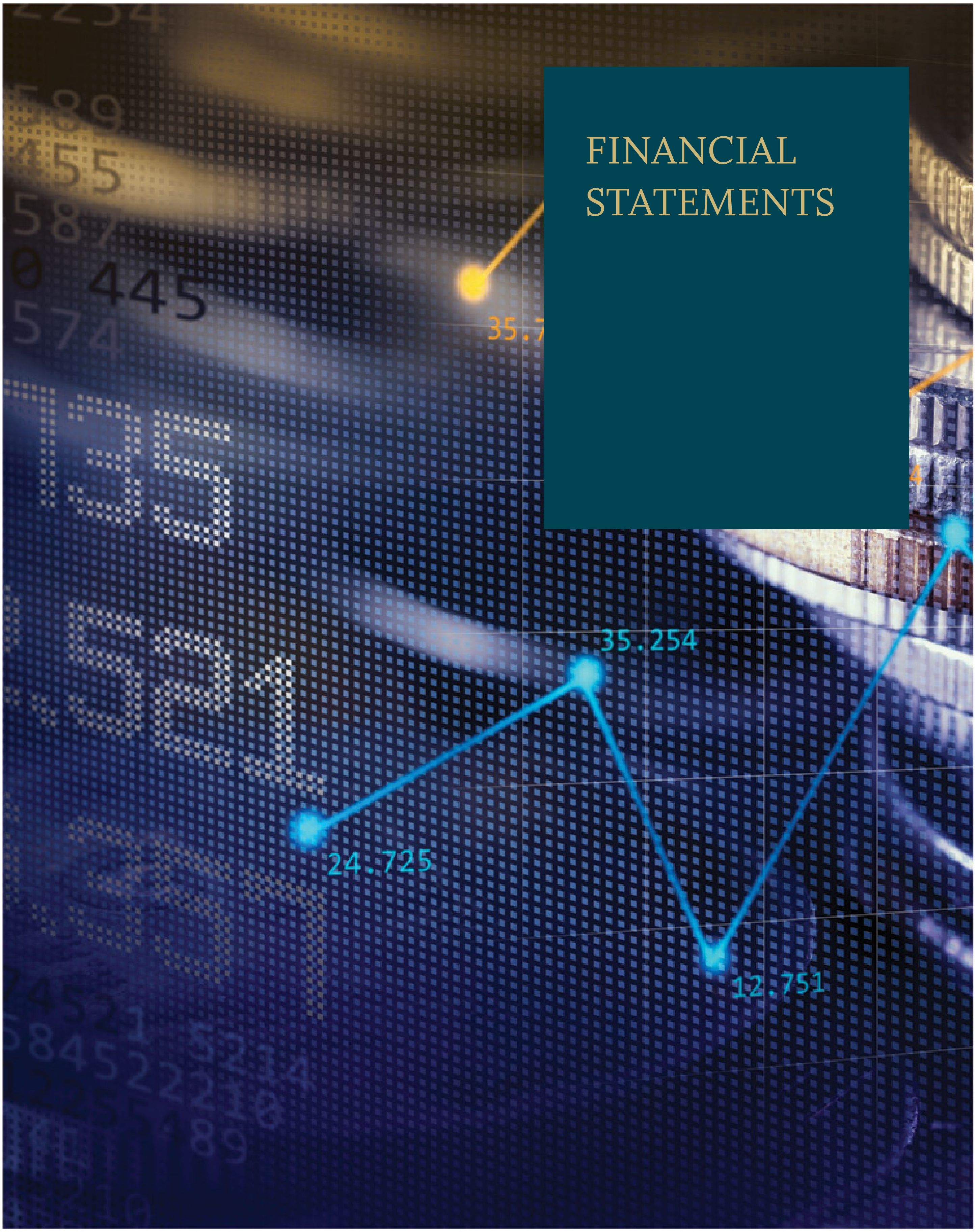
Internal Controls	
To review the effectiveness of internal controls within the company and emphasis on reliability of financial reporting and compliance with regulatory requirements.	The Head of the Internal Audit Department presents the summary of audit observations on a quarterly basis along with the status of the previous year's observations that has not been resolved. These observations are discussed in detail in the Committee meetings and follow ups are made to ensure the implementation.
Appointment of an external audit firm to perform an internal control review	
To appoint an external audit firm to perform an internal control review in accordance with the Kuwait Capital Market Regulations.	During the year 2023, the Board Audit Committee has appointed BDO as an external audit firm to perform the internal control review for the year 2023 in accordance with the Kuwait Capital Market Regulations.

In our opinion, having regard to the nature and scale of the business, during the year ended December 31, 2023, the accounting and other records and internal control systems were established and maintained in accordance with all the regulatory requirements prevailing in the State of Kuwait.

On behalf of the Audit Committee

Board Audit Committee

FINANCIAL STATEMENTS



Content

Grant Thornton
Al-Qatami, Al-Aiban & Partners
An instinct for growth™

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www.grantthornton.com.kw

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Arzan Financial Group for Financing and Investment - KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Arzan Financial Group for Financing and Investment - KPSC ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies information.

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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in 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' *Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter
We draw attention to Note 6.1.1 to the consolidated financial statements, which describes the possible material effects of uncertainty with respect to the Group's exposure in Lebanon. Our Opinion is not qualified in respect to this matter.

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

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

Key Audit Matters (continued)

Valuation of financial assets at FVTPL and FVTOCI

The Group's financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI) include significant unquoted investments. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models. Therefore, there is significant measurement uncertainty involved in valuations. As a result, the valuations of these instruments were significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its financial assets at FVTPL and FVTOCI are included in Notes 14, 17 and 35.2 to the consolidated financial statements.

Our audit procedures included agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Equity method Investments

The Group has interests in number of associates which are significant to the Group's consolidated financial statements and are accounted for under the equity method of accounting. Under the equity method, the Group's interests in the associates are initially stated at cost, and are adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of the associates, less any impairment. The complexity of the Group's control environment and our ability as Group's auditor to obtain an appropriate level of understanding of these entities including any related party transactions were significant to our audit. Due to these factors and the significance of the investment in associates to the Group's consolidated financial statements we consider this as a key audit matter.

Our audit procedures included, among others, determining the nature and extent of audit procedures to be carried out for associates and selecting significant associates based on the size and/or risk profile of these entities. During our audit, we assessed the financial position and performance of the significant associates to evaluate management's impairment assessment and to identify whether there were any indicators of impairment in the value of these associates. Furthermore, we evaluated the Group's methodology and testing of the key assumptions used by the Group in determining the associates' recoverable amount based on value-in-use. We also assessed the adequacy of the Group's disclosures in Notes 4.19 and 18 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

Other information included in the Group's Annual Report for the year ended 31 December 2023

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 31 December 2023, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent 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 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.

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 in 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.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

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

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

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

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

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, to the best of our knowledge and belief, no violations of provisions of the Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of the banking business and its relevant regulations have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 KD	2022 KD
Income			
Income from instalment credit debtors	7	**321,762**	383,496
Revenue from contracts with customers	8	**1,757,516**	2,859,579
Realised profit from instalment sales		**1,063,402**	619,402
Profit on disposal of real estates under development	19	**1,038,808**	-
Profit on sale of properties held for trading	16	**21,849**	146,529
Rental income		**231,672**	182,669
Interest income	11	**550,263**	471,509
Profit on sale of financial assets at FVTPL	11 & 14	**146,031**	1,120,187
Change in fair value of financial assets at fair value through profit or loss FVTPL	11	**(386,292)**	4,443,995
Share of results of associates	18.2	**1,536,879**	2,516,644
Dividend income	11	**4,888,015**	4,006,076
Foreign currency exchange profit/ (loss)	6.1.1	**919,699**	(258,214)
Other income		**275,150**	320,004
Reversal of provision for instalment credit debtors – net	13	**237,346**	826,950
Reversal of provision for credit losses of restricted cash and cash equivalents	12.2	**2,986,753**	-
Reversal of provision for properties held for trading	16	**118,691**	-
Reversal of impairment of real estates under development	19	**182,148**	-
		15,889,692	17,638,826
Expenses and other charges			
Staff costs		**(2,863,384)**	(2,996,100)
General and administrative expenses		**(1,538,658)**	(1,522,257)
Finance costs	9	**(1,765,789)**	(1,057,714)
Depreciation	20 & 21	**(214,876)**	(240,762)
Impairment of real estates under development	19	**-**	(413,919)
Provision for doubtful debts - net	15	**(640,221)**	(373,813)
Provision of credit losses for restricted cash and cash equivalents	12.2	**-**	(987,072)
		(7,022,928)	(7,591,637)
Profit for the year before for contribution to KFAS, NLST and Zakat		**8,866,764**	10,047,189
Provision for KFAS		**(15,577)**	-
Provision for NLST		**(133,100)**	(47,253)
Provision for Zakat		**(36,300)**	-
Profit for the year		**8,681,787**	9,999,936
Attributable to:			
Shareholders of the Parent Company		**7,034,594**	8,149,403
Non-controlling interests		**1,647,193**	1,850,533
Profit for the year		**8,681,787**	9,999,936
Basic earnings per share attributable to the Parent Company's shareholders (Fils)	10	**8.689**	10.115
Diluted earnings per share attributable to the Parent Company's shareholders (Fils)	10	**8.671**	10.095

The notes set out on pages 12 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	KD	KD
Profit for the year	**8,681,787**	9,999,936
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the year	**15,895,224**	(15,054,756)
Items that may be subsequently reclassified to consolidated statement of profit or loss:		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the year	**(537,225)**	197,345
Differences arising on translation of foreign operations (Note 6.1.1)	**(4,458,339)**	(41,113)
Share of other comprehensive loss of associates (Note 18.2)	**(210,238)**	(777,599)
Total other comprehensive income/ (loss) for the year	**10,689,422**	(15,676,123)
Total comprehensive income/ (loss) for the year	**19,371,209**	(5,676,187)
Attributable to:		
Shareholders of the Parent Company	**20,215,171**	(1,833,386)
Non-controlling interests	**(843,962)**	(3,842,801)
Total comprehensive income/ (loss) for the year	**19,371,209**	(5,676,187)

The notes set out on pages 12 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 KD	2022 KD
Assets			
Cash and cash equivalents	12.1	**6,764,437**	9,435,552
Term deposits	12.1	**562,170**	-
Instalment credit debtors	13	**864,120**	675,603
Financial assets at fair value through profit or loss	14	**21,858,181**	21,805,860
Accounts receivable and other assets	15	**7,805,421**	8,480,050
Properties held for trading	16	**1,419,575**	1,309,066
Financial assets at fair value through other comprehensive income	17	**133,660,668**	114,845,728
Investment in associates	18	**31,229,754**	31,679,487
Real estates under development	19	**2,208,564**	1,886,005
Investment properties	20	**1,361,504**	1,420,244
Property and equipment	21	**1,925,924**	2,049,843
Total assets		**209,660,318**	193,587,438
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	22	**11,011,933**	6,565,294
Term loans	23	**10,592,834**	13,633,634
Murabaha payables	24	**14,332,400**	15,040,700
Provision for employees' end of service benefits		**1,800,158**	1,745,631
Total liabilities		**37,737,325**	36,985,259
Equity			
Share capital	25	**83,098,345**	83,098,345
Share premium	25	**9,355,213**	9,355,213
Treasury shares	26	**(1,509,861)**	(2,536,238)
Treasury shares reserve		**282,455**	-
Statutory reserve	27	**2,698,457**	1,976,500
Voluntary reserve	27	**1,541,623**	819,666
Share based payments reserve	28	**133,296**	93,090
Foreign currency translation reserve	6.1.1	**(4,730,933)**	(282,040)
Fair value reserve		**33,955,998**	16,345,983
Retained earnings		**6,960,302**	6,345,054
Total equity attributable to shareholders of the Parent Company		**131,784,895**	115,215,573
Non-controlling interests		**40,138,098**	41,386,606
Total equity		**171,922,993**	156,602,179
Total liabilities and equity		**209,660,318**	193,587,438

Jassem Hasan Zainal
Vice chairman and CEO

The notes set out on pages 12 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Parent Company												
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Share based payment reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2022	83,098,345	9,355,213	(2,536,238)	-	1,976,500	819,666	93,090	(282,040)	16,345,983	6,345,054	115,215,573	41,386,606	156,602,179
Dividends of bonus shares from treasury shares (note 30)	-	-	1,479,230	282,455	-	-	-	-	-	(1,761,685)	-	-	-
Cash dividends (note 30)	-	-	-	-	-	-	-	-	-	(3,196,794)	(3,196,794)	-	(3,196,794)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(344,231)	(344,231)
Purchase of treasury shares	-	-	(515,278)	-	-	-	-	-	-	-	(515,278)	-	(515,278)
Dividends of share-based payments (Note 28)	-	-	62,425	-	-	-	(26,378)	-	-	(36,408)	(361)	-	(361)
Cost of share-based payments (note 28)	-	-	-	-	-	-	66,584	-	-	-	66,584	-	66,584
Movement to non-controlling interests - net	-	-	-	-	-	-	-	-	-	-	-	(60,315)	(60,315)
Total transactions with shareholders	-	-	1,026,377	282,455	-	-	40,206	-	-	(4,994,887)	(3,645,849)	(404,546)	(4,050,395)
Profit for the year	-	-	-	-	-	-	-	-	-	7,034,594	7,034,594	1,647,193	8,681,787
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(4,448,893)	17,629,470	-	13,180,577	(2,491,155)	10,689,422
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(4,448,893)	17,629,470	7,034,594	20,215,171	(843,962)	19,371,209
Profit on sale of financial assets at FVTOCI	-	-	-	-	-	-	-	-	(19,455)	19,455	-	-	-
Transfer to reserves	-	-	-	-	721,957	721,957	-	-	-	(1,443,914)	-	-	-
Balance at 31 December 2023	83,098,345	9,355,213	(1,509,861)	282,455	2,698,457	1,541,623	133,296	(4,730,933)	33,955,998	6,960,302	131,784,895	40,138,098	171,922,993

The notes set out on pages 12 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity attributable to the shareholders of the parent company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Share based payment reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2021	80,288,256	9,355,213	(1,472,845)	1,248,501	744,734	46,192	(219,509)	26,900,580	3,917,573	120,808,695	44,475,260	165,283,955
Issue of bonus shares	2,810,089	-	-	-	-	-	-	-	(2,810,089)	-	-	-
Cash dividends (note 30)	-	-	-	(91,667)	(744,734)	-	-	-	(1,107,484)	(1,943,885)	-	(1,943,885)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(412,731)	(412,731)
Purchase of treasury shares		-	(1,063,393)	-	-	-	-	-	-	(1,063,393)	-	(1,063,393)
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	(799,356)	(799,356)	799,356	-
Non-controlling interests arising on establishment of subsidiaries	-	-	-	-	-	-	-	-	-	-	367,522	367,522
Cost of share-based payments (note 28)	-	-	-	-	-	46,898	-	-	-	46,898	-	46,898
Total transactions with shareholders	2,810,089	-	(1,063,393)	(91,667)	(744,734)	46,898	-	-	(4,716929)	(3,759,736)	754,147	(3,005,589)
Profit for the year	-	-	-	-	-	-	-	-	8,149,403	8,149,403	1,850,533	9,999,936
Other comprehensive loss for the year	-	-	-	-	-	-	(62,531)	(9,920,258)	-	(9,982,789)	(5,693,334)	(15,676,123)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	(62,531)	(9,920,258)	8,149,403	(1,833,386)	(3,842,801)	(5,676,187)
Profit on sale of financial assets at FVTOCI	-	-	-	-	-	-	-	(33,935)	33,935	-	-	-
The impact of restatement on the associate		-	-	-	-	-	-	(600,404)	600,404	-	-	-
Transfer to reserves	-	-	-	819,666	819,666	-	-	-	(1,639,332)	-	-	-
Balance at 31 December 2022	83,098,345	9,355,213	(2,536,238)	1,976,500	819,666	93,090	(282,040)	16,345,983	6,345,054	115,215,573	41,386,606	156,602,179

The notes set out on pages 12 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2023

	Notes	2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit for the year		**8,681,787**	9,999,936
Adjustments:			
Interest income		**(550,263)**	(471,509)
Dividend income		**(4,888,015)**	(4,006,076)
(Reversal of impairment)/ impairment of real estates under development	19	**(182,148)**	413,919
Profit on sale of real estates under development		**(1,038,808)**	-
Profit on sale of properties held for trading		**(21,849)**	(146,529)
Share of results of associates	18.2	**(1,536,879)**	(2,516,644)
Reversal of provision for instalment credit debtors - net	13	**(237,346)**	(826,950)
Provision for doubtful debts - net	15	**640,221**	373,813
Finance costs	9	**1,765,789**	1,057,714
Depreciation	20 & 21	**214,876**	240,762
Cost of share-based payments		**66,584**	46,898
Provision for employees' end of service benefits		**171,833**	165,886
(Reversal of provision)/ provision for credit losses for restricted cash and cash equivalents	12.2	**(2,986,753)**	987,072
Reversal of a provision for properties held for trading		**(118,691)**	-
		(19,662)	5,318,292
Changes in operating assets and liabilities:			
Instalment credit debtors		**48,829**	1,113,671
Financial assets at FVTPL		**(52,321)**	(4,458,334)
Accounts receivable and other assets		**258,939**	2,379,502
Accounts payable and other liabilities		**4,381,523**	(1,468,499)
Employees' end of service benefits paid		**(13,570)**	(13,199)
Net cash from operating activities		**4,603,738**	2,871,433
INVESTING ACTIVITIES			
Purchase of property and equipment	21	**(108,140)**	(68,875)
Purchase of financial assets at FVTOCI		**(6,217,875)**	(18,438,918)
Proceeds on sale of financial assets at FVTOCI		**2,807,938**	5,818,887
Proceeds from sale of property held for trading	16	**29,880**	530,011
Proceeds from sale of real estate under development		**1,681,342**	(148,492)
Additions to real estate under development	19	**(916,346)**	-
Net movement in restricted cash and cash equivalents	12.2	**2,986,753**	(987,072)
Term deposits		**(562,170)**	-
Dividend income received		**4,888,015**	4,006,076
Dividend received from associates	18.2	**1,776,374**	548,692
Interest income received		**323,348**	144,579
Net cash from/ (used in) investing activities		**6,689,119**	(8,595,112)

The notes set out on pages 12 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2023

	Notes	**2023** **KD**	2022 KD
FINANCING ACTIVITIES			
Term Term loans obtained		**2,710,000**	10,050,800
Term loans paid		**(5,750,800)**	(2,131,800)
Murabaha payables paid		**(708,300)**	(708,300)
Finance costs paid		**(1,705,480)**	(1,014,507)
Dividends paid to non-controlling interests		**(344,231)**	(412,731)
Dividends paid to shareholders		**(3,192,354)**	(1,801,372)
Acquisition of treasury shares		**(515,278)**	(1,063,393)
Net movement in non-controlling interests		**(60,316)**	384,595
Net cash (used in)/ from financing activities		**(9,566,759)**	3,303,292
Net increase / (decrease) in cash and cash equivalents		**1,726,098**	(2,420,387)
Foreign currency translation adjustments		**(4,397,213)**	348,693
Cash and cash equivalents at beginning of the year	12.1	**9,435,552**	11,507,246
Cash and cash equivalents at end of the year	12.1	**6,764,437**	9,435,552

The notes set out on pages 12 to 72 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. Incorporation and activities

Arzan Financial Group for Financing and Investment – KPSC ("the Parent Company") was incorporated in Kuwait on 15 April 1980 in accordance with the Companies Law under the name of International Transport Equipment Company – KSC (Closed). On 14 December 1996, an extraordinary general assembly resolved to change the name of the Parent Company to International Murabaha Company – KSC (Closed). Later, on 24 April 2002 an Extraordinary General Assembly resolved to change the name of the parent company to International Finance Company – KPSC and to expand its permitted activities.

The extraordinary general assembly held on 24 July 2013 approved to change the name of the parent company from International Finance Company – KPSC to Arzan Financial Group for Financing and Investment – KPSC which has been registered in the commercial register under No. 29629 on 11 November 2013.

The Parent Company is listed on Boursa Kuwait and is governed under the directives of Central Bank of Kuwait and Capital Markets Authority.

The Group comprises the Parent Company and its subsidiaries (together referred to as "the Group"). The details of the subsidiaries are described in Note 6.

The extraordinary general assembly, held on 19 June 2023, approved the amendment of Article (5) of the memorandum of incorporation and Article (4) of articles of association of the Company regarding the Company's objectives to be as follows:

- Retail of light and heavy equipment and their accessories.
- Wholesale and retail of new private cars.
- Wholesale and retail of second-hand private cars.
- Wholesale and retail of new heavy transport vehicles.
- Wholesale and retail of second-hand heavy transport vehicles.
- Finance services.
- Renting and leasing scientific, commercial and industrial machinery and equipment.
- Renting construction equipment.
- Purchase and sale of land and real estate.
- Operating and renting owned or leased properties.
- Management and development of land and real estate.
- Manager of investment portfolio.
- Collective investment scheme manager.
- Unregistered securities broker in the stock exchange.
- Investing its funds by trading in stocks, bonds and other securities.
- Currency exchange.
- Wholesale of precious stones.
- Wholesale of gold and precious metals.
- Consulting for commercial projects.
- Managing its subsidiaries or participating in managing other companies where it has a shareholding therein, and providing the required support for them.
- Project Management.
- Owning intellectual property rights such as patents, trademarks, industrial models, royalties and other moral rights, utilizing and renting them to the holding companies affiliated to them and to other companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

1. Incorporation and activities (continued)

- Owning movables and properties required to carry out its activities pursuant to the limits prescribed by law.
- Investment consultant.
- Placement agent.
- Financing or lending companies in which the Company holds shares or stakes and guaranteeing them against others. In this case, the contribution ratio of the holding company in the share capital of the borrowing company shall not be less than twenty percent.

The Parent Company may have interest or participate in any way with entities which are practicing similar activities or which may assist it in achieving its objectives inside or outside Kuwait. It may establish or buy these entities or affiliate them.

The address of the Parent Company's registered office is P.O .Box 26442, Safat 13125, State of Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for the year ended 31 December 2023 for issuance on 28 March 2024 .The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), as applied for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait("CBK"). The modification requires adoption of all IFRSs for such institutions except for the IFRS 9 requirement for estimated credit losses ("ECL") for loans and receivables, which has been replaced by the CBK requirement for the ECL to be measured at the higher of the ECL on credit facilities computed under IFRS 9 under CBK guidelines and the provision required under CBK instructions, and the consequent impact on the related disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

3. Changes in accounting policies

3.1 New and amended standards adopted by the Group
The following new amendments or standards were effective for the current year.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 Amendments – Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Income taxes - Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

IAS 1 Amendments – Disclosure of accounting policies

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

The adoption of the amendments did not have a significant impact n the Group's consolidated financial statements.

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

The adoption of the amendments did not have a significant impact n the Group's consolidated financial statements.

IAS 12 Amendments – Deferred tax related to assets and liabilities arising from a single transaction

The amendments to IAS 8 provide an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The adoption of the amendments did not have a significant impact n the Group's consolidated financial statements.

3.2 IASB Standards issued but not yet effective

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments - Classification of liabilities as current or non-current	1 January 2024
IAS 7 and IFRS 7 Supplier finance arrangement disclosures	1 January 2024
IAS 21 Amendments - Lack of exchangeability	1 January 2025
IFRS 16 Amendments- Lease liability in a sale and leaseback	1 January 2024

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities depends only on the covenants that an entity is required to comply with on or before the reporting date of the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

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

IAS 1 Amendments - Classification of liabilities as current or non-current

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

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

IAS 7 and IFRS 7 Amendments – Supplier finance arrangements

The amendments to IAS 7 and IFRS 7 added disclosure objectives to IAS 7 to enable the users of the financial statements to assess how the supplier finance arrangements effect an entity's liabilities and cash flows, and to understand the effect of these arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. While the amendments do not explicitly define supplier finance arrangements it instead describes characteristics of such arrangements.

To meet the disclosure objectives, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

3 Changes in accounting policies (continued)
3.2 IASB Standards issued but not yet effective (continued)

IAS 7 and IFRS 7 Amendments – Supplier finance arrangements (continued)

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024.

Management will make required disclosures in the consolidated financial statements when the amendments become effective.

IAS 21 Amendments – Lack of exchangeability

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.

- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

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

IAS 16 Amendments – Lease liability in a sale and leaseback

The amendments to IFRS 16 requires a seller-lessee to measure the right of use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right of use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

4. Material accounting policies

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

4.1 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company. They are prepared under the historical cost convention, except for the financial assets at FVPL and at FVOCI that are measured at fair value.

The Group has elected to present the "consolidated statement of profit or loss and other comprehensive income" in two statements: "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Profit or Loss and Other Comprehensive Income".

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

4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)
4.2 Basis of consolidation (continued)

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

4.3 Business combinations

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

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

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

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

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

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised refer to Note 4.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.23 for a description of impairment testing procedures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)

4.5 Revenues from contracts with customers

The Group recognises revenue from the following major sources:

- Asset management and custody services
- Fees from advisory services

Revenues are measured based on the consideration to which it is expected by the Group to be entitled through the contract with customer. On another hand, the amounts that have been collected on behalf of the other parties are excluded. The Group recognises revenues when it transfers control of a product or service to a customer. The Group follows a 5-step process:

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

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices .The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position .Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.5.1 Asset management and custody services

Asset management and custody fees are variable consideration based on the net assets value of portfolios at pre-agreed rates in accordance with the respective contracts with customers for the supervision and managing portfolios' assets, safe custody of the assets and conducting buy/ sell transactions for the customers.

4.5.2 Fees from advisory services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)

4.6 Interest on instalment credit loans

Interest on instalment credit facilities is calculated at the time of a contract with the customer. The customer repays the total amount due (including interest) by equal monthly instalments over the period of the contract .The interest is allocated over the life of the agreement using the” effective interest “method .Interest relating to outstanding instalments is considered as deferred income and is included in the consolidated statement of financial position as a deduction from instalment credit debtors.

4.7 Realised profit from instalment sales

Profit margin from instalment sales is calculated at the time of a contract with the customer. The customer repays the total amount due (including profit margin) by equal monthly instalments over the period of the contract .The profit margin is allocated over the life of the agreement using the “fixed instalment” method .Profit margin relating to outstanding instalments is considered as deferred income and is included in the consolidated statement of financial position as a deduction from instalment sales receivable.

4.8 Interest income

Interest income is recognized using the effective interest method.

4.9 Dividend income

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

4.10 Operating expenses

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

4.11 Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance of borrowing payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete .Other finance costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

4 Material accounting policies (continued)

4.12 Taxation

4.12.1 National Labour Support Tax ("NLST")

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

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

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

4.12.3 Zakat

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

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

4.12.4 Income tax

Current income tax assets and/ or liabilities comprise those obligations to ,or claims from tax authorities relating to the current or prior reporting period that are unpaid at the reporting date.

Deferred income tax is calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

4 Material accounting policies (continued)

4.13 Financial instruments

4.13.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value .Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of Group of similar financial assets) is derecognised when:

- Rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a' pass through 'arrangement and either

(a) the Group has transferred substantially all the risks and rewards of the asset or

(b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised 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 recognised in the consolidated statement of profit or loss.

4.13.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:
- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:
- the entity's business model for managing the financial assets
- the contractual cash flow characteristics of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)
4.13 Financial instruments (continued)
4.13.2 Classification of financial assets (continued)

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4.13.3 Subsequent measurement of financial assets

- ***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

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

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, balances with banks and other financial institutions and short-term deposits with maturity not exceeding three months, which are subject to an insignificant risk of changes in value. Cash and cash equivalents which are restricted are shown separately.

- *Instalment credit debtors*

Instalment credit debtors are stated in the consolidated financial position at amortised cost, net of specific and general provisions. Specific provisions are made to reduce impaired receivables to their estimated recoverable amount and general provisions are made at a rate of 1% on instalment credit debtors for which no specific provisions were made, to provide for losses known from experience to exist, but not yet specifically identifiable, in accordance with the Central Bank of Kuwait instructions in that respect. The recoverable amounts are based on estimated future cash flows discounted at the original effective interest rate on a portfolio basis for groups of similar debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)
4.13 Financial instruments (continued)
4.13.3 Subsequent measurement of financial assets (continued)

- *Accounts receivables and other assets*

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- *Due from related parties*

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

- ***Financial assets at FVTOCI***

The Group's financial assets at FVTOCI comprise equity investments and debt instruments. The equity investments represent investments in shares of various companies including both quoted and unquoted shares.

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- They are held under a business model whose objective it is" hold to collect "the associated cash flows and sell ;and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investment at fair value through other comprehensive income

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

A financial asset is held for trading if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

4 Material accounting policies (continued)

4.13 Financial instruments (continued)

4.13.3 Subsequent measurement of financial assets (continued)

- ***Financial assets at FVTOCI (continued)***

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognisedin other comprehensive income and accumulated in the fair value reserve.

The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

- ***Financial assets at FVTPL***

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise of investments in equity and debit instruments.

4.13.4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVTOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)
4.13 Financial instruments (continued)
4.13.4 Impairment of financial assets (continued)

For financial assets (except instalment credit debtors), the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset. Instalment credit debtors are subject to the minimum provisioning requirements of the Central Bank of Kuwait.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group's policy is to recognise lifetime ECL for trade receivables and other assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)
4.13 Financial instruments (continued)

4.13.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include payables and other liabilities, due to related parties and term loans and murabaha payables.

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

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

These are stated using effective interest rate method. Accounts payable and other liabilities, due to related parties, term loans, and murabaha payable are classified as financial liabilities other than at FVTPL.

Term loans

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

Accounts payable and other liabilities

Payable and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

Due to related parties

Due to related parties are financial liabilities arising in the normal courses of the business and are not quoted in an active market.

Murabha payable

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

4.14 Amortised cost of financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)

4.15 Trade and settlement date accounting

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

4.16 Offset of financial instruments

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

4.17 Fair value of financial instruments

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

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

4.18 Properties held for trading and real estate under development

Properties held for trading and real estate under development are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

4.19 Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture .Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group‘s investment in associates is accounted for under the equity method of accounting. This method requires that the Group‘s share be recorded at the date of the consolidated statement of financial position at cost plus all subsequent changes in the Group‘s share of the associate‘s net assets, less any impairment .The consolidated statement of profit or loss reflects the Group‘s share in the associate‘s business results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

4 Material accounting policies (continued)
4.19 Investments in associates (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the consolidated statement of profit or loss.

Dividends received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the equity of the associate. Changes in the Group's share in associate's equity are immediately recognised in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

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

However, when the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)

4.20 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the cost model.

Investment properties are initially measured at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss .Gains and losses arising from the sale of investment property are included in the consolidated statement of profit or loss.

The estimated useful life for the calculation of depreciation, excluding land, is 25 years using straight line method. The carrying amounts are reviewed at each reporting date on an individual basis to assess whether they are recorded in excess of their recoverable amount. Provision for impairment losses, if any, are made where carrying values exceed the recoverable amount.

Transfers are made to or from investment property only when there is a change in use. As for a transfer from investment property to owner-occupied property, the considered 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.

4.21 Property and equipment

Land is stated at cost less any impairment losses based upon the reports of independent professional valuers.

Capital expenditure on assets in the course of construction are classified as assets under construction. Such costs are subsequently charged to the consolidated statement of profit or loss if the project is abandoned, or, if the project is completed, are capitalised and transferred to the appropriate property and equipment category, from which time depreciation is charged using the rate applicable to the category concerned. Interest incurred on funds specifically obtained to finance construction activities are capitalised using the actual interest rate incurred during construction.

Other property and equipment assets are stated at cost less accumulated depreciation. The Group depreciates these assets using the straight-line method at rates estimated to fully depreciate the cost of the property and equipment over their expected useful lives.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)

4.22 Leased assets

The Group as a lessee

For any new contracts, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

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

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

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients.

Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

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

Right-of-use asset

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)
4.22 Leased assets (continued)

Lease liability

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

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

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

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer all risks and benefits of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

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

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

4.23 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are Grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)
4.23 Impairment testing of goodwill and non-financial assets (continued)

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

4.24 Employees' end of service benefits

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

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

4.25 Equity, reserves and dividends

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

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' Law and the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

4 Material accounting policies (continued)
4.25 Equity, reserves and dividends (continued)

Fair value reserve – comprises valuation gains and losses relating to financial assets at fair value through other comprehensive income and share of associates 'fair value reserve.

Retained earnings include all current and prior period retained profits and losses.

All transactions with the owners are recorded separately within equity.

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

4.26 Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

When the treasury shares are reissued ,gains are recorded directly in "treasury shares reserve" in the shareholders' equity. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and legal reserve. Subsequent to this, should profits arise from sale of treasury shares, an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

4.27 Share-based payments

Certain senior management employees are granted share options of Parent Company as part of their remunerations package.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the grant date fair value of the shares.

That cost is recognised, together with a corresponding increase in Share-based payments reserve in equity, over the period in which vesting conditions are fulfilled (Note 28). The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Furthermore, the expense or credit balance in the consolidated statement of profit or loss for a certain period represents the movement on the cumulative expenses recognized as at the beginning and end of that period and is recognized under the employee benefits expenses.

When the terms of an equity-settled award are modified ,the minimum expenses recognised is the expenses had the terms had not been modified, if the original terms of the awards are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employees as measured at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

4 Material accounting policies (continued)

4.27 Share-based payments (continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computations of diluted earnings per share.

4.28 Segment reporting

The Group has four operating segments: instalment credit ,investments ,financial brokerage and real estate. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

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

4.29 Provisions, contingent assets and contingent liabilities

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

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

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

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

4.30 Foreign currency translation

4.30.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

4 Material accounting policies (continued)

4.30 Foreign currency translation (continued)

4.30.2 Foreign currency transactions and balances

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

4.30.3 Foreign operations

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

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

4.31 Related party transactions

Related parties represent subsidiaries, associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out with the approval of the Group's management.

4.32 Fiduciary assets

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

4.33 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (e.g. regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

5. Significant management judgements and estimation uncertainty

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

5.1 Significant management judgments

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

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 4.13). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12month ECLs for level 1 assets, or lifetime ECLs for level 2 or level 3 assets. An asset moves to level 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase.

Therefore, in order to assess whether the credit risk of the asset has increased significantly, the Group takes into account the reasonable and probable qualitative and quantitative information that may be obtained.

5.1.3 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods or provide services to customers has been satisfied requires significant judgement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

5. Significant management judgements and estimation uncertainty (continued)
5.1 Significant management judgments (continued)

5.1.4 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

5.1.5 Control assessment

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

5.1.6 Classification of real estate

Management decides on acquisition of properties whether they should be classified as "trading", "property under development" or "investment properties".

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

The Group classifies properties as property under development if it is acquired with the intention of development.

The Group classifies properties as investment property if it is acquired to generate rental income or for capital appreciation.

5.2 Estimates uncertainty

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

5.2.1 Impairment of assets with definite lives

At the financial position date, the group's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value in use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

5.2.2 Impairment of associates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

5. Significant management judgements and estimation uncertainty (continued)
5.2 Estimates uncertainty (continued)

5.2.3 Impairment of Financial Assets

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

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

5.2.4 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.

5.2.5 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

5.2.6 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available.

This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate .Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm‘s length transaction at the reporting date.

5.2.7 Significant influence

Significant influence exists when the size of an entity‘s own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

6. Subsidiaries

6.1 Composition of the group
Details of the subsidiaries held directly by the Group are as follows:

Name of the subsidiary	Voting capital held as at 31 December		Place of incorporation	Principal activities	Reporting date
	2023	2022			
Direct subsidiaries:					
International Finance Company – S.A.L (6.1.1)	**100%**	100%	Lebanon	Finance services including financing, management and brokerage.	30 September 2023
Al-Addan Real Estate Company – S.P.C (6.1.2)	**100%**	100%	Kuwait	Trading in all real estate activities	31 December 2023
Arzan CC for Collection Company - S.P.C	**100%**	100%	Kuwait	Trading in real estate activities and collecting money on behalf of others	31 December 2023
Kuwait Invest Real Estate Co.– W.L.L	**51%**	51%	Kuwait	General Trading and Contracting and real estate services	31 December 2023
Arzan Securities Brokerage Co. SAE [Formerly: IFA Securities Brokerage Co.- SAE]	**84.55%**	84.55%	Egypt	Brokerage services	30 September 2023
International Financial Advisers Company – WLL	**65.20%**	65.20%	Jordan	Brokerage services	30 September 2023
Saudi Invest Real Estate Co. – WLL	**100%**	100%	Saudi Arabia	Real estate services	31 December 2023
Arzan VC I Ltd.	**100%**	100%	United Arab Emirates	Projects management	31 December 2023
HI Equity Company Ltd.	**99.18%**	99.18%	Cayman Islands	Real estate	30 September 2023
HI Debt Company Ltd.	**99.35%**	99.35%	Cayman Islands	Real estate	30 September 2023
Arzan Capital (Holding) Limited	**63.14%**	63.14%	United Arab Emirates	Holding Company	30 September 2023
Arzan AM Limited	**100%**	100%	United Arab Emirates	General Trading	31 December 2023
Arzan Real Estate Co. – SAE	**80%**	80%	Egypt	Real estate	30 September 2023
Blender Company for Rent and Lease Lands and Properties – SPC	**100%**	100%	Kuwait	Real estate	31 December 2023
Seven Seas Resorts Co. – KSCC	**100%**	100%	Kuwait	Real estate and hospitality activities	31 December 2023
Easy Buy Company – SPC	**100%**	100%	Kuwait	Credit facilities services	31 December 2023
Joint venture (6.1.3)	**51%**	51%	Kuwait	Investment	31 December 2023
Arzan ESS for General Trading Company – WLL	**100%**	100%	Kuwait	General trading	31 December 2023
Indirect subsidiaries:					
Through Arzan Capital (Holding) Limited:					
Arzan Wealth (DIFC) Co. Limited	**100%**	100%	United Arab Emirates	Financial advisory services	30 September 2023
Arzan VC for Projects Management –S.P.C	**100%**	100%	Kuwait	Projects management	30 September 2023
Arzan Capital Jersey Limited	**100%**	100%	United Kingdom	Financial advisory services	30 September 2023
Arzan Suisse SA	**100%**	100%	Switzerland	Fund management activities	30 September 2023
Hill Top Digital Strategies 1 LTD	**100%**	100%	Liechtenstein	Digital currency	30 September 2023
Arzan VC Consulting Company (Egypt)	**98%**	98%	Egypt	Consulting service and project management	30 September 2023
Arzan Venture Capital Limited	**50%**	50%	United Arab Emirate	Financial advisory services and Fund management	30 September 2023
Other indirect subsidiary:					
Hill Top US 13 Limited - jointly owned through Arzan Capital (Holding) Limited and a Joint Venture Company (2022: owned by Arzan Capital (Holding) Limited only) – See below	**94%**		USA	Real Estate	30 September 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

6. Subsidiaries (continued)

6.1 Composition of the group (continued)

During the year, the subsidiary "Arzan Capital (Holding) Limited" sold 45% share from its ownership in Hill Top US 13 Limited to the Joint Venture which is a subsidiary of the Group. The Group has accounted for the investment in the indirect subsidiary (Hill Top US 13 Limited) according to the effective ownership method. The Group's effective ownership percentage in the indirect subsidiary is 54%, while the percentage of voting rights held by the Group's subsidiaries is 94%.

6.1.1 The Group's subsidiary; International Finance Company S.A.L ("IFC") is located in Lebanon, which is currently experiencing significant economic and political turmoil. These events include significant controls on the Lebanese banking system including placing limits on cash withdrawals of foreign currency bank balances, limits on international bank transfers and reduction of contracted interest rates on foreign currency term deposits. These measures have significantly curtailed the ability of the Group to access the cash and other assets of IFC. Moreover, the Government of Lebanon defaulted on its sovereign debt obligation. The rating agencies have downgraded the sovereign rating of Lebanon as well as some of Lebanese banks including the bank where the subsidiary's cash is primarily deposited. Furthermore, the economy of Lebanon is now considered a hyperinflationary economy.

Furthermore, due to the current economic conditions, the subsidiary has ceased its new lending operations and in the process of monitoring the business activities closely.

Management has assessed the potential effects of these events on its ability to continue to exercise control over IFC Lebanon and concluded that it still has the power and ability to use that power to affect returns and that it is still exposed to variable returns of the subsidiary. Accordingly, it continues to consolidate the subsidiary.

Due to the recent devaluation of the official rate of exchange of the Lebanese Pound (LP) from LP 1,507 = 1 USD as of 31 December 2022 to LP 15,030 = 1 USD as of 31 December 2023, foreign currency translation differences resulting from translating the subsidiary assets and liabilities to Kuwaiti Dinars as a result of consolidating those financial statements resulted in currency devaluation of KD 4,390,789 as of 31 December 2023 recognized in the equity.

On the other hand, certain assets in that same subsidiary decreased in value when converted to Kuwaiti Dinars (mainly: restricted cash and cash equivalents in Lebanese Pounds), which were previously fully provided for (total provision of KD 6,420,471 was recognized at that time and accumulated at the consolidation level). This decrease in value, resulted in decrease in the provision balance against these assets. This decrease in provision, amounting to KD 2,986,753 was recognized as "reversal of provision for credit losses of restricted cash and cash equivalents" during the year to match the assets balance of the Lebanese subsidiary to the provision amount against them (31 December 2022: a provision charge of KD 987,072) (refer Note 12.2). The Group also reversed a provision for instalment credit debtors of KD 189,596 (31 December 2022: reversal of a provision of KD 932,253) (Note 13).

Furthermore, and because the subsidiary in Lebanon holds monetary assets (mainly: bank balances and other assets) in foreign currencies significantly higher than its liabilities in foreign currencies, and due to the official devaluation of the LP, this resulted in a foreign currency exchange gain of KD 1,222,843 recognized in the consolidated statement of profit or loss for the year.

Furthermore, the Group's management believes that the carrying value of the Group's investment in Lebanon is recoverable and there are currently no indications that any further material additional impairment loss is required to be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

6. Subsidiaries (continued)
6.1 Composition of the group (continued)

Summarised intra-group financial information of IFC Lebanon as at 31 December 2023 and 2022 is set out below:

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Financial assets at fair value through other comprehensive income	**306,612**	305,420
Trading properties	**459,918**	458,129
Other assets	**66,187**	195,197
Total assets	**832,717**	958,746
Accounts payable and other liabilities	**440,509**	392,740
Total liabilities	**440,509**	392,740

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD	KD
Income from instalment credit	**34,983**	153,879
Profit for the year	**4,234,791**	331,395

6.1.2 Subsequent to the date of the consolidated financial statements, the Parent Company's management changed the legal entity of the subsidiary; Al-Addan Real Estate Company – SPC; from single person company to a limited liability company to increase the subsidiary's share capital from KD 1,250,000 to KD 13,750,000 through entry of new partners including a related party. The Parent Company is in process of completing the necessary procedures for increasing the share capital.

6.1.3 During the previous years, the Group established a joint venture in Kuwait with a share capital of KD7,057,849 in which it owns 50.74%. The principal activity of the investee is investment. The Group classified this investment as investment in subsidiary since management determined that the Group has the power to control the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

6. Subsidiaries (continued)
6.2 Material non-controlling interests in subsidiaries

The Group includes material non-controlling interests (NCI) in subsidiaries as follows:

	Proportion of ownership interests and voting rights held by the NCI		Results allocated to NCI		Accumulated NCI	
Name of the subsidiary	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022
	%	%	**KD**	KD	**KD**	KD
Kuwait Invest Real Estate Co.– WLL	**49**	49	**84,467**	272,504	**4,608,741**	4,776,192
Arzan Capital (Holding) Limited	**36.86**	36.86	**247,415**	604,092	**9,252,087**	10,981,168
Joint-venture	**49.26**	49.26	**1,330,291**	967,030	**22,854,659**	24,828,039

Summarised financial information of subsidiaries with material non-controlling interests, before inter-group elimination is set out below:

a) Kuwait Invest Real Estate Co. – WLL

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Non-current assets	**9,359,145**	9,754,974
Current assets	**47,184**	162
Total assets	**9,406,329**	9,755,136
Current liabilities	**734**	7,804
Total liabilities	**734**	7,804
Equity attributable to the shareholders of the Parent Company	**4,796,854**	4,971,140
Non-controlling interests	**4,608,741**	4,776,192
Total equity	**9,405,595**	9,747,332

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD	KD
Income	**173,538**	558,251
Expenses and other charges	**(1,156)**	(2,121)
Profit for the year attributable to the shareholders of the Parent Company	**87,915**	283,626
Profit for the year attributable to non-controlling interests	**84,467**	272,504
Profit for the year	**172,382**	556,130
Total comprehensive income for the year attributable to the shareholders of the Parent Company	**29,714**	529,347
Total comprehensive income for the year attributable to non-controlling interests	**28,549**	508,588
Total comprehensive income for the year	**58,263**	1,037,935
Net cash flow from/ (used in) operating activities	**46,201**	(507)
Net cash flows	**46,201**	(507)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

6. Subsidiaries (continued)
6.2 Subsidiaries with material non-controlling interests (continued)

b) Arzan Capital (Holding) Limited

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Non-current assets	**26,514,554**	30,353,019
Current assets	**3,710,635**	5,723,823
Total assets	**30,225,189**	36,076,842
Non-current liabilities	**125,363**	114,063
Current liabilities	**5,550,938**	6,830,022
Total liabilities	**5,676,301**	6,944,085
Equity attributable to the shareholders of the Parent Company	**15,296,801**	18,151,589
Non-controlling interests	**9,252,087**	10,981,168
Total equity	**24,548,888**	29,132,757

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Revenues		
Expenses and other charges	**2,633,633**	3,501,713
	(2,027,712)	(1,892,069)
Profit for the year attributable to the shareholders of the Parent Company	**358,506**	1,005,552
Profit for the year attributable to non-controlling interests	**247,415**	604,092
Profit for the year	**605,921**	1,609,644
Total comprehensive (loss)/ income for the year attributable to the shareholders of the Parent Company	**(485,883)**	1,028,875
Total comprehensive (loss)/ income for the year attributable to non-controlling interests	**(245,524)**	617,709
Total comprehensive (loss)/ income for the year	**(731,407)**	1,646,584
Net cash flow (used in)/ from operating activities	**(2,430,037)**	4,136,197
Net cash flows	**(2,430,037)**	391,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

6. Subsidiaries (continued)
6.2 Subsidiaries with material non-controlling interests (continued)

c) Joint Venture

	31 Dec. 2023 KD	31 Dec. 2022 KD
Non-current assets	**46,399,200**	50,405,529
Total assets	**46,399,200**	50,405,529
Total liabilities	**-**	-
Equity attributable to the shareholders of the Parent Company	**23,544,541**	25,577,490
Non-controlling interests	**22,854,659**	24,828,039
Total equity	**46,399,200**	50,405,529

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Income	**2,700,737**	1,963,250
Profit for the year attributable to the shareholders of the Parent Company	**1,370,446**	996,220
Profit for the year attributable to non-controlling interests	**1,330,291**	967,030
Profit for the year	**2,700,737**	1,963,250
Total comprehensive loss for the year attributable to the shareholders of the Parent Company	**(2,001,658)**	(6,137,526)
Total comprehensive loss for the year attributable to non-controlling interests	**(1,943,007)**	(5,957,689)
Total comprehensive loss for the year	**(3,944,665)**	(12,095,215)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

7 Income from instalment credit debtors

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Interest income from instalment credit	**149,706**	167,647
Discount, commission and fees	**12,476**	63,443
Recovery of written off balances	**159,580**	152,406
	321,762	383,496

8 Revenue from contracts with customers

The Group earns revenue from its asset management and advisory services, which are transferred over time.

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Assets management	**243,315**	193,295
Custodian and other fees	**313,575**	272,638
Advisory services	**1,200,626**	2,393,646
	1,757,516	2,859,579

Revenue from contracts with customers include revenues from related parties of KD174,900 (2022: KD86,114) (Note 33).

Revenue from advisory services represents 68% of the revenue from contracts with customers for the year ended 31 December 2023 (31 December 2022: 84%).

9 Finance costs

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
On financial liabilities at amortised cost:		
Term loans	**937,344**	471,251
Murabaha payables	**801,798**	566,040
Others	**26,647**	20,423
	1,765,789	1,057,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

10 Basic and diluted earnings per share

Basic and diluted earnings per share is computed by dividing the profit for the year attributable to the Parent Company's shareholders by the weighted average number of shares outstanding during the year less treasury shares as follows:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Profit for the year attributable to the shareholders of the Parent Company - KD	**7,034,594**	8,149,403
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	**809,632,838**	805,654,986
Shares to be issued for no consideration under share-based payments (note 28)	**1,671,794**	1,581,320
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	**811,304,632**	807,236,306
Basic earnings per share attributable to the Parent Company's shareholders - fils	**8.689**	10.115
Diluted earnings per share attributable to the Parent Company's shareholders - fils	**8.671**	10.095

11 Net profit/ (loss) on financial assets

Net profit/ (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
At amortised cost:		
Interest income	**250,496**	155,428
Instalments credit debtors	**559,108**	1,210,446
Profit on financial assets at amortised cost	**809,604**	1,365,874

Income from instalment credit debtors incudes the reversal of provision of KD 189,596 (31 December 2022: the reversal of provision KD932,253) related to IFC Lebanon (note 13)

Financial assets at fair value through profit or loss:		
Interest income	**55,344**	55,070
(Loss)/ profit on change in fair value	**(386,292)**	4,443,995
Gain on sale	**146,031**	1,120,187
Dividend income	**447,997**	387,309
Profit on financial assets at FVTPL	**263,080**	6,006,561
Financial assets at fair value through other comprehensive income:		
Interest income	**244,423**	261,011
Dividend income	**4,440,018**	3,618,767
Profit included in consolidated statement of profit or loss	**4,684,441**	3,879,778
Profit / (loss) on change in fair value	**15,326,941**	(14,891,346)
Gain on sale	**31,057**	33,935
Profit / (loss) included in equity	**15,357,998**	(14,857,411)
Total profit / (loss) on financial assets at fair value through other comprehensive income	**20,042,439**	(10,977,633)
Net profit / (loss) on financial assets	**21,115,123**	(3,605,197)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

12 Cash and cash equivalents

12.1 Cash and cash equivalents

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Cash on hand and at banks	**6,558,432**	8,720,283
Cash balance held in managed portfolios	**206,005**	369,777
Total cash and bank balances	**6,764,437**	9,090,060
Term deposits with contractual maturity not exceeding three months	**-**	345,492
Term deposits with contractual maturity exceeding three months	**562,170**	-
Total term deposits	**562,170**	345,492
	7,326,607	9,435,552
Less: Term deposits with contractual maturity exceeding three months	**(562,170)**	-
Cash and cash equivalent as per the consolidated statement of cash flows	**6,764,437**	9,435,552

Cash in managed portfolios includes an amount of KD138,926 (31 December 2022: KD19,419) pledged against term loans (Note 23) and murabaha payable (Note 24).

12.2 Restricted cash and cash equivalents

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Cash and bank balances	**461,669**	3,384,273
Term deposits with contractual maturity ranging from 1 to 3 months	**2,971,785**	3,036,198
	3,433,454	6,420,471
Provision for credit losses	**(3,433,454)**	(6,420,471)
Restricted cash and cash equivalents	**-**	-

Restricted cash and cash equivalents include balances deposited in a bank located in Lebanon. Due to the current political and economic events, the Central Bank of Lebanon imposed a series of measures including restrictions on withdrawals and limitation of transfers of money abroad. Consequently, the Group lacks access to these bank balances on time and in full. Cash and cash equivalents balance held in Lebanon decreased, and in return, the Group recognised reversal of a provision for credit losses of KD 2,986,753 (31 December 2022: the Group recognised a provision of KD 987,072) against these restricted cash and cash equivalents balances of its subsidiary “IFC - Lebanon” (Note 6.1.1).

12.3 The term deposits carry an effective interest rate of 6.25% to 6.6% (31 December 2022: 3.25% - 4.25%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

13 Instalment credit debtors

	31 Dec. 2023 KD	31 Dec. 2022 KD
Gross instalment credit debtors	**3,673,559**	3,996,764
Deferred income	**(266,790)**	(331,290)
	3,406,769	3,665,474
Specific provision for credit losses	**(2,500,781)**	(2,770,904)
General provision for credit losses	**(41,868)**	(218,967)
	864,120	675,603

Gross instalment credit debtors are due as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Within one year	**3,010,286**	1,438,956
More than a year	**663,273**	2,557,808
	3,673,559	3,996,764

The effective interest rate earned on instalment credit ranging from 5% to 10% (31 December 2022: 5% to 10%) per annum.

Movement in provisions for credit losses is as follows:

	31 December 2023			31 December 2022		
	Specific provision KD	**General provision KD**	**Total KD**	Specific provision KD	General provision KD	Total KD
Opening balance	**2,770,904**	**218,967**	**2,989,871**	3,467,691	321,479	3,789,170
Charge for the year	**143,648**	**59,690**	**203,338**	227,426	16,174	243,600
Write-back of provision during the year	**(204,264)**	**(236,420)**	**(440,684)**	(952,139)	(118,410)	(1,070,549)
Foreign currencies translation adjustments	**(209,507)**	**(369)**	**(209,876)**	27,926	(276)	27,650
Closing balance	**2,500,781**	**41,868**	**2,542,649**	2,770,904	218,967	2,989,871

Provision for credit losses is calculated, in all material respect, according to the requirements of the Central Bank of Kuwait. During the year, the Group recognised a net reversal of provision of KD189,596 (31 December 2022: reversal of a provision of KD932,253) for instalment credit debtors of its subsidiary “IFC - Lebanon” (Note 6.1.1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

14 Financial assets at fair value through profit or loss

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Local quoted shares	**14,456**	1,120,889
Foreign quoted shares	**576,071**	582,896
Foreign unquoted shares	**7,722,472**	6,985,294
Investments in managed portfolios	**11,878,795**	11,304,093
Investment in managed fund	**1,666,387**	1,812,688
	21,858,181	21,805,860

Investments in managed portfolios with fair value of KD11,232,409 (31 December 2022: KD10,634,357) that include cash balances are pledged against term loans and Murabaha payable (Notes 23 and 24).

During the year, the Group sold investments at FVTPL with a carrying value of KD2,054,156 (31 December 2022: KD12,262,202) for a consideration of KD2,200,187 (31 December 2022: KD 13,382,389) resulting in a profit of KD146,031 (31 December 2022: KD1,120,187) recognized in the consolidated statement of profit or loss.

The hierarchy for determining and disclosing the fair values of financial assets at fair value through profit or loss is presented in Note 35.2.

15 Accounts receivable and other assets

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Financial assets		
Trade receivables	**2,831,399**	3,087,257
Instalments sales receivable	**2,943,973**	2,594,615
Margin finance receivable (see below)	**1,747,090**	1,457,105
Due from related parties	**1,705,520**	4,093,871
	9,227,982	11,232,848
Provision for doubtful debts	**(2,572,087)**	(3,816,146)
	6,655,895	7,416,702
Non-financial assets:		
Advance payments	**27,688**	45,000
Other assets	**1,121,838**	1,018,348
	1,149,526	1,063,348
	7,805,421	8,480,050

The margin finance clients' receivable item includes an amount of KD503,503 (31 December 2022: KD503,144) related to related parties (see note 33). Margin finance clients' receivables are secured against the clients' investments being financed.

The carrying value of the financial assets included above approximates its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

15 Accounts receivable and other assets (continued)

Movement in provision for doubtful debts is as follows:

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Balance at the beginning of the year	**3,816,146**	3,452,478
Charged during the year	**755,238**	465,649
Reversal during the year	**(115,017)**	(91,836)
Written-off during the year	**(1,850,732)**	-
Foreign currency adjustments	**(33,548)**	(10,145)
Balance at end of the year	**2,572,087**	3,816,146

The above-mentioned provision includes a provision of KD151,634 (31 December 2022: KD271,764) relating to balances due from related parties.

16 Properties held for trading

Properties held for trading represent the group's share of investments in properties outside Kuwait.

The movement in the properties held for trading is as follows:

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Balance at 1 January	**1,877,631**	1,861,781
Transfer from Real Estate under development (Note 19)	**-**	393,453
Disposals (see below)	**(8,031)**	(383,482)
Foreign currency translation	**(151)**	5,879
Total	**1,869,449**	1,877,631
Provision for properties held for trading	**(449,874)**	(568,565)
Balance at 31 December	**1,419,575**	1,309,066

During the year, the Group sold properties held for trading at a cost of KD 8,031 (31 December 2022: KD383,482) for a consideration of KD 29,880 (31 December 2022: KD 530,011), which resulted in a profit of KD21,849 (31 December 2022: KD 146,529), which was directly included in the consolidated statement of profit or loss.

Based on impairment test of the carrying value of properties held for trading, the Group reversed a provision for impairment of KD 118,691 (31 December 2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

17 Financial assets at fair value through other comprehensive income

	31 Dec. 2023 KD	31 Dec. 2022 KD
Local quoted shares	**50,842,369**	53,720,644
Local unquoted shares	**6,797,171**	5,685,404
Foreign unquoted shares	**47,507,688**	46,185,567
Investments in managed portfolios	**26,464,354**	5,588,830
Debt instruments	**1,729,851**	3,329,575
Investment funds	**319,235**	335,708
	133,660,668	114,845,728

These investments are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these financial assets as at FVTOCI as it believes that recognising short-term fluctuations in the fair value of these financial assets in consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these financial assets for long-term purposes and realising their performance potential in the long run.

The Group's financial assets at FVTOCI disaggregated by its business sectors are as follows:

	Financial services KD	**Real estate KD**	**Consumer services KD**	**Others KD**	**Total KD**
31 December 2023:					
Local quoted shares	**42,603,056**	**6,492,279**	**1,713,262**	**33,772**	**50,842,369**
Local unquoted shares	**5,201,346**	**34,396**	**1,560,201**	**1,228**	**6,797,171**
Foreign unquoted shares	**24,350,604**	**21,462,213**	**983,763**	**711,108**	**47,507,688**
Investments in managed portfolios	**9,449,923**	**825,648**	**16,188,783**	**-**	**26,464,354**
Debt instruments	**460,335**	**1,193,254**	**76,262**	**-**	**1,729,851**
Investment funds	**319,235**	**-**	**-**	**-**	**319,235**
	82,384,499	**30,007,790**	**20,522,271**	**746,108**	**133,660,668**
31 December 2022:					
Local quoted shares	47,567,821	5,950,794	175,536	26,493	53,720,644
Local unquoted shares	4,306,785	34,196	1,341,200	3,223	5,685,404
Foreign unquoted shares	16,748,837	28,740,754	-	695,976	46,185,567
Investments in managed portfolios	3,045,753	-	2,543,077	-	5,588,830
Debt instruments	2,211,014	1,042,298	76,263	-	3,329,575
Investment funds	335,708	-	-	-	335,708
	74,215,918	35,768,042	4,136,076	725,692	114,845,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

17 Financial assets at fair value through other comprehensive income (continued)

17.1 The Group's investments in local quoted shares include investment in a local listed company (Boursa Kuwait Securities Company – KPSC), where the quoted bid price is KD49,207,567 as at 31 December 2023 (2022: KD 58,863,616). Due to the restrictions on sale of this investment for a five year period ending during Q1 2024, the Group has applied a discount at 15% (2022: 20%) of KD7,381,135 (2022: KD11,772,723) on the above quoted bid price when determining its fair value. As a result of this discount, the fair value of the investment amounted to KD 41,826,432 as at 31 December 2023 (2022: KD 47,090,893). Upon removal of these restrictions, this investment will be marked to market without any discount.

17.2 Debt instruments amounting to KD1,193,254 (31 December 2022: KD1,042,298) are secured by a mortgage of properties and carry average interest rate at 7% (31 December 2022: 7%) per annum.

17.3 Local quoted shares and investments in managed portfolios with an aggregate carrying value of KD30,977,633 (31 December 2022: KD8,705,634) are pledged against term loans and murabaha payable (Notes 23 and 24).

17.4 The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in Note 35.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

18 Investment in associates

18.1 The details of the Group's investment in associates are given below:

Name of the associate	Country of incorporation	Ownership Percentage 2023 %	Ownership Percentage 2022 %	Activity
Offset Holding Co. - K.S.C.C	Kuwait	**50.00**	50.00	Holding Company
Al-Wafir Marketing Services Company – K.S.C.C	Kuwait	**34.00**	34.00	Marketing services
Al Oula Slaughterhouse Co. - K.S.C.C	Kuwait	**28.89**	28.89	Services
Gulf Real Estate Co. - W.L.L	Kuwait	**20.13**	20.13	Real estate

18.2 The movement in the carrying amount of the investment in associates during the year is as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
At 1 January	**31,679,487**	30,489,135
Share of results	**1,536,879**	2,516,644
Dividend received	**(1,776,374)**	(548,693)
Shares of other comprehensive loss	**(210,238)**	(777,599)
At 31 December	**31,229,754**	31,679,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

18 Investment in associates (continued)

18.3 Summarised financial information of Group's material associates are set out below:

	Offset Holding Co. KSCC		**Al Wafir Marketing Services Co. KSCC**	
	31 Dec. 2023 KD	31 Dec. 2022 KD	**31 Dec. 2023 KD**	31 Dec. 2022 KD
Assets				
Current	**7,604,567**	8,416,051	**44,165,123**	46,401,939
Non-current	**17,426,207**	17,944,395	**40,038,523**	35,937,106
	25,030,774	26,360,446	**84,203,646**	82,339,045
Liabilities				
Current	**324,354**	318,857	**20,761,036**	26,564,496
Non-current	**950,376**	938,256	**25,566,302**	17,244,037
	1,274,730	1,257,113	**46,327,338**	43,808,533
Total equity	**23,756,044**	25,103,333	**37,876,308**	38,530,512
Non-controlling interests	**(5,037,755)**	(5,593,386)	**29,927**	(429,716)
Equity attributable to the owners of the associates	**18,718,289**	19,509,947	**37,906,235**	38,100,796
Group share of net assets	**9,359,145**	9,754,974	**12,887,589**	12,953,737
Goodwill	**-**	-	**7,237,955**	7,371,505
Carrying amount	**9,359,145**	9,754,974	**20,125,544**	20,325,242
Income	**2,836,806**	3,886,661	**21,553,013**	21,232,039
Profit	**347,075**	940,450	**3,432,495**	5,951,339
Group's share of results	**173,538**	470,225	**1,167,000**	2,023,372
Total comprehensive income	**87,960**	1,811,098	**3,149,745**	2,247,083
Dividend received	**455,248**	-	**1,270,565**	476,463

The remaining associates are considered immaterial to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

18. Investment in associates (continued)

18.4 Set out below is the aggregate information for the individually immaterial associates.

	31 Dec. 2023 KD	31 Dec. 2022 KD
Assets	**6,921,915**	6,330,847
Liabilities	**714,872**	702,922
Net assets	**6,207,043**	5,627,925
Group's share of net assets	**1,745,065**	1,599,271
Carrying amount	**1,745,065**	1,599,271
Revenue	**1,344,636**	540,508
Profit for the year	**754,065**	49,203
Group's share of results	**196,341**	23,047
Total comprehensive income	**754,065**	49,203
Dividends received	**50,561**	72,230

Investments in associates with a carrying amount of KD 16,454,758 (31 December 2022: KD 14,468,352) are pledged against term loans and murabaha payable (Notes 23 and 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

19 Real estates under development

	31 Dec. 2023 KD	31 Dec. 2022 KD
Cost		
Balance at the beginning of the year	**1,886,005**	3,150,610
Disposal (see below)	**(642,534)**	-
Transfer to properties held for trading (Note 16)	**-**	(393,453)
Development costs and additions	**916,346**	148,492
Foreign exchange differences	**(133,401)**	(605,725)
Total Cost	**2,026,416**	2,299,924
Reversal of impairment/ (impairment)	**182,148**	(413,919)
Net book value at the year end	**2,208,564**	1,886,005

The Group jointly owns a right of use real estate property in Kuwait classified as properties under development for trading purposes. The owners of the right of use include related parties. The property is managed by one of the related parties of the Group.

During the year, the Group sold a part of land based in the State of Kuwait in sale consideration of KD1,681,342, which resulted in a profit of KD1,038,808 included in the consolidated statement of profit or loss.

Based on the impairment test, the Group reversed an impairment of KD182,148 (31 December 2022: impairment loss of KD413,919).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

20 Investment properties

	Land KD	Building KD	Total KD
Cost			
1 January 2023	**1,023,750**	**1,484,989**	**2,508,739**
31 December 2023	**1,023,750**	**1,484,989**	**2,508,739**
Accumulated depreciation			
1 January 2023	**-**	**1,088,495**	**1,088,495**
Charge for the year	**-**	**58,740**	**58,740**
31 December 2023	**-**	**1,147,235**	**1,147,235**
Net book value			
At 31 December 2023	**1,023,750**	**337,754**	**1,361,504**
Fair value as at 31 December 2023	**2,395,024**	**798,726**	**3,193,750**
Cost			
1 January 2022	1,023,750	1,484,989	2,508,739
31 December 2022	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2022	-	1,029,755	1,029,755
Charge for the year	-	58,740	58,740
31 December 2022	-	1,088,495	1,088,495
Net book value			
At 31 December 2022	1,023,750	396,494	1,420,244
Fair value as at 31 December 2022	2,268,471	888,092	3,156,563

Land is not depreciated. The building is depreciated over 25 years. The fair value of the investment properties is determined based on independent valuations. The investment properties represent the part of building constructed on land rented to related parties and third parties, and is accounted for as an investment property under IAS 40.

The investment properties are mortgaged against murabaha payable (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

21 Property and equipment

	Land	Building	Office equipment and computers	Fixtures and decoration	Computer software	Right of use assets	Total
2023:	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**
Cost							
At 1 January	**1,316,250**	**1,981,088**	**748,040**	**629,131**	**1,093,808**	**121,047**	**5,889,364**
Additions	**-**	**-**	**44,022**	**9,148**	**54,970**	**-**	**108,140**
Disposals	**-**	**-**	**(9,663)**	**(723)**	**(11,334)**	**-**	**(21,720)**
Foreign currency translation	**-**	**(10,327)**	**(91,151)**	**(22,815)**	**(110,160)**	**178**	**(234,275)**
differences	**1,316,250**	**1,970,761**	**691,248**	**614,741**	**1,027,284**	**121,225**	**5,741,509**
At 31 December							
Accumulated depreciation							
At 1 January	**-**	**1,438,401**	**668,962**	**604,727**	**1,035,444**	**91,987**	**3,839,521**
Charge for the year	**-**	**79,117**	**25,058**	**21,172**	**7,476**	**23,313**	**156,136**
Related to disposals	**-**	**-**	**(9,663)**	**(723)**	**(11,334)**	**-**	**(21,720)**
Foreign currency translation differences	**-**	**(5,835)**	**(69,544)**	**(22,993)**	**(60,071)**	**91**	**(158,352)**
At 31 December	**-**	**1,511,683**	**614,813**	**602,183**	**971,515**	**115,391**	**3,815,585**
Net book value							
At 31 December 2023	**1,316,250**	**459,078**	**76,435**	**12,558**	**55,769**	**5,834**	**1,925,924**

	Land	Building	Office equipment and computers	Fixtures and decoration	Computer software	Right of use assets	Total
2022:	KD	KD	KD	KD	KD	KD	KD
Cost							
At 1 January	1,316,250	2,010,653	706,188	631,585	1,092,556	119,545	5,876,777
Additions	-	-	63,527	5,348	-	-	68,875
Foreign currency translation differences	-	(29,565)	(21,675)	(7,802)	1,252	1,502	(56,288)
At 31 December	1,316,250	1,981,088	748,040	629,131	1,093,808	121,047	5,889,364
Accumulated depreciation							
At 1 January	-	1,373,989	661,952	568,661	1,025,716	67,828	3,698,146
Charge for the year	-	80,270	27,971	43,216	9,048	21,517	182,022
Foreign currency translation differences	-	(15,858)	(20,961)	(7,150)	680	2,642	(40,647)
At 31 December	-	1,438,401	668,962	604,727	1,035,444	91,987	3,839,521
Net book value							
At 31 December 2022	1,316,250	542,687	79,078	24,404	58,364	29,060	2,049,843

The building is depreciated over 25 years.

The estimated useful lives of the Group's office equipment and computers, fixtures and decoration is 4 years, with the exception of its computer software which is depreciated over 3 years. Land is not depreciated.

Land and building are mortgaged against murabaha payable (note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

22 Accounts payable and other liabilities

	31 Dec. 2023 KD	31 Dec. 2022 KD
Trade payables	**153,759**	276,936
Due to related parties (Note 33)	**2,814,160**	174,305
Other payables	**3,974,142**	2,069,189
Lease liability	**318**	23,786
Accrued interest	**165,462**	105,152
Provision for employees leave	**302,491**	317,964
KFAS payable	**242,379**	226,802
NLST and Zakat payable	**2,850,954**	2,685,249
Due to portfolio manager	**-**	182,084
Due to shareholders (Note 33)	**508,268**	503,827
	11,011,933	6,565,294

23 Term loans

	31 Dec. 2023 KD	31 Dec. 2022 KD
Kuwaiti Dinar facilities	**10,592,834**	8,732,834
USD facility	**-**	4,900,800
	10,592,834	13,633,634
Due within one year	**1,500,000**	4,960,415
Due more than one year	**9,092,834**	8,673,219

The details of the outstanding term loans are as follows:

1) Kuwaiti Dinar facilities:
During the previous year, the Parent Company has signed an agreement with a Kuwaiti bank to extend and amend the Kuwaiti Dinar facilities granted in the form of a revolving loan, whereby the maximum loan limit is KD10,000,000 instead of KD7,000,000. The facilities carry an interest rate of 2.75% per annum above the discount rate declared by the Central Bank of Kuwait (31 December 2022: 2.75% per annum above the discount rate declared by the Central Bank of Kuwait). Based on the amended contract, the first 50% of the facilities withdrawn is payable in equal quarterly installments, provided that the last installment is payable on 2 December 2026. The remaining 50% of the outstanding balance, being the final installment, is due for settlement on 2 January 2027.

The outstanding balance of total facilities as at 31 December 2023 amounted to KD9,092,834.

Also, during the year, the Parent Company has signed an agreement with a Kuwaiti bank to obtain Kuwaiti Dinar facilities in the form of a revolving loan, whereby the maximum loan limit is KD1,500,000. The facilities carry an interest rate of 1.625% per annum above the CBK discount rate, and repayable on 31 December 2024.

Kuwaiti Dinar facilities are secured against mortgage of cash in managed portfolio (Note 12), certain financial assets at fair value through profit or loss (Note 14), financial assets at fair value through other comprehensive income (Note 17) and investment in associates (Note 18).

2) USD facility:
USD facility during the previous year represents a loan of USD16,000,000 (equivalent to KD4,900,800) obtained by one of the Group's foreign subsidiaries from a local company in Kuwait.

The subsidiary repaid the USD facilities in full during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

24 Murabaha payables

The Murabaha payables outstanding balance represents Islamic financings obtained in Kuwaiti Dinar from a local bank carrying effective profit rates ranging from 5% to 5.75% (31 December 2022: 3.25% - 5%) per annum. These financings are secured against pledge of cash in managed portfolio (Note 12), certain financial assets at fair value through profit or loss (Note 14), financial assets at fair value through other comprehensive income (Note 17), investment in associates (Note 18), investment properties (Note 20) and property and equipment (Notes 21) which are payable in various instalments ending in November 2026.

Murabaha payables are due as follows:

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Within one year	**2,291,300**	2,291,300
After one year	**12,041,100**	12,749,400
	14,332,400	15,040,700

25 Share capital and share premium

The authorized, issued and paid up share capital of the Parent Company consists of 830,983,445 shares of 100 fils each (31 December 2022: 830,983,445 shares of 100 fils each). All shares are in cash.

The share premium is non-distributable.

26 Treasury shares

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Number of treasury shares	**16,477,907**	28,668,747
Percentage of ownership (%)	**1.983%**	3.450%
Market value (KD)	**3,410,927**	3,239,568
Cost (KD)	**1,509,861**	2,536,238

During the year, 16,619,668 treasury shares were used and distributed as bonus shares to shareholders representing 2% of the share capital (refer note 30).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

27 Reserves

Statutory reserve

In accordance with the Companies Law and the parent company's Articles and Memorandum of Association, as amended, 10% of the profit for the year attributed to the shareholders of the parent company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up capital.

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

No transfer is required in a year in which the Parent Comp any has incurred a loss or where accumulated losses exist.

Voluntary reserve

The parent company's Articles of Association, as amended require that 10% of the profit for the year attributable to the shareholders of the parent company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year in which the Parent Comp any has incurred a loss or where accumulated losses exist.

28 Share based payments

During 2019, the Parent Company obtained approval of the general assembly of the shareholders to establish an employee stock option plan (ESOP) to reward the performance of its employees and the executive board members. The final approval of the ESOP was obtained from the regulatory authority in January 2021. The Parent Company granted the shares to the employees during 2020. Under the ESOP, the vesting conditions include the performance of the employees as well as the financial performance of the Parent Company. The shares are granted to the employees annually at no cost and vest on the dates of the general assembly in the following third, fourth and fifth years in predetermined ratios. While the ESOP has no specific time limit, a maximum of 10% of the Parent Company's share capital at the inception of the plan can be granted. The shares granted will be given to the employees either from the treasury shares or issue of new shares.

Pursuant to the plan, the board of directors approved to make available 938,644 shares for the year ended 31 December 2022 (31 December 2021: 519,460 shares). The fair value of the shares on the grant date was KD0.1040 each (31 December 2021: KD0.1760 each). Therefore, the Group recognised an expense of KD66,584 (31 December 2022: KD46,898) in the consolidated statement of profit or loss.

During the year, share-based payments were made for 693,800 shares of treasury shares at a cost of KD62,425. This led to a reduction in the balance of the share-based payment reserve by an amount of KD26,378 and a reduction in the balance of retained earnings by an amount of KD36,408, as stated in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

29 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Term loans KD	Murabaha Payables KD	Total KD
Balance at 1 January 2023	**13,633,634**	**15,040,700**	**28,674,334**
Cash flows:			
• Repayment	**(5,750,800)**	**(708,300)**	**(6,459,100)**
• Proceeds	**2,710,000**	**-**	**2,710,000**
31 December 2023	**10,592,834**	**14,332,400**	**24,925,234**
Balance at 1 January 2022	5,706,334	15,749,000	21,455,334
Cash flows:			
• Repayment	(2,131,800)	(708,300)	(2,840,100)
• Proceeds	10,050,800	-	10,050,800
Non-cash items:			
• Foreign currency differences	8,300	-	8,300
31 December 2022	13,633,634	15,040,700	28,674,334

30 Proposed dividends and annual general assembly

Subject to the requisite consents of the relevant authorities and approval of the shareholders' general assembly, the directors of the Parent Company propose to distribute cash dividends of 2 Fils each for the year ended 31 December 2023 (2022: 4 Fils each) and bonus shares at 4% for the shareholders of the parent company through increase in share capital (2022: bonus share at 2% from treasury shares).

The annual ordinary general assembly of the shareholders of Parent Company held on 12 April 2023 approved the consolidated financial statements for the year ended 31 December 2022 and the board of directors' proposal to distribute a cash dividend of 4 Fils per share (2021: 2.5 fils per share) and 2% bonus shares of the treasury shares of the Parent Company's shareholders without increasing the share capital or number of shares issued for the year ended 31 December 2022 (2021: 3.5% bonus shares through increase of the share capital). In addition, the Annual General Assembly approved directors' remuneration and committees of KD53,550 for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

31 Fiduciary accounts

Investment portfolios managed by the group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the group's assets or liabilities and accordingly are not included in the consolidated financial position. Total fiduciary assets as at the financial position date were KD51,993,107 (31 December 2022: KD 31,990,946) out of which, assets amounting to KD 30,008,099 are managed on behalf of the Group's related parties (31 December 2022: KD 18,526,386). (Note 33).

32 Segmental information

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

The Group's principal activities, significant assets and liabilities are carried out and located in Kuwait, GCC, Middle East, USA and Europe. The Group operates in four business segments; instalment credit, investments, financial brokerage and real estate. The segmental analysis of total income, profit for the year, total assets and total liabilities for the business segments are as follows:

	Instalment credit KD	Investments KD	Financial brokerage KD	Real estate KD	Total KD
Year ended 31 December 2022					
Total revenue	**4,779,699**	**8,630,202**	**854,666**	**1,625,125**	**15,889,692**
Profit for the year	**3,863,100**	**2,892,712**	**445,350**	**1,480,625**	**8,681,787**
As at 31 December 2023					
Total assets	**1,262,218**	**191,164,191**	**11,783,203**	**5,450,706**	**209,660,318**
Total liabilities	**(644,485)**	**(35,321,244)**	**(812,383)**	**(959,213)**	**(37,737,325)**
Net assets	**617,733**	**155,842,947**	**10,970,820**	**4,491,493**	**171,922,993**
Year ended 31 December 2022					
Total revenue	2,136,142	14,181,294	994,108	327,282	17,638,826
Profit for the year	155,606	9,534,084	140,907	169,339	9,999,936
As at 31 December 2022					
Total assets	977,579	174,833,160	12,703,452	5,073,247	193,587,438
Total liabilities	(429,932)	(35,618,961)	(755,768)	(180,598)	(36,985,259)
Net assets	547,647	139,214,199	11,947,684	4,892,649	156,602,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

33 Related party balances and transactions

Related parties represent subsidiaries, associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Balances included in the consolidated statement of financial position		
Margin finance receivable (Note 15)	**503,503**	503,144
Due from related parties - net (net of provision amounting to KD 151,634 in 2023 and KD 271,763 in 2022) (Note 15)	**1,553,886**	3,822,108
Due to shareholders (Note 22)	**508,268**	503,827
Due to related parties (Note 22) – See below	**2,814,160**	174,305

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Transactions included in the consolidated statement of profit or loss		
Income from instalment credit debtors	**-**	5,984
Revenue from contracts with customers (Note 8)	**174,900**	86,114
Rental income	**34,752**	34,752
Interest income	**267,285**	340,656
General and administrative expenses	**119,772**	115,291
Finance costs	**34,613**	-
Key management compensation:		
Salaries and other short-term benefits	**1,118,379**	1,328,464
Board of directors' remuneration and other committees' remunerations (included in general and administrative expenses)	**60,850**	60,850
End of service benefits	**63,177**	64,780
Share based compensation	**59,920**	36,658
Fiduciary assets of related parties managed by the Group (note 31)	**30,008,099**	18,526,386

During the year, one of the subsidiaries received an amount of USD 8,000,000 (equivalent to KD 2,454,000) pursuant to two sale and repurchase agreements for certain unquoted foreign shares with related parties at an interest rate of 9.5% per annum and repayable within 180 days. The amount is included under due to related parties stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

34 Risk management objectives and policies

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

The parent company's board of directors sets out policies for reducing each of the risks discussed below.

The group does not use derivative financial instruments, for speculative purposes.

34.1 Market risk

a) Foreign currency risk

The group mainly operates in the GCC, other Middle Eastern countries, Europe, and United States of America. It is exposed to foreign currency risk arising from various foreign currency exposures. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from long-term cash flows.

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

	31 Dec. 2023 Equivalent KD	31 Dec. 2022 Equivalent KD
US Dollar (USD)	**45,027,831**	45,564,404
Lebanese Pound (LBP)	**583,419**	729,739
Great Britain Pound (BPB)	**7,430,009**	7,003,473
Egyptian Pound (EGP)	**1,494,896**	2,322,350
UAE Dirham (AED)	**959,657**	840,966
Saudi Riyal (SAR)	**56,490**	45,261
Euro	**424,681**	1,073,220
Omani Riyal	**52,231**	52,472
Jordanian Dinar (JOD)	**686,414**	677,016
Norway Kron	**106,097**	294,194
	56,821,725	58,603,095

The following table details the Group's sensitivity to a 2% (2022: 2%) increase and decrease in the KD against above foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and liabilities and adjusts their translation at the yearend for a 2% change in foreign currency rates. A positive number below indicates an increase in profit and equity and a negative number indicates decrease in profit and equity. All other variables are held constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	31 Dec. 2023		31 Dec. 2022	
	+2% KD	**-2% KD**	+2% KD	-2% KD
Profit for the year	**325,414**	**(325,414)**	295,631	(295,631)
Equity	**811,021**	**(811,021)**	876,431	(876,431)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. As the group is not exposed to a significant interest rate risk on interest bearing assets, the group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings. The Group has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies used, if required, to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The Group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2023 was as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total up to 1 year KD	Over 1 year KD	Non-interest bearing items KD	Total KD	Effective interest rate %
Assets								
Cash and cash equivalents	-	-	-	-	-	6,764,437	6,764,437	-
Term deposits	259,463	302,707	-	562,170	-	-	562,170	6.25%-6.6%
Instalment credit debtors	3,495	12,026	211,463	226,984	637,136	-	864,120	5%-10%
Financial assets at FVTPL	-	-	541,350	541,350	-	21,316,831	21,858,181	10%
Accounts receivable and other assets	-	-	-	-	-	7,805,421	7,805,421	-
Financial assets at fair value through other comprehensive income	-	-	-	-	1,653,589	132,007,079	133,660,668	7%-12%
	262,958	314,733	752,813	1,330,504	2,290,725	167,893,768	171,514,997	
Liabilities	-							
Accounts payable and other liabilities	-	2,454,000	-	2,454,000	-	8,557,933	11,011,933	-
Term loans	-	-	1,500,000	1,500,000	9,092,834	-	10,592,834	6.25% - 7%
Murabaha payables	-	-	2,291,300	2,291,300	12,041,100	-	14,332,400	5% - 5.75%
Provision for employees' end of service benefits	-	-	-	-	-	1,800,158	1,800,158	-
	-	2,454,000	3,791,300	6,245,300	21,133,934	10,358,091	37,737,325	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

34 Risk management objectives and policies (continued)
34.1 Market risk (continued)
b) Interest rate risk (continued)

The Group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2022 was as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total up to 1 year KD	Over 1 year KD	Non-interest bearing items KD	Total KD	Effective interest rate %
Assets								
Cash and cash equivalents	1,975,000	345,492	-	2,320,492	-	7,115,060	9,435,552	3.25%-4.25%
Instalment credit debtors	-	-	205,440	205,440	470,163	-	675,603	5%-10%
Financial assets at FVTPL	-	-	541,350	541,350	-	21,264,510	21,805,860	10%
Accounts receivable and other assets	-	-	-	-	-	8,480,050	8,480,050	-
Financial assets at fair value through other comprehensive income	-	-	-	-	3,253,313	111,592,415	114,845,728	7%-12%
	1,975,000	345,492	746,790	3,067,282	3,723,476	148,452,035	155,242,793	
Liabilities								
Accounts payable and other liabilities	-	-	-	-	-	6,565,294	6,565,294	-
Term loans	-	-	4,960,415	4,960,415	8,673,219	-	13,633,634	6.25%-7.25%
Murabaha payables	-	-	2,291,300	2,291,300	12,749,400	-	15,040,700	3.25% - 5%
Provision for employees' end of service benefits	-	-	-	-	-	1,745,631	1,745,631	-
	-	-	7,251,715	7,251,715	21,422,619	8,310,925	36,985,259	

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in interest rates of 1% and –1% (2022: +1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant.

	31 Dec. 2023		31 Dec. 2022	
	+ 1%	**-1%**	+ 1%	- 1%
	KD	**KD**	KD	KD
Results for the year	**(237,580)**	**237,580**	(218,836)	218,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

34 Risk management objectives and policies (continued)
34.1 Market risk (continued)

c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through profit or loss and investments at fair value through other comprehensive income.

To manage its price risk arising from investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the consolidated financial statements date.

If prices of investments had been 10% higher/lower, the effect on the profit for the year and equity for the years ended 31 December 2022 and 2023 would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2023	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022
	KD	KD	**KD**	KD
Financial assets at fair value through profit or loss	**±2,185,818**	±2,180,586	**-**	-
Financial assets at fair value through other comprehensive income		-	**±13,366,067**	±11,484,573

34.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of clients in specific locations or businesses through diversification of its activities and obtaining the suitable guarantees when appropriate.

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

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Cash and cash equivalents	**6,764,437**	9,435,552
Term deposits	**562,170**	-
Instalment credit debtors	**864,120**	675,603
Financial assets at FVTPL (Note 14)	**13,545,182**	13,116,781
Accounts receivable and other assets	**7,805,421**	8,480,050
Financial assets at FVOCI (Note 17)	**26,783,589**	5,924,538
Total	**56,324,919**	37,632,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

34 Risk management objectives and policies (continued)
34.3 Concentration of assets

The distribution of assets by geographic region is as follows:

	Kuwait KD	Gulf Cooperation Council Countries KD	Other Middle Eastern countries KD	Europe and other countries KD	USA KD	Total KD
31 December 2023						
Cash and cash equivalents	4,595,050	1,758,830	406,207	-	4,350	6,764,437
Term deposits	-	-	562,170	-	-	562,170
Instalment credit debtors	864,120	-	-	-	-	864,120
Financial assets at FVTPL	11,246,865	1,277,434	2,656,522	-	6,677,360	21,858,181
Accounts receivable and other assets	4,548,330	1,353,407	1,220,692	47,357	635,635	7,805,421
Properties held for trading	-	959,657	459,918	-	-	1,419,575
Financial assets at fair value through other comprehensive income	84,116,515	1,928,392	358,846	9,333,646	37,923,269	133,660,668
Investment in associates	31,229,754	-	-	-	-	31,229,754
Real estates under development	974,990	-	1,233,574	-	-	2,208,564
Investment Properties	1,361,504	-	-	-	-	1,361,504
Property and equipment	1,865,938	7,451	52,535	-	-	1,925,924
Total	140,803,066	7,285,171	6,950,464	9,381,003	45,240,614	209,660,318
At 31 December 2022						
Cash and cash equivalents	4,197,650	4,293,890	934,072	-	9,940	9,435,552
Instalment credit debtors	675,603	-	-	-	-	675,603
Financial assets at FVTPL	11,755,246	1,369,053	2,132,930	-	6,548,631	21,805,860
Accounts receivable and other assets	4,654,774	964,026	1,536,597	44,194	1,280,459	8,480,050
Properties held for trading	-	840,966	468,100	-	-	1,309,066
Financial assets at fair value through other comprehensive income	65,025,167	1,762,062	357,895	8,540,127	39,160,477	114,845,728
Investment in associates	31,679,487	-	-	-	-	31,679,487
Real estates under development	1,238,249	-	647,756	-	-	1,886,005
Investment Properties	1,420,244	-	-	-	-	1,420,244
Property and equipment	1,888,092	30,896	130,855	-	-	2,049,843
Total	122,534,512	9,260,893	6,208,205	8,584,321	46,999,507	193,587,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

34 Risk management objectives and policies (continued)
34.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile for investments at FVTOCI is determined based on management's estimate of liquidation of those investments. Maturity profile of the Group's assets and liabilities is as follows:

Maturity profile of assets and liabilities at 31 December 2023:

	Up to 1 month KD	**1-3 months KD**	**3-12 months KD**	**Sub-total Up to 1 year KD**	**Over 1 year KD**	**Total KD**
ASSETS						
Cash and cash equivalents	**6,764,437**	**-**	**-**	**6,764,437**	**-**	**6,764,437**
Term deposits	**259,463**	**302,707**	**-**	**562,170**	**-**	**562,170**
Instalment credit debtors	**3,495**	**12,026**	**211,463**	**226,984**	**637,136**	**864,120**
Financial assets at FVTPL	**14,135,709**	**-**	**7,722,472**	**21,858,181**	**-**	**21,858,181**
Accounts receivable and other assets	**714,190**	**2,670,028**	**3,344,774**	**6,728,992**	**1,076,429**	**7,805,421**
Properties held for trading	**-**	**-**	**1,419,575**	**1,419,575**	**-**	**1,419,575**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**133,660,668**	**133,660,668**
Investment in associates	**-**	**-**	**-**	**-**	**31,229,754**	**31,229,754**
Real estates under development	**-**	**-**	**-**	**-**	**2,208,564**	**2,208,564**
Investment Properties	**-**	**-**	**-**	**-**	**1,361,504**	**1,361,504**
Property and equipment	**-**	**-**	**-**	**-**	**1,925,924**	**1,925,924**
Total assets	**21,877,294**	**2,984,761**	**12,698,284**	**37,560,339**	**172,099,979**	**209,660,318**
Liabilities						
Accounts payable and other liabilities	**1,305,221**	**4,294,061**	**2,631,337**	**8,230,619**	**2,781,314**	**11,011,933**
Term loans	**-**	**-**	**1,500,000**	**1,500,000**	**9,092,834**	**10,592,834**
Murabaha payables	**-**	**-**	**2,291,300**	**2,291,300**	**12,041,100**	**14,332,400**
Provision for employees' end of service benefits	**-**	**-**	**-**	**-**	**1,800,158**	**1,800,158**
Total liabilities	**1,305,221**	**4,294,061**	**6,422,637**	**12,021,919**	**25,715,406**	**37,737,325**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

34 Risk management objectives and policies (continued)
34.4 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2022:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Sub-total Up to 1 year KD	Over 1 year KD	Total KD
ASSETS						
Cash Cash and cash equivalents	9,090,060	345,492	-	9,435,552	-	9,435,552
Instalment credit debtors	-	-	205,440	205,440	470,163	675,603
Financial assets at FVTPL	21,264,510	-	541,350	21,805,860	-	21,805,860
Accounts receivable and other assets	1,977,505	795,018	5,498,173	8,270,696	209,354	8,480,050
Properties held for trading	-	-	1,309,066	1,309,066	-	1,309,066
Financial assets at fair value through other comprehensive income	-	-	-	-	114,845,728	114,845,728
Investment in associates	-	-	-	-	31,679,487	31,679,487
Real estates under development	-	-	-	-	1,886,005	1,886,005
Investment Properties	-	-	-	-	1,420,244	1,420,244
Property and equipment	-	-	-	-	2,049,843	2,049,843
Total assets	32,332,075	1,140,510	7,554,029	41,026,614	152,560,824	193,587,438
Liabilities						
Accounts payable and other liabilities	335,381	977,229	2,577,308	3,889,918	2,675,376	6,565,294
Term loans	-	-	4,960,415	4,960,415	8,673,219	13,633,634
Murabaha payables	-	-	2,291,300	2,291,300	12,749,400	15,040,700
Provision for employees' end of service benefits	-	-	-	-	1,745,631	1,745,631
Total liabilities	335,381	977,229	9,829,023	11,141,633	25,843,626	36,985,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

34 Risk management objectives and policies (continued)

34.4 Liquidity risk (continued)

The contractual maturity profile of the financial liabilities based on undiscounted cash flow is as follows:

31 December 2023 **Financial liabilities**	**Up to 1 month** **KD**	**1-3 months** **KD**	**3-12 months** **KD**	**Sub-total Up to 1 year** **KD**	**Over 1 year** **KD**	**Total** **KD**
Accounts payable and other liabilities	**1,305,226**	**4,527,191**	**2,631,337**	**8,463,754**	**2,781,314**	**11,245,068**
Term loans	**-**	**-**	**1,588,125**	**1,588,125**	**9,729,332**	**11,317,457**
Murabaha payable	**-**	**-**	**2,423,050**	**2,423,050**	**12,733,463**	**15,156,513**
Provision for employees' end of service benefits	**-**	**-**	**-**	**-**	**1,800,158**	**1,800,158**
	1,305,226	**4,527,191**	**6,642,512**	**12,474,929**	**27,044,267**	**39,519,196**

The contractual maturity profile of the financial liabilities based on undiscounted cash flow is as follows:

31 December 2022 **Financial liabilities**						
Accounts payable and other liabilities	335,381	977,229	2,577,308	3,889,918	2,675,376	6,565,294
Term loans	-	-	5,319,449	5,319,449	9,215,294	14,534,743
Murabaha payables	-	-	2,405,865	2,405,865	13,386,870	15,792,735
Provision for employees' end of service benefits	-	-	-	-	1,745,631	1,745,631
	335,381	977,229	10,302,622	11,615,232	27,023,171	38,638,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

35 Fair value measurement

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

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy.

The three Levels are defined based on the observability of significant inputs to the measurement as follows:

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

35.2 Fair value measurement of financial instruments
The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorised as follows:

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Financial assets:		
At amortised cost:		
Cash and cash equivalents	**6,764,437**	9,435,552
Term deposits	**562,170**	-
Instalment credit debtors	**864,120**	675,603
Accounts receivable and other assets	**7,805,421**	8,480,050
Carried at fair value:		
Financial assets at FVTPL	**21,858,181**	21,805,860
Financial assets at fair value through other comprehensive income	**133,660,668**	114,845,728
Total	**171,514,997**	155,242,793
Financial liabilities:		
Carried at amortised cost:		
Accounts payable and other liabilities	**11,011,933**	6,565,294
Term loans	**10,592,834**	13,633,634
Murabaha payable	**14,332,400**	15,040,700
Provision for employees' end of service benefits	**1,800,158**	1,745,631
Total	**37,737,325**	36,985,259

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

35 Fair value measurement (continued)
35.2 Fair value measurement of financial instruments (continued)

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2023				
Financial assets at FVTPL:				
Local quoted shares	**14,456**	**-**	**-**	**14,456**
Foreign quoted shares	**576,071**	**-**	**-**	**576,071**
Foreign unquoted shares	**-**	**-**	**7,722,472**	**7,722,472**
Investments in managed portfolios	**11,878,795**	**-**	**-**	**11,878,795**
Investment in managed fund	**-**	**1,666,387**	**-**	**1,666,387**
Financial assets at fair value through other comprehensive income:				
Local quoted shares	**9,015,937**	**41,826,432**	**-**	**50,842,369**
Local unquoted shares	**-**	**-**	**6,797,171**	**6,797,171**
Foreign unquoted shares	**-**	**-**	**47,507,688**	**47,507,688**
Investments in managed portfolios	**26,464,354**	**-**	**-**	**26,464,354**
Debit instruments	**-**	**-**	**1,729,851**	**1,729,851**
Investment funds	**-**	**319,235**	**-**	**319,235**
	47,949,613	**43,812,054**	**63,757,182**	**155,518,849**
31 December 2022				
Financial assets at FVTPL:				
Local quoted shares	1,120,889	-	-	1,120,889
Foreign quoted shares	582,896	-	-	582,896
Foreign unquoted shares	-	-	6,985,294	6,985,294
Investments in managed portfolios	11,304,093	-	-	11,304,093
Investment in managed fund	-	1,812,688	-	1,812,688
Financial assets at fair value through other comprehensive income:				
Local quoted shares	6,629,752	47,090,893	-	53,720,645
Local unquoted shares	-	-	5,685,404	5,685,404
Foreign unquoted shares	-	-	46,185,566	46,185,566
Investments in managed portfolios	5,588,830	-	-	5,588,830
Debit instruments	-	-	3,329,575	3,329,575
Investment funds	-	335,708	-	335,708
	25,226,460	49,239,289	62,185,839	136,651,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2023

35 Fair value measurement (continued)
35.2 Fair value measurement of financial instruments (continued)

Financial assets in level 3:
The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The fair value of unquoted investments is determined using valuation techniques. Fair value of the unquoted investments is approximately the summation of the estimated value of underlying investments as if realised at the consolidated statement of financial position date. In determining the fair value of these investments, the investment managers use a variety of methods and make assumptions that are based on the applicable market conditions at each consolidated financial position date. Investment managers also use techniques such as discounted cash flow analysis, recent transaction prices and market multiples to determine the fair value.

For certain other unquoted investments, information is limited to periodic financial reports provided by investment managers. These investments are carried at net asset values reported by the investment managers. Given the nature of those investments, the net asset value reported by the investment managers represents the best estimate of the fair values available for those investments.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit of loss and other comprehensive income, total assets, total liabilities or total equity.

There were no changes to the valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements

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

	31 Dec. 2023 KD	31 Dec. 2022 KD
Opening balance	**62,185,839**	46,519,951
Change in fair value	**(1,463,433)**	5,189,057
Sales	**(2,803,996)**	(5,779,367)
Purchases	**5,838,772**	16,256,198
Closing balance	**63,757,182**	62,185,839

Non-financial instruments

Investment properties were fair valued for the impairment assessment at 31 December 2023 as the Group uses the cost model of accounting. Fair value of the properties is disclosed in Note 20.

Description of significant unobservable inputs to valuation of non-financial assets:

Fair value of investment properties were determined using Mark to Market method, conducted by valuators considering transaction prices of the property and similar properties. The significant unobservable valuation input used for the purpose of valuation is the market price per square foot/ meter and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

36 Capital risk management

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

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

The capital structure of the Group consists of the following:

	31 Dec. 2023	31 Dec. 2022
	KD	KD
Term loans (note 23)	**10,592,834**	13,633,634
Murabaha payables (note 24)	**14,332,400**	15,040,700
Less:		
Cash and cash equivalents (note 12.1)	**(6,764,437)**	(9,435,552)
Term deposits	**(562,170)**	-
Net debt	**17,598,627**	19,238,782
Equity	**171,922,993**	156,602,179
Net debt to equity ratio	**10.24%**	12.29%

37 Capital commitments

At the date of the consolidated statement of financial position, the Group had capital commitments of KD 522,869 (31 December 2022: KD37,098) for properties under development and capital commitments of KD71,558 (31 December 2022: KD90,394) for the investments in managed funds.

38 Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including total assets, total liabilities, equity, profit and cash and cash equivalents.

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the Violations and Penalties Report, registered by the regulators and for which the Company was penalized, for the financial year ended December 31, 2023	تقرير المخالفات والجزاءات التي رصدتها الجهات الرقابية وأوقعت بشأنها جزاءات على الشركة للسنة المالية المنتهية في 31 ديسمبر 2023
During the FY 2023, there are no violations that resulted any financial and non-financial penalties to the company.	خلال عام 2023 لا يوجد مخالفات نتج عنها تطبيق جزاءات (مالية وغير مالية) على الشركة.

طلال جاسم البحر
رئيس مجلس الإدارة

Appointing External Auditor	تعيين مر اقب الحسابات
15. Approval of the appointment of the company's auditor, for the fiscal year 2024, from the approved list of auditors at the Capital Markets Authority, consider the duration of mandatory change of auditors, and to authorize the Board of Directors to determine their fee.	15 الموافقة على تعيين مراقب حسابات للسنة المالية 2024 من ضمن القائمة المعتمدة بأسماء مراقبي الحسابات لدى هيئة أسواق المال مع مراعاة مدة التغيير الالزامي لمراقبي الحسابات، وتخويل مجلس الإدارة بتحديد أتعابه.
The nominated Auditor by Board of directors: Mrs. HIND ABDULLAH Al SURAIA - GRANT THORNTON - AL QATAMI AL AIBAN & PARTNERS	مراقب الحسابات الموص به من مجلس الادارة: السيدة/ هند عبدالله السريع - مكتب جراند ثورنتون - القطامي والعيبان وشركاهم

مجموعة أرزان المالية
للتمويل والاستثمار ش.م.ك.ع

مساهمة مجموعة أرزان للتمويل والاستثمار في المسؤولية الاجتماعية

خلال السنة المالية المنتهية في 2023/12/31

#	تاريخ الحدث	الحدث	قيمة المساهمة (د.ك)
1	2023/01/05	رعاية جامعة الكويت – طلبة كلية الهندسة (مشروع تخرج)	500 KD
2	2023/01/11	دعم ورعاية الجمعية الكويتية لمكافحة التدخين و السرطان	2500 KD
3	2023/03/26	أعلنت مجموعة أرزان المالية للتمويل والإستثمار عن تبرعها و مشاركتها كمساهم إنساني مع جمعية الهلال الأحمر الكويتي في حملتها المجتمعية و الإنسانية المتنوعة.	15,000 KD
4	2023/03/26	أعلنت مجموعة أرزان المالية للتمويل والإستثمار عن تبرعها و مشاركتها مع جمعية القلب الكويتية في حملتها المجتمعية و مشاريعها المتنوعة.	2000 KD
5	2023/08/16	رعاية جامعة الكويت – رابطة طلبة كلية الهندسة.	5000 KD
6	2023/08/31	رعاية جامعة الكويت – رابطة طلبة كلية العلوم الإدارية.	2000 KD
7	2023/10/12	أعلنت مجموعة أرزان المالية للتمويل والإستثمار عن تبرعها لجمعية الهلال الأحمر الكويتي في حملتها لإغاثة فلسطين	5000 KD
8	2023/12/06	استقبال مجموعة أرزان المالية عدد من طلبة الجامعة بهدف زيادة الوعي المالي و الاستثماري لديهم بالإضافة إلى تعريفهم بمجموعة أرزان المالية و ما تقدمه من خدمات متنوعة في القطاع الإستثماري.	0 KD
		المجموع	32,000 KD

مجموعة أرزان المالية
للتمويل والاستثمار ش.م.ك.ع

The contributions of Arzan Group for Finance and Investment in CSR

During the fiscal year ending on 12/31/2023

#	EVENT DATE	EVENT	Contribution Amount (K.D)
1	2023/01/05	Sponsorship of Kuwait University - College of Engineering students (graduation project).	500 KD
2	2023/01/11	Arzan Financial Group for Finance and Investment announced its donation and participation with Kuwait Society for Smoking and Cancer Prevention	2500 KD
3	2023/03/26	Arzan Financial Group for Finance and Investment announced its donation and participation as a humanitarian contributor with the Kuwait Red Crescent Society in their community campaign and projects.	15,000 KD
4	2023/03/26	Arzan Financial Group for Finance and Investment announced its donation and participation with the Kuwait Heart Foundation in their community campaign and projects.	2000 KD
5	2023/08/16	Sponsorship of Kuwait University - College of Engineering students Association	5000 KD
6	2023/08/31	Sponsorship of Kuwait University - College of Business and Administration Association	2000 KD
7	2023/10/12	Arzan Financial Group for Finance and Investment announced its donation and participation with the Kuwait Red Crescent Society in their campaign to relief Palestine	5000 KD
8	2023/12/06	AFG hosts a group of university students with the aim of increasing their investment and financial awareness , in addition to introducing them to Arzan Financial Group and the various services it provides in the investment sector.	0 KD
Total			**32,000 KD**