ANNUAL REPORT 2023

ARZAN FINANCIAL GROUP
For Financing & Investment K.P.S.C.

Arzan Financial Group for Financing and Investment K.S.P.C.
Established on 15th April 1980

Paid up Capital: KD 83,098,344.500
(Eighty-three million and ninety-eight thousand and three hundred and forty-four Kuwaiti Dinars and five hundred fils)

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ARZAN
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H.H. Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT

Content

BOARD MEMBERS

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Talal Jassim Al-Bahar
Chairman

Jassem Hasan Zainal
Vice Chairman & CEO

Ibrahim Saleh Al Tharban
Board Member

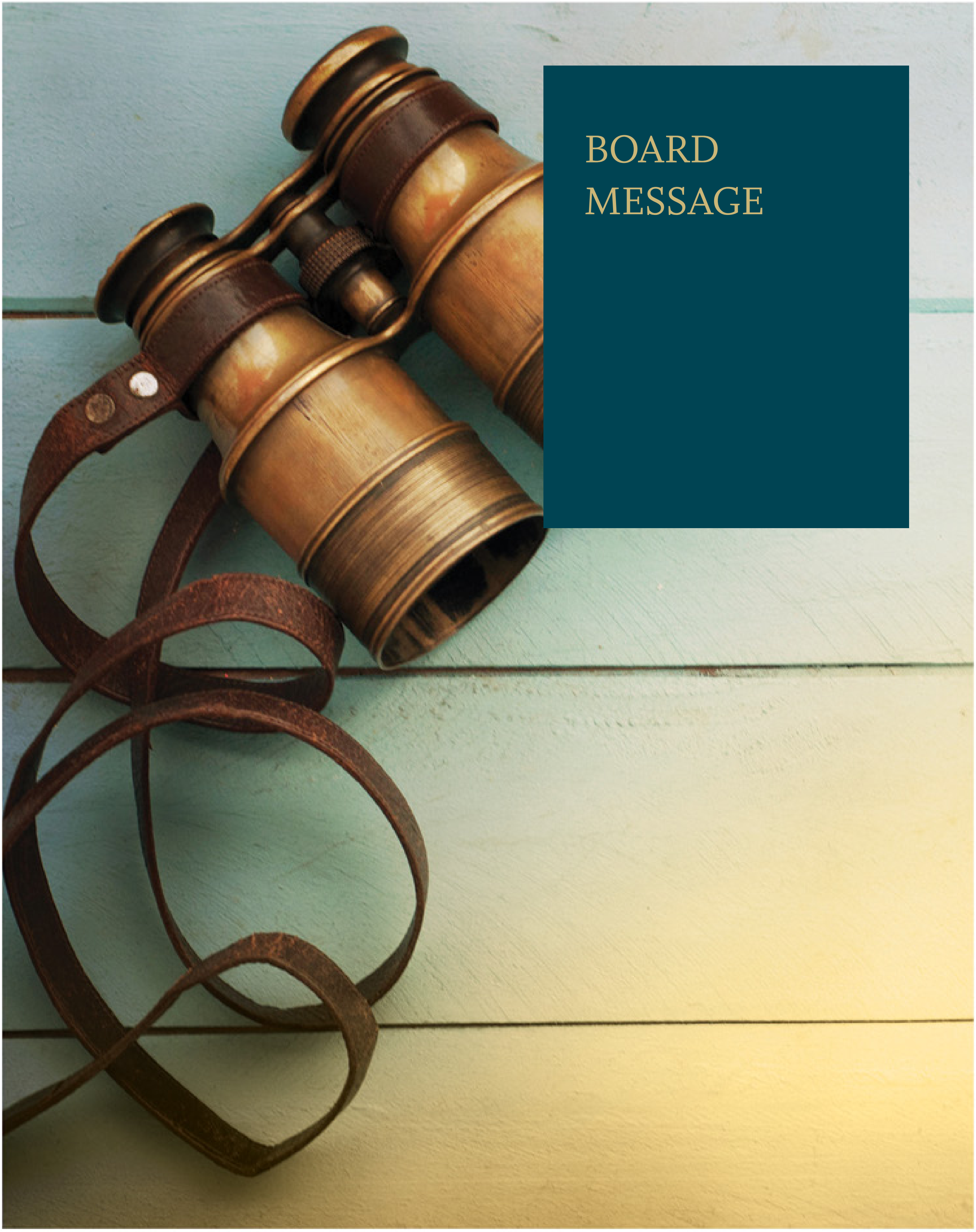
Emad Abdullah Al Essa
Board Member

Bader Jassem Al Hajri
Board Member

Issa Abdullah Al Muzaini
Board Member

Dr. Sulaiman Tareq Al-Abduljader
Board Member

Ruba Fati Ghanem
Board Secretary



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

MANAGEMENT REPORT

ARZAN WEALTH

Arzan Wealth (DIFC) Limited is a Dubai-based investment advisory firm regulated by the Dubai Financial Services Authority and is a 100%-owned subsidiary of Arzan Capital (Holding) Limited, a holding company incorporated in the Dubai International Financial Center (DIFC). Arzan Wealth primarily advises on income-producing real estate investments in mature Western markets, with a secondary focus on specifically curated private equity opportunities that can generate attractive risk-adjusted capital gains.

The past year has been turbulent for the global economy. Central banks around the world have increased interest rates aggressively across 2022 and 2023 in an effort to tackle inflation, while attempting to balance the growth impact of such actions. Silicon Valley Bank collapsed suddenly, sending shockwaves through US banking markets due to fear of contagion. That event, the third-largest banking failure in US history, prompted concerns among both customers and investors about the health of other institutions and led to emergency intervention by Federal authorities to ensure banking system stability.

Geopolitical tensions that elevated in 2022 with Russia's invasion of Ukraine remained a key source of uncertainty, and have risen further because of the evolving conflict following the 7th October 2023 Hamas attacks on Israel and the continuing retaliation war by Israel on the Gaza strip. The risk of an expanded Middle East armed conflict has clearly become more pronounced. Amid such heightened geopolitical tensions and a longer-term decline in global trade due to the "re-shoring" trend in manufacturing sectors, the anticipated cyclical pick-up in economic growth could face significant headwinds.

The commercial real estate capital markets have slowed due to surprising economic resilience in spite of higher interest rates, thus pointing to a prolonged period of elevated debt costs. Financing has been difficult to obtain as the cost of capital increased and lender appetite diminished amid volatility in financial markets.

At Arzan Wealth, we focused on addressing any asset management and debt refinancing issues within the existing portfolio, but also cautiously pursued unique deals with attractive risk-reward dynamics. Within the context of our primary strategy of preserving and protecting the wealth of our clients, we successfully advised on one new debt transaction in the US under the Debt Strategy Platform. Furthermore, we were able to advise on one profitable exit in the USA for our clients.

Organizationally, Arzan Wealth took a strategic leap to expand its physical presence and legally formed a wholly owned entity, Arzan Holding US. This pivotal move aimed to provide more effective sourcing and oversight of debt transactions undertaken with third party partners in the USA. The creation of Arzan Holding US was driven by a vision to fortify our presence in the world's largest economy. By assembling a team of experts adept at navigating the complexities of US debt transactions, we aimed not only to expand our geographical footprint but also to ensure meticulous management of our debt investments in the US. This subsidiary stands as a testament to Arzan Wealth's commitment to excellence and its proactive approach to optimizing opportunities in the ever-evolving landscape of global finance.

Under the Yielding Asset Platform, 2023 presented challenges for Arzan Wealth. Despite the group's diligent efforts, finding opportunities that fall within our quality and risk guidelines proved to be a formidable task. While economic fundamentals are broadly robust, the market experienced various phases of turbulence, with capital markets exhibiting volatility. We are expecting that compelling opportunities will emerge for commercial real estate investors in 2024, as high interest rates and an economic slowdown—perhaps even a mild recession—lead to bargain pricing for certain assets.

Under the Real Estate Debt Platform, we successfully advised on one new debt transaction financing a stable and well-performing portfolio of 491 single-family properties located in Baltimore, Maryland, with 61% of income supported by government-sponsored affordable housing programs.

We see a tremendous opportunity to grow our debt transaction volume further during 2024 and beyond, supported by the increased investment by Arzan Holding in strengthening our deal sourcing and due diligence capabilities through Arzan Holding US.

On the exit side, under the Real Estate Debt Platform, we successfully advised on the exit of a mezzanine lending transaction in Baltimore. The investment was entered into in October 2020 as part of Arzan Wealth's Debt platform, utilizing the Real Estate Index Linked Securities ("REILS") structure, which was designed as a 6-year amortizing mezzanine loan to a portfolio of 272 single family rental homes in Baltimore, Maryland, USA. The outcome surpassed our expectations, delivering returns that exceeded projections.

Within the private equity business line, the Arzan Food & Beverage New Brands Vehicle invests in specialized food and consumer product companies in the US and was launched in Q4 2019. The fund holds 15 portfolio companies. The Fund investment window closed in May 2022 and is no longer making any new investments. The fund has entered the harvesting period by completing the first exit for one of the companies, which was sold at a 3X total return. This successful disposition allowed the fund to distribute a cash portion to investors. We anticipate large positions to provide liquidity during 2024 and 2025.

Outlook for 2024

Due to the start of a decline in interest rates and a potential economic slowdown, commercial real estate investment activity is probably going to start to pick up in the second half of 2024. Compelling opportunities are expected to emerge for investors due to bargain pricing for certain assets. Nonetheless, Arzan Wealth remains cautious and diligent in its approach to new transactions that align with our quality and risk guidelines. Our unwavering commitment to secure income-producing real estate assets positions us well to attract investors. Simultaneously, we will maintain a dedicated focus on optimizing the performance of our existing assets.

Arzan Wealth's main goals are to primarily focus on safeguarding our client's wealth, ensuring security through consistent income, and fostering increased diversification in established international markets. Our unwavering commitment revolves around dedicating our efforts to delivering excellent advisory services to investors. Through thoughtful and careful guidance, we aim to empower our clients to sensibly diversify their foreign investments and navigate the global financial landscape with confidence.

Muhannad Abulhasan
Chief Executive Officer – Arzan Wealth

ARZAN CAPITAL

Arzan Capital (Holding) Limited, established back in 2016 within the Dubai International Financial Centre (DIFC), is an investment holding company and subsidiary of Arzan Financial Group (AFG). The company operates as AFG's consolidating vehicle for its non-Kuwaiti alternative investment business operations.

Arzan Capital, in conjunction with its operating subsidiaries, offers a range of comprehensive advisory services in business lines that include yielding assets (predominantly commercial real estate in select Western markets), private debt, private equity, in addition to tech-focused venture capital specific to the MENA region.

The company has been continuously looking to expand its product offerings by integrating new business lines within the alternative assets space. In light of the global economic conditions' effect on markets over the past couple of years, Arzan Capital and its subsidiaries have been conservatively maintaining levels of business activity by continuously adopting the balanced strategy it judiciously enacted back in 2022.

The diverse investor base of Arzan Capital includes regional institutional investors, family offices, along with HNWIs. Continual efforts are in place to leverage anticipated opportunities markets are expected to produce, all while holding prudent measures to maximize and preserve shareholders' value.

ARZAN ASSET MANAGEMENT

At Arzan Asset Management Division, we provide clients around the world with a dedicated partnership and focus on long-term performance. Working in a culture that values integrity and transparency, client will be part of a diverse team that is passionate about their craft, our clients, and building sustainable success. We serve a wide range of investors, including institutions, family offices, high-net-worth individuals and retail clients. Arzan Asset Management focuses on managing investments in regional and international markets by providing portfolio management services, margin portfolio services, as well as custody services.

- **Discretionary Portfolios**

Discretionary portfolios follow a client-customized investment philosophy where client's assets will be invested by a professional team in various segments of the capital markets based on client risk/reward profile and the investment objectives. We will guide client's through the different features of each option during his portfolio selection. Our goal is to continue to achieve solid and sustainable risk-adjusted performance over a longer period, with our regional network and expertise as client's constant support throughout.

- **Non-Discretionary Portfolios**

For clients who wish to enjoy a greater degree of participation in the management of their investments. The choice to execute the timing of the investment decision rests solely with the investor. We will help clients tailor their investment avenues which will be backed by extensive research and a professional set of experts. We work closely with clients to meet their needs and optimize their order execution requests on a daily basis.

Following the successful launching Arzan Trader, a global trading platform that connects our institutional and retail clients' through a state-of-the-art reliable trading platform. Arzan Trader serves as a fully-fledged platform that centralizes clients' trades under one platform with integrations on mobile devices and desktop browsers. Our highly experienced and dedicated brokers offer clients access to local and regional markets through seamless execution of trades across a wide range of asset classes. Nonetheless, as part of our vision, we have set goals and milestones to have a competitive edge among peers in the market. Those include improving on our existing products and continuously introducing new products to accommodate all clients.

- **Margin Portfolios**

As we are the first mover in launching margin trading in Kuwait, Margin Portfolios are designed for investors who seek increased leverage and flexibility across Kuwait stock market. Using a margin loan, clients are able to enhance their investing power, which can be an effective way to build wealth and diversify a portfolio of securities. We use our expertise in developing restricted securities list under margin portfolios as part of our mission in taking prudent care of our investors and help decrease their overall risk. Those restrictions include eligible tradeable securities and a specified concentration limit on equity allocations.

- **Custody Accounts**

Ensuring the highest level of security, we offer custody accounts services for investment portfolios. We help our clients setting up these accounts at favorable rates.

As we believe that the future lies in our ability to design solutions that fit different client's segments needs, we are undergoing a strategy that focuses on introducing new products and investment solutions. Arzan Asset Management prioritizes maintaining its edge in the current dynamic, and highly competitive market to accommodate the observed shift in regional and international economies.

Talal Al Bahar
Deputy CEO

ARZAN BROKERAGE

In Arzan Brokerage we oversee the following Sister Subsidiaries Brokerage firms as part of Arzan Brokerage objectives:

- EFG Hermes IFA (Kuwait),
- Arzan Securities Brokerage (Egypt), and
- International Financial Advisors (Jordan).

Talal Al Bahar
Deputy CEO

ARZAN COLLECTION

In 2023, Arzan Collection Co. (S.P.) company was obtain new contracts with a several distinguished companies in Kuwait and gain their trust to provide them with all collection services. Arzan Collections Co built an overseas network of agents in 11 countries covering most of Arabian region and some countries in Asia such as India, Pakistan, and Philippines.

Arzan Collections Company provides all types of collections and follow-up services for Arzan Finance Group portfolio, banks and other companies in the Kuwaiti market.

Arzan Collections management are expert on services , operations and products of several sectors such as banks, finance companies, telecom, real estate, retailers, insurance, and logistics companies.

Talal Al Bahar
Deputy CEO

ARZAN CREDIT

The credit department at Arzan Financial Group is distinguished in providing innovative financial services and solutions to companies seeking financing. A diversified credit portfolio has been built and developed that includes many local sectors in line with the wise guidelines of the Central Bank of Kuwait. The credit department adopts the principle of sustainable growth based on maintaining the quality and performance of companies it has previously dealt with, in addition to its continuous endeavor to attract the largest number of clients from various sectors, including the commercial, service, construction and industrial sectors. The forecasted growth of the portfolio is focused on attention to quality factors as well as compliance with the laws and regulations issued by the Central Bank of Kuwait and the relevant regulatory authorities.

With reference to the year 2023, the credit department witnessed a remarkable development in performance despite the noticeable increase in interest rates linked to inflation factors from the financial side and political and economic factors in the region. The executive management worked to develop and find appropriate innovative credit solutions and financing means, which helped attract new clients at a higher rate than the previous year, while working to overcome obstacles to retain current customers who have proven the solidity of their financial position, good management, and commitment to payment and financing terms. Among best quality practices, the credit department works to diversify the study of financing requests to reduce the risks of credit concentration and reduce any allocations that may reflect negatively on the growth plan. As for customer selection, strict measures have been put in place to study financing requests with a periodic review of approval standards imposed by the credit policy and the Administrative Credit Committee in cooperation with the Risk Management and Compliance Department. These measures include credit analysis of audited financial statements, cash flows, bank account movement, and assessment of the administrative staff's experience, asset quality, and nature of business. It is worth noting that analyzing the credit information network data and evaluating the reports issued by the Central Bank of Kuwait for various sectors in the State of Kuwait helped in the good selection of customers as well.

Moreover, the credit department provides reports related to monthly performance, income, collaterals, and the extent of customer commitment, as well as a list of new customers under study or approval. In order to mitigate the risks and applying the instructions of the Executive Management and Central Bank of Kuwait, the Credit Department seeks to establish a close relationship with its clients to ensure proper utilization of financing, follow-up on their performance, ensure good management of their financial and human resources and business development.

Talal Al Bahar
Deputy CEO

EASY BUY – BNPL SERVICES

EasyBuy is a company that provides installment sales services (Buy Now, Pay Later), facilitating customers' shopping experiences to own consumer durable goods with flexible payments and focusing on clients who require business-friendly services and quick turnaround times. EasyBuy service was launched with one branch in 2017, and it expanded to 104 branches throughout 2018, 2019, 2020, 2021, and 2022 reaching 147 branches in 2023 in partnership with 100 Kuwaiti companies. EasyBuy company managed to add new vendors and new branches to diversify its portfolio to include new products such as electronics, curtains and wall coverings, online teaching apps, motorcycles, bicycles, gaming, coffee machines and accessories, sea and desert tools, car protection, drones, cosmetics, dentistry, vehicles, and truck spare parts. Furthermore, EasyBuy is in the process of launching the EasyBuy premium card and the online marketplace during the coming year to cope with the fintech world and provide the easiest and most convenient service to the customers.

EasyBuy highlights a new segment in the market that would diversify the group services portfolio and offer a competitive edge compared to existing local installment sales providers currently in the market.

Our goal is to improve the installment sales industry (buy now, pay later) in the Kuwaiti market. EasyBuy focuses on customer satisfaction by offering competitive pricing, simplified installment plans, and fewer requirements.

Talal Al Bahar
General Manager – Easy Buy

ARZAN VC

In 2023, Arzan VC's portfolio size remained at 46 companies, our number of exits increased to 10 and we made 1 follow-on investment in Nearpay (KSA) through our third fund (AVC III).

Our second fund (AVC II) witnessed an acquisition by another portfolio company of ours: KSA-based Hala (AVC II and AVC III portfolio company) acquired UAE-based Paymennt.com (AVC II portfolio company), thus increasing the total exits of AVC II to 5.

While Arzan VC's first fund (AVC I) had been closed since 2017, we continued to support and add value to the remaining 5 active companies in the fund, which include TruKKer (KSA), Mejuri (Canada) and Armada Delivery (Kuwait).

Regarding AVC II, its investment period ended in Q3'23 and the fund had 21 active companies as of December 31, 2023. It's worth noting that AVC II had screened a total of 2,390 deals since its inception.

Regarding AVC III, its portfolio comprised 3 companies as of December 31, 2023: Money Fellows (Egypt), Nearpay (KSA) and Hala (KSA).

Arzan VC team continued deal scouting and screening throughout the year with a total of 276 deals screened, out of which 165 were seed-stage deals (60%). Most of the deals originated in KSA (25%) and UAE (25%), followed by Egypt (11%) and Kuwait (6%).

The team attended 20 VC events throughout 2023, mainly in Riyadh, Dubai, Karachi, Cairo and Limassol. We also organized an exclusive gathering for our portfolio and investors in Riyadh in February 2023, which was attended by 50+ individuals.

Hasan J. Zainal
Managing Partner

MARKETING & PUBLIC RELATIONS

In 2023, Arzan Financial Group continued the success and leadership in the market through implementing the strategies and plans aimed primarily at protecting the wealth of its clients and investors, enhancing their confidence and satisfying all their needs by providing all types of financial services and financial solutions, Arzan Financial Group succeed over the past ten years in providing a several financial and investment services and solutions, this successes in the investment sector leaded us for a promotion of to the premium market in Boursa Kuwait after matching the requirements and the standards of promotion, This achievement is considered a culmination of our diligence and our pioneering role in the investment sector.

Marketing and Public Relations Department succeeded in promoting the brand of the Group and enhancing AFG image internally and externally through AFG websites, social media channels, press conferences, press releases, and the participations in community service and social responsibilities throughout the year.

During 2023 Arzan Financial Group faced many tough challenges. Despite these circumstances, the Marketing and Public Relations Department successfully passed these challenges and continued by exploiting available technological solutions and through social media channels, press interviews and great media appearances throughout the year.

In addition, Arzan Financial Group provided a great appearance in press , social media channels & CSR participations by supporting national projects , social responsibility projects and allocating 1% of AFG profits to support the CSR activities in 2023 , That would contribute to the development of society through its contribution effective in many activities organized by civil society institutions and CSR campaigns of all kinds, which would serve all sectors of society, whether cultural, health, developmental, environmental, educational and others, with the aim of achieving the positive impact on society.

Fawaz Almunaya
Marketing & PR Manager

INVESTOR RELATIONS UNIT

In 2023, The Investor Relations Unit succeeded in building the relationship between Arzan Financial Group and shareholders, investors, and stakeholders, as it handled an effective role to let them know more about the company's activities, financial performance and its strategic directions by holding analyst conferences, communicating, responding to all their inquiries, serving them and facilitating their right to attend general assemblies. During the year, the unit built links between the Board of Directors, executive management, current and potential investors and all related parties and providing a recommendations In order to develop the services for AFG investors and shareholders.

The unit also had a role in following up the disclosure of essential information and disclosures for each of the members of the Board of Directors and the Executive Management, and the necessary data, information and reports for the potential investors through the usual channels of disclosure, also The Investor Relations Unit has expanded the uses of information technology to communicate with shareholders, investors and stakeholders by supervising the company's corporate governance sections in AFG website and displaying all the latest information and data that helps shareholders, current and potential investors to proceed their rights and evaluate the company's performance.

Fawaz Almunaya
Head of Investor Relations

ADMINISTRATION DEPARTMENT

In cooperation with all departments, Administration Department achieved the required objectives of Arzan financial Group, and its subsidiaries, to be aligned with top management strategy and vision.

Administration department is divided into three main categories according to the approved organization structure, which are:

- Government relations
- General services
- General registration and Archiving

Under the framework of government relations, Admin team are always keen to implement the required decisions and instructions regulated by government officials. Admin department always prioritize training and development programs for their specialized team under government relations division, to be in line with the newly developed rules and regulations, in order to achieve the required goals of the group's vision. For example, renewing expired commercial licenses and submitting all budgets related to 2023.

In addition, regarding general services, Admin team is constantly maintaining AFG workplace and main facilities to provide comfort and safety for the employees. Admin maintenance team are always following up the periodical and preventive maintenance to secure the properties of AFG and maintaining the safety of Arzan tower as part of top management instructions. Admin team successfully conducted fire training evacuation for Arzan tower as part of the group's policies and procedures and the governmental instructions. This training was set to train the employees to take the right decisions in case of any fire outbreak. Moreover, in line with AFG digital transformation strategy, admin team successfully automated material and stationery requisition, maintenance requests, and stores management to be fully digitized.

Lastly, general register and Archiving division team kept their focus on digital transformation strategy by digitally implementing AFG policies and procedures. To elaborate, contracts review cycle became very simple and documented easily without any chance of human error. Also, internal memos have been automated in AFG automation system with required approvals and archiving process digitally.

In addition, admin department focus on installing advanced cameras in Arzan tower to protect AFG assets and clients documents. Admin team is always working to maintain the safety and comfort of the employees in order to achieve department goals with highest efficiency and quality that guarantees the rights of its shareholders.

Ahmad AL Homaid
IT & Admin Manager

IT DEPARTMENT

In 2023, Information Technology department kept their focus on aligning and improving the core business needs with Arzan Financial Group's strategy. AFG main vision is to continue digital transformation services by enhancing current digital experience and expand AFG services to offer new products electronically.

During 2023 IT team, initiated an upgrade project for AFG core Business solution, (Temenos T24). Temenos is one of the world's top core banking software systems, as it is being used by 41 of the world's top 50 banks, serving more than 500 million customers every day. The project was initiated in 2023 based on AFG digital transformation plan, as T24 will be a consolidated system for Arzan and its subsidiaries. The upgrade will allow AFG to easily develop all new CMA & CBK requirements. AFG positioned new advance management reporting system or data warehouse/ Transact Data Hub (TDH), that delivers multiple essential data capabilities which are critical for AFG consolidation vision.

Our team maintained Arzan Automation System, that contains all AFG internal processes. The system is a unique product customized based on AFG policies & procedures. It is a web-based dashboard with a mobile application. AFG management directions emphasis on mitigating human error by adapting the concept of digital transformation, utilizing technology potential and capacity. Recently, AFG launched the budget module on automation system, that will control AFG budget with immediate budget check trigger on each request. This have tremendously reduced financial errors with more financial controls, and increased comfortability with trust in our authorized signatories. IT team also upgraded material requisition process and IT support requests for faster and better results.

It's been lengthy process in 2023 to evaluate and decide on IT infrastructure, with hardware sizing process to ensure smooth upgrade for AFG core business system and to be complied with AFG vision, IT department have upgraded the server room with the latest storage technology which is (FlashArray) provided by Pure Technology, which works with fast NVMe protocols. This technology works on high safety standards with encrypted data for more protection from ransomware. That will lead to a faster and more secure environment for AFG applications.

IT team have also upgraded its servers and operating systems to the latest releases to be aligned with the market requirements. In addition, backup solutions which are being performed on a daily basis in order to prepare the infrastructure and ensure business continuity in emergency circumstances.

Further to above achievements, our team implemented AVAYA voice over IP to be AFG main communication platform, to maintain the highest and best level of performance AFG internal & external voice communication.

IT department, aim to work closely with AFG top management vision, to ensure best outputs that satisfy AFG shareholders and clients by adapting latest technology solutions.

Ahmad AL Homaid
IT & Admin Manager

HUMAN RESOURCES

As we reflect on the recent developments within Arzan Financial Group, we are pleased to share updates from the Human Resources department and the significant role it plays in contributing to our company's success.

Our HR team has been actively engaged in sourcing and retaining top talent, aligning our workforce with the company's strategic objectives. We have had several successful recruitment initiatives that have brought in skilled professionals. We continue to adhere to local empowerment by hiring local talents and maintaining Kuwaitization ratios at high levels. Throughout the year, our main focus was employee retention strategies, resulting in a positive impact on our overall team stability as well as employee development and training by investing in our employees' growth. We have encouraged more employees to attend training programs aimed at enhancing skills and capabilities and have funded professional certificates that helped with career development and advancement within the organization.

The HR department also made efforts to streamline and improve our performance management processes which have resulted in enhancements to our performance appraisal systems for more effective evaluations and recognition programs designed to motivate and reward outstanding employee performance. As a team, we recognize the importance of a motivated and engaged workforce. Recent initiatives include taking insights from our latest employee engagement survey, guiding us in making improvements.

With all of the above in mind, we continue to strive to maintain a robust framework of compliance with labor laws and regulations with ongoing efforts to ensure adherence to all applicable laws and regulations. In addition, we have continuous updates to HR policies and procedures to reflect changes in compliance requirements. As we look to the future, our HR priorities align closely with the company's growth objectives and the HR department remains dedicated to supporting the company's vision and mission. We are committed to fostering a positive workplace culture, attracting top talent, and ensuring compliance with all relevant regulations. We at Arzan believe that employee Satisfaction is the key of Success.

Abeer Botrous
Senior Manager - Human Resources

OPERATIONS DEPARTMENT

The Operations Department plays a crucial and fundamental role in implementing the company's general strategy by efficiently settling various daily operations with the highest levels of precision and within the specified time. This is done while adhering to regulatory requirements and internal policies. Additionally, the Operations Department collaborates with other internal departments within the company, dealing with various external entities such as clients, regulatory and official bodies, numerous banks, companies, local and international institutions. This illustrates the multiple roles played by the Department and its importance in the overall company system.

Operations Department serves various departments, such as asset management regarding investment portfolios for the company and clients, Investment management regarding the company investments, credit management regarding opening and monitoring of credit accounts for clients, and collection management regarding receiving the collected amounts and depositing transactions in the company's accounts. In addition, the Operations Department provides the related departments with the reports which are necessary to conduct business and to achieve the general strategy of the company and matching the authority laws and regulations Additionally, operations Department offers various other services and is divided into main sections: Asset Management Operations, Credit Management Operations, Fund Section, and Swift money transfers.

In 2023, operations management provided all services and executed all assigned and emerging tasks, such as the "Arzan Trader" service for portfolio clients. The service which has been attracted new clients due to its numerous advantages, including instant order execution and providing continuous information around the clock for all global, Arab, and Gulf financial markets. We are always ready for any new investment tools or products, considering factors such as time, efficiency, and professionalism, which are priorities in the Operations Department's work.

During that year, we emphasized attending many courses for the development of employees' skills in the department and raising their efficiency. This includes attending specific technical courses related to the management's work, confirming our commitment to keeping pace with the latest developments in the business field. We also sought to continue raising the efficiency of the department by updating and developing the computer systems used to improve the working environment from various aspects. One of the most important aspects is the development of screens used in entering daily operations to achieve maximum speed and reduce human intervention, minimizing the possibility of errors. This development serves the main goal of the Operations Department, which is completing tasks with efficiency and professionalism in the shortest time possible, leading to customer satisfaction and meeting their needs.

Yasser Al Nahhas
Director - Operations Department

INTERNAL AUDIT

Arzan has an Internal Audit function that is commensurate with the size, nature and extent of business conducted by the Company.

The Senior Manager - Internal Audit functionally reports to the Board Audit Committee and administratively to the Chief Executive Officer. A risk-based audit approach is followed, and the Board Audit Committee approves annual audit plans.

The scope of work of the Internal Audit department is to determine whether Arzan's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning.

The Internal Audit function verifies the adequacy and effectiveness of internal controls from operation, financial and statutory compliance point of view through a blend of process and transactional audits.

A summary of significant observations along with any action plan identified by the management is placed quarterly before the Board Audit Committee for review and guidance.

Karthikeyan Palanisamy
Senior Manager - Internal Audit

LEGAL AND COMPLIANCE DEPARTMENT

We at Arzan Financial Group believe that our success depends mainly on its ability to operate harmoniously with society. Therefore, compliance is an essential ingredient for attaining sustainable group growth. At AFG we are constantly guided by the spirit of our principles which are the backbone of our group's philosophy. We strive to achieve sustainable economic, social, and environmental value, keeping with our stakeholders' expectations.

Our group's activities have always been conducted based on integrity and fairness; furthermore, to "maintain principles of transparency and openness, conducting financial business with integrity and fairness" is one of the group's most important Principles, and at AFG's official strategy we reiterated that exercising strict compliance remains a priority at AFG and that we will continue to cultivate our personnel who execute their responsibilities with a strong sense of ethics.

This brief provides a comprehensive overview of Arzan Financial Group's Legal and Compliance efforts for the fiscal year 2023. The Legal and Compliance team ensured the group's compliance with all laws and legislations issued by the relevant regulatory authorities and the rules specified by the Exchange, Clearing Agencies, and clients' contracts. Also, the team prepared and executed plans related to compatibility and compliance to ensure that the group's regulatory requirements, contractual obligations were met, and other legal requirements of relevance were all met. In addition, the team executed the requirements of the Anti-Money Laundering and Combating Terrorism Financing Law.

The team provided plenty of tips and training, which enhanced the group's compliance culture along with helping the employees. The training sessions on combating money laundering and terrorist financing were also provided to all company employees and board members. In addition, a seminar on sustainability and corporate governance has been given.

All the required regulatory reports and inquiries were submitted to the authorities. Moreover, the material information disclosures have been published on Boursa Kuwait and the company's websites; the group's employees also continuously adhere to the disclosure requirements of their dealings.

The group Legal and Compliance Department has played a vital role in ensuring the group's adherence to legal and regulatory frameworks. The proactive approach to training, cultural development, and timely disclosures reflects our commitment to transparency, integrity, and accountability. As we move forward, we remain dedicated to upholding the highest standards of compliance in all aspects of our operations.

Ahmad Amin Ali
Senior Manager – Legal & Compliance

RISK MANAGEMENT & INFORMATION SECURITY

The Principles of Risk Management at Arzan Group

Risk Management is part of the strategic management of Arzan Financial Group, which includes the main aspects that enable Arzan Group to identify, analyze, measure, and assess risks, as well as their management, and mechanisms to follow up and report them properly, in a manner that ensures protection and adds value to the Group and various stakeholders. Since the Group's activities involve a degree of risk, the Group applies strict principles regarding Risk Management intending to preserve and grow shareholders' equity.

Our risk strategy serves not only as a front for confronting risks, but also as a strategic partner that works together with Executive Management in supporting the Group's strategic decisions and ensuring the continuity and success of its business. Our continuous endeavor to realize the highest standards of efficiency in Risk Management in line with the regulations issued by the regulatory authorities and the international standard ISO 31000 regarding the Risk Management framework, the department seeks to realize the following principles:

- Ensuring that risks are within acceptable levels agreed upon by the Board of Directors.
- Determining and approving risk appetite by the Board of Directors.
- Following up on and managing risks on an ongoing basis.
- Spreading a strong risk culture among the Group's executives and employees.

Risk Management Governance:

Risk Management possesses complete independence within the Group's organizational structure. Risk Management plays an advisory role. The independence of Risk Management is reviewed and monitored by the Risk Management Committee originating from the Board of Directors, to ensure that it does not adversely affect the role of Risk Management and that there is a sufficient balance between risks and returns so that the Group can realize the sustainable growth objectives.

The effective coordination of roles and responsibilities among the Executive Management, the Risk Management Unit, the Risk Management Committee, and the Board of Directors plays an effective role in realizing the set objectives, as the Board of Directors and the Risk Management Committee work to determine the general strategies for Risk Management in the Group, while the Risk Management Department executes these strategies and regularly monitors and evaluates potential risks, providing accurate analyses and reports to the Board of Directors and the Risk Management Committee to help them take appropriate decisions. The Executive Management is committed to applying a strong risk culture and developing such culture, by providing more aspects of support and awareness among employees.

Risk Management acts as a second line of defense and focuses mainly on predicting and preventing risks before occurrence. Risk Management works proactively to identify, assess, and mitigate potential risks that may impact the continuity of the Group. Such matters include developing strategies to deal with these risks and reduce their impact.

Through applying Risk Management Governance, control and effectiveness of Risk Management is enhanced at the Group level, which contributes to achieving stability and sustainable success.

Overview of the Group's Risks

Risk Management aims to achieve a balance between realizing objectives and protecting the main interests and values of the Group. Risk Management is regarded as a vital part of business strategy, as it focuses on identifying, assessing and monitoring factors that may adversely impact the achievement of the Group's objectives. Risks vary to include a wide range of aspects, such as operational, financial, regulatory, legal, strategic, technological, money laundering, terrorism funding, and other risks. Risk Management is based on understanding the potential impact of such risks on the overall performance of the Group and developing strategies to deal with them with the aim of mitigating them and preventing them from impacting the long-term strategic results, objectives and reputation of Arzan Financial Group through the following:

- Identifying and classifying all potential risks that the Group could encounter.
- Assessing the degree of impact of each risk and the probability of its occurrence to determine priorities for preventative measures.
- Setting plans to deal with risks, whether by reducing, transferring, or accepting them.
- Monitoring environmental changes and analyzing their impact on identified Risks, allowing up-to-date strategies and preventive measures.
- Adherence to the laws and regulations related to risks, which protects and enhances the reputation of the Group.

The most prominent of which are as follows:

Credit Risk Management:

Arzan Group deals with credit risks through a comprehensive analysis of the credit portfolio, which includes a thorough assessment of the composition of loans and credit liabilities. Risk Management strategies demonstrate commitment to improving the ability to identify and understand potential threats, developing effective credit assessment policies, and setting appropriate limits. This approach aims to maintain a balance between realizing sustainable returns and ensuring effective protection of the Group's financial assets.

Risk Management applies IFRS 9 to calculate expected credit losses using the general principle. As soon as the facilities are granted, the Risk Management Department classifies them in one of three stages to calculate the required allocations in accordance with the applicable standards. The expected credit losses, i.e., 12-month expected credit losses for all facilities are calculated in Stage 1, and total expected credit losses for all facilities are calculated in Stage 2 and Stage 3 based on customer commitment. Expected credit losses need to be forward-looking in nature and include macroeconomic factors that affect expected credit losses. In addition, the expected credit loss needs to be probability-weighted.

Market Risk Management

The Group manages market risks through studying the impact of economic changes and price fluctuations, while focusing on diversifying portfolios, following up on developments in financial markets, and using financial tools for protection, while forecasting the impacts of economic and political events to acknowledge the balance between taking advantage of opportunities and minimizing market risks.

Price Risks: The Risk Management applies the value-at-risk (VAR) calculation model, passing through various stages of testing and verification, with the aim of ensuring the model's ability to provide accurate results that can be relied upon. The department calculates the value-at-risk as a percentage of investment in equities with a 95% certainty level, noting that the information obtained through calculating the value-at-risk will help the Group's management in taking the appropriate decisions and avoiding excessive risks.

During 2023, the value-at-risk ranged between 35.5% and 39.5% of the portfolio value because of the fluctuation in the market values of some listed stocks which are characterized by significant fluctuations due to exposure, to increase geopolitical and economic risks in many areas.

To manage price risks, the department analyzes market fluctuations, diversifies portfolios, and determines strategies to reduce the impact of fluctuations, while following up on financial news and economic events in order to adapt to changes effectively to maintain investment stability and realize balance between profits and reducing risks.

Currency Risks: The Group operates mainly in the Gulf Cooperation Council countries, the Middle East and North African countries, Europe, and the United States of America. The Group is exposed to foreign currency risks arising from recognized assets and liabilities and net investments in foreign operations.

During 2023, Arzan Group's assets were concentrated in several countries outside Kuwait at approximately 33% of which approximately 25% were in the United States of America.

In order to mitigate the Group's exposure to foreign currency risks, the department carefully analyzes market fluctuations and monitors cash flows in currencies other than Kuwaiti dinars in accordance with the Group's Risk Management policies with the aim of realizing financial stability and reducing the impact of currency fluctuations on the Group's profits.

Capital Adequacy Risks Management

The Risk Management applies the instructions and legislation relating to capital adequacy as approved by the Capital Markets Authority. The Risk Management prepares a capital adequacy report on a quarterly basis, submits it to the Capital Markets Authority, and presents it to the Board of Directors. The Risk Management monitors economic indicators to take the required measures to maintain the capital adequacy ratio in accordance with the limits set by the Capital Markets Authority. The capital adequacy risks ratio during 2023 ranged between 111% and 147% till the fourth quarter.

Liquidity Risk Management

Liquidity Risk Management at Arzan Group includes periodic analysis of cash flow forecasts, adopting appropriate financing structures, all the while applying modern financial management emergency procedures and technology to ensure business continuity and adapt to financial challenges.

To avoid these risks, the department monitors liquidity on a quarterly basis and develops controls for the maturity of assets and liabilities to ensure that no actual deficit occurs and reschedules the maturity of some liabilities to improve the level of liquidity. The quick ratio liquidity levels at Arzan Group ranged between 58% and 81% during 2023.

Operational Risks Management

Arzan Group has designed and executed a comprehensive Operational Risks Management framework. The main elements of this comprehensive operational risks' framework are as follows:

- Risk-Control Self-assessment (RCSA).
- Risk registers.
- Key risk indicators (KRIs).
- Risk data collection and incident management.

The risk team organizes regular workshops to complete risk and control self-assessments for various departments. Latent risks and their related controls, and residual risks have been identified and assessed. Through measuring the residual risks, the team has concluded that the risks summary requires the department's attention. The residual risk register is used to monitor risk strategies (acceptance, avoidance, transfer, or mitigation) and mitigate risks periodically.

The Risk Department is also in the process of compiling and analyzing risks key indicators and there has been an update of operational risk statuses.

In addition, the Risk Department constantly seeks to update policies, procedures, authorities and organizational structure to ensure the quality of Risk Management.

Risk Management of Margin Trading Service Operations: During 2023, the management enhanced the margin trading service control system by having members of the margin trading risk committee monitor the status of the portfolio daily and ensure compliance with the approved limits, in addition to the following objectives:

- Enhancing the ability to understand and analyze the nature and size of the risks confronting the margin trading service in accordance with the controls specified in the Capital Markets Authority Law, and implementing its regulations and their amendments, as well as determining the appropriate procedure to deal with them.
- Identifying internal or external factors that could lead to such risks and developing methods to confront them, taking into consideration the specific strategies and policies developed.

Business Continuity and Disaster Recovery Management

At Arzan Group, business continuity risk management and disaster recovery contain robust strategies that include continuous assessment of potential threats, execution of integrated emergency plans, and advanced technology to ensure continuity of operations and safeguarding of assets under emergencies.

The Risk Department supervises the continuous development of business continuity and disaster recovery measures to keep pace with business requirements, in addition to conducting periodic tests to ensure the readiness of the set plans if they must be activated, and submitting a report to the Board of Directors of the Arzan Group including the results of the report.

Compliance Risks Management

Compliance risks at Arzan Group Company include potential challenges relating to compliance with local and international laws and regulations, which requires executing and monitoring advanced compliance policies and procedures while continuously updating it to ensure the highest level of compliance and reduce legal and regulatory risks.

Arzan Group was subjected to a field inspection by the Capital Markets Authority during 2023, and the inspection resulted in a small number of non-material observations. Arzan Group has taken the necessary measures to rectify these observations and enhanced its procedures to ensure continued compliance and avoid potential risks in the future.

Money Laundering and Terrorist Financing Risks Management

Arzan Group ascribes great importance to policies, regulatory requirements, and controls relating to Anti-money laundering & combating the Financing of terrorism and has taken various regional and international developments into consideration in this context. During 2023, we have provided the required training regarding money laundering for 56 employees, including managers and executives, in addition to Members of the Board of Directors. We are constantly working to improve Anti-money laundering & combating the Financing of terrorism policies, including processes for analyzing customer data, improving due diligence processes, and providing periodic reports to various regulatory authorities. The Risk Management assesses the risks of money laundering and terrorist financing for Arzan Group customers and the Group’s products and services. During 2023, the Risk Department took a conservative policy to assess the risks of money laundering and terrorist financing.

Arzan Group was subjected to a periodic money laundering inspection by the Capital Markets Authority during 2023, and no observations were detected for the third year in a row.

Information Security and Cybersecurity Risk Management

Through our increasing reliance on digital financial services, the number of cyber-attacks has doubled over the past years, more than ever before. During 2023, global organizations and companies faced many cyber-attacks, including, for example, the “Chinese espionage campaign against the American government” of July 2023, the data leak of Boeng after the ransomware attack of “November 2023”, and Toyota Financial Services of “December 2023”.

Financial services remain the most targeted. It is clear that cybersecurity risks have become a threat to financial stability and that cyberattacks are one of the most potential risks worldwide. Therefore, progress and development cannot be achieved except through a series of steps that ensure the application of information security.

During 2023, the department began executing policies and procedures with the aim of obtaining ISO 27001/2022 certification and full compliance with the cybersecurity framework issued by the Central Bank of Kuwait. The Department appointed KAS Company as a consultant to assist with cybersecurity and ISO 27001/2022 certification requirements.

Technical Services Risk Management

The use of technological and technical methods represents vital progress in operations, but it exposes the Group to risks associated with remote identity verification and electronic registration. This approach increases the risk of false identities and fraud, making it easier for individuals with malicious intent to access financial services.

To manage these risks, the management has taken several preventive measures, including enhancing the Group's commitment to applying strict money laundering and combating terrorist financing procedures, including comprehensive customer screening and transactions monitoring systems, and conducting ongoing risk assessments.

Electronic Trading Service Risks: By launching the "Arzan Trader" service at the beginning of 2023, the Arzan Group expanded the scope of its services for regional and international electronic trading, with the goal of increasing the Group's revenues and enhancing customer engagement. The Risk Department has studied the risks of providing this service, and set controls and procedures to reduce these risks, especially regarding money laundering risks, through improving policies and procedures, customer contracts, adopting know-your-customer forms, and enhancing the security of the electronic trading platform.

Risks of Opening Accounts Using Modern Technical Means: The Capital Markets Authority has amended the executive regulations allowing the opening of accounts using modern technical means. Although this technology offers many advantages, such as speed, convenience, and reducing the paperwork used, it also comes with a set of risks, such as cybersecurity risks, privacy risks, fraud and deception risks, and compliance risks to ensure that account opening processes adhere to local and international laws and regulations, such as risks of non-compliance with know-your-customer and anti-money laundering requirements, risks of system failure and risks of data misuse. The Group has put in place robust security policies, including the use of encryption to protect data, stringently implements know-your-customer and anti-money laundering procedures, conducts periodic risk assessments, and provides appropriate training to employees on security best practices to be implemented in 2024.

Sustainability Risks

The idea of sustainability has arisen with the modern environmental movement, which criticized the unsustainable nature of contemporary societies, as patterns of resource use, growth, and consumption threaten the integrity of ecosystems and the well-being of future generations. It serves as a standard whereby existing institutions are judged, as a goal towards which society needs to move. Sustainability also includes developing existing patterns of social organization to determine the extent to which it avoids destructive practices, in addition to exerting strong effort to transform the current status to promote the development of more sustainable activities and having them linked to financial markets.

The management seeks to measure and assess sustainability risks in the upcoming year to include them in the Arzan Group's periodic risk measurement and follow-up reports.

Nawal Baddar
Senior Manager - Risk Management & Information Security

FINANCE DEPARTMENT

Dear esteemed shareholders, It is with great pleasure that I welcome you to the annual results summary for the year ended December 31, 2023. This summary underscores our commitment to transparency and accountability regarding our financial reports. I would also like to highlight the accessibility of the audited consolidated financial data for the year ended December 31, 2023, along with the independent auditor's report, which is an integral part of the 2023 annual report.

In this annual results summary, we will shed light on the key financial ratios and indicators for the current year ended December 31, 2023, as follows:

Firstly, Financial Indicators for Key Income Statement Items:

- Net Profit: Despite prevailing market challenges, Arzan Financial Group demonstrated resilience by achieving a net profit of 7 million Kuwaiti Dinars, evidence of prudent management practices and strategic decision-making.
- Basic Earnings per Share stood at 8.7 fils, reflecting our steadfast commitment to creating value for our esteemed shareholders amidst dynamic market conditions.
- Total Comprehensive Income witnessed a significant increase to 20.22 million Kuwaiti Dinars, indicating a notable turnaround from the previous year and affirming our ability to capitalize on opportunities amid adversity.

The charts below illustrate the key income statement items attributable to the shareholders of the parent company for the year 2023 compared to the past four years as follows:

- Net Profit: Net profit and earnings per share for the year ended December 31, 2023, declined due to the loss resulting from changes in fair value of financial assets at fair value through profit or loss.
- Comprehensive Income: Total comprehensive income increased during the year ended December 31, 2023, due to the rise in fair value changes of financial assets at fair value through other comprehensive income.

Secondly, Financial Indicators for Key Balance Sheet Items:

- Total Assets: Our total assets increased to 209.66 million Kuwaiti Dinars, representing an 8% growth driven by strategic investments and asset value enhancement strategies.
- Total Liabilities: While total liabilities saw a marginal increase to 37.74 million Kuwaiti Dinars, our disciplined approach to debt management ensures a strong and sustainable financial position.
- Equity: Shareholders' equity attributable to the shareholders of the parent company reached 131.8 million Kuwaiti Dinars, marking a 14% increase, reflecting our steadfast commitment to long-term value enhancement and financial stability.

The charts below illustrate the key balance sheet items as of December 31, 2023, compared to the past four years as follows:

- Total assets increased by 8% due to the rise in fair value of financial assets at fair value through other comprehensive income.
- Total liabilities slightly increased by 2% due to an increase in trade payable balances.
- Total equity as of December 31, 2023, increased by 14% compared to the end of 2022, attributed to an increase in fair value reserve.

Thirdly, Key Financial Ratios and Indicators:

- Return on Assets (ROA) and Return on Equity (ROE) at 4.14% and 5.34% respectively, affirm our ability to achieve positive returns on invested capital and shareholders' equity.
- Financial Leverage Ratio: The commendable financial leverage ratio of 0.145:1 reflects our prudent capital structure management, mitigating financial risks and ensuring optimal operational efficiency.
- Quick Liquidity Ratio: Although the quick liquidity ratio experienced a slight decline to 3.0:1, it remains robust, affirming our strong liquidity position and ability to meet short-term obligations with ease.
- Capital Adequacy Ratio: The capital adequacy ratio stood at 147%, representing a 47% increase compared to the required threshold of 100% set by the Capital Markets Authority of Kuwait.

The charts below illustrate the key financial ratios and indicators for the year ended December 31, 2023, compared to the past four years as follows:

- There was a slight decrease in return on assets and return on equity compared to 2022, but the ratios remain within the average of previous years.

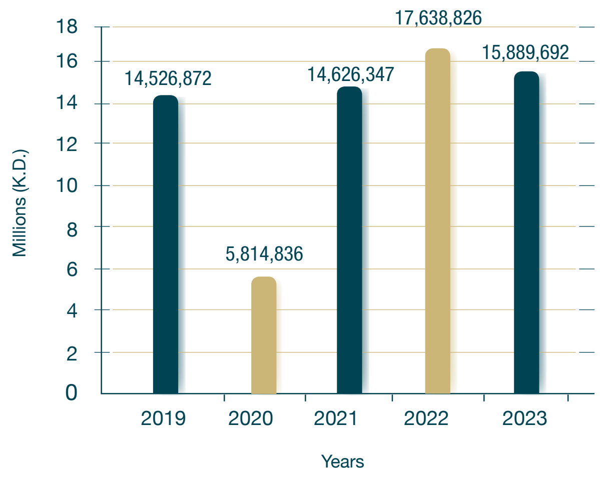
It is worth mentioning that the board of directors of the parent company has recommended cash dividends of 2 fils per share and a distribution of 4% bonus shares to the shareholders of the parent company through a capital increase by increasing the number of issued shares. This recommendation is subject to approval from regulatory authorities and the general assembly of shareholders.

Below are the charts illustrating the financial indicators showing the performance of Arzan Financial Group during the current year 2023 and the past four years.

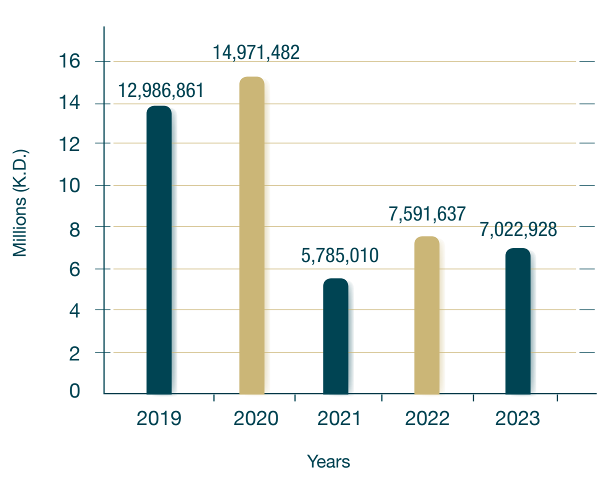
Mohammed Farid
Executive Director - Financial Department

FINANCIAL REPORT ANALYSIS

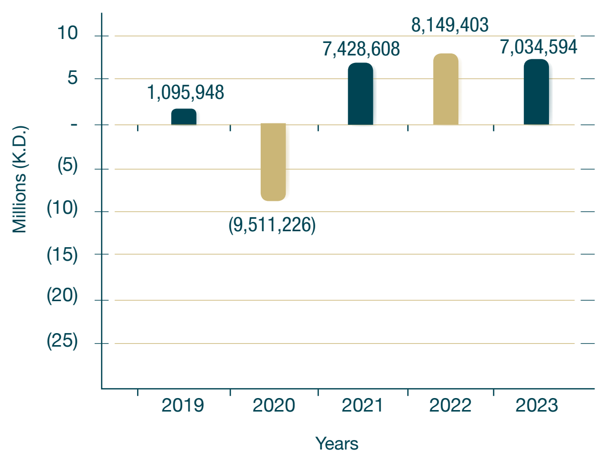
Total Income



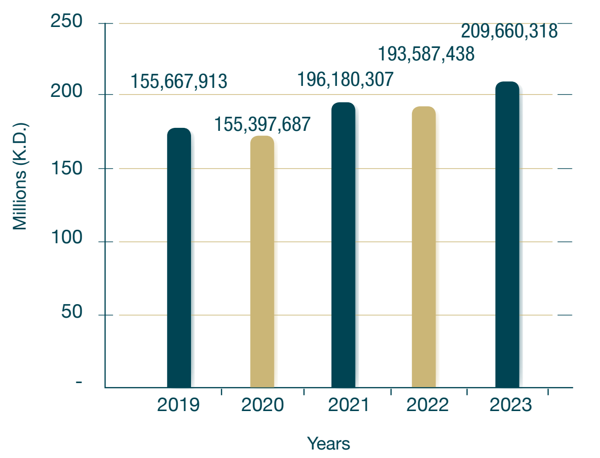
Total Expenses



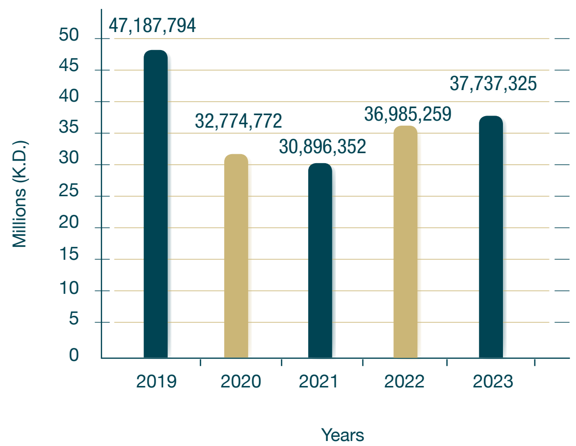
Net Income/(Loss) attributable to the parent company



Assets

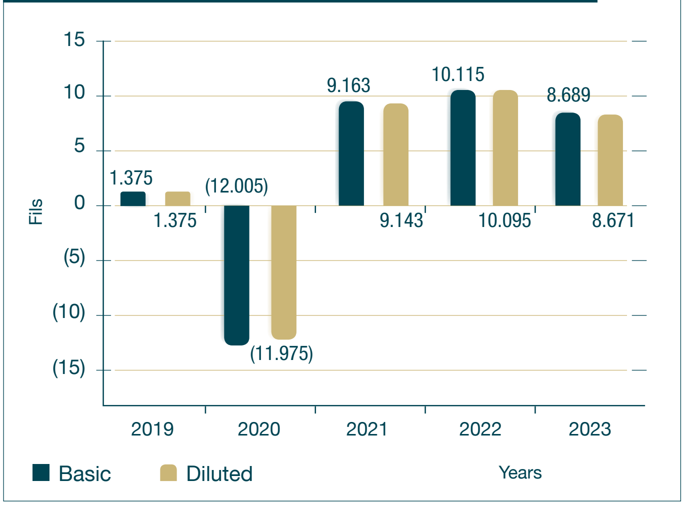


Total Liabilities

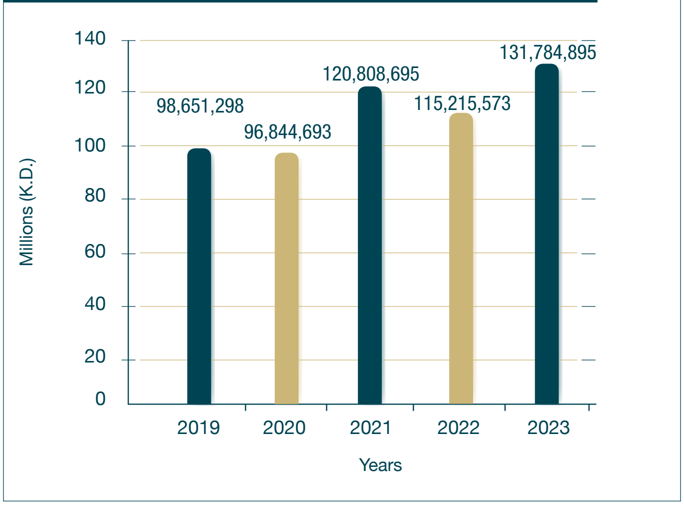


FINANCIAL REPORT ANALYSIS

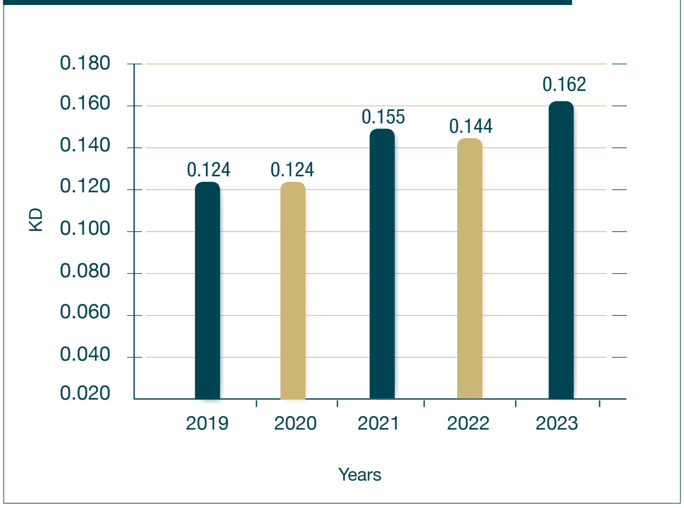
Basic earnings/(Loss) per Share attributable to owners of the parent Company



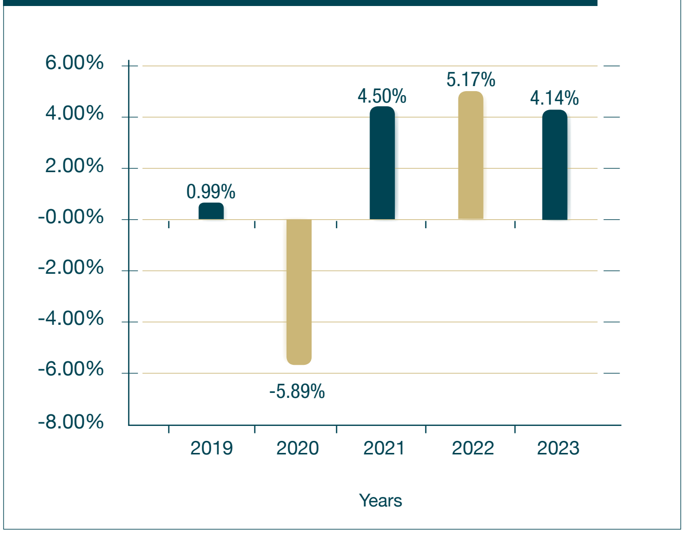
Shareholders' equity attributable to owners of the parent company



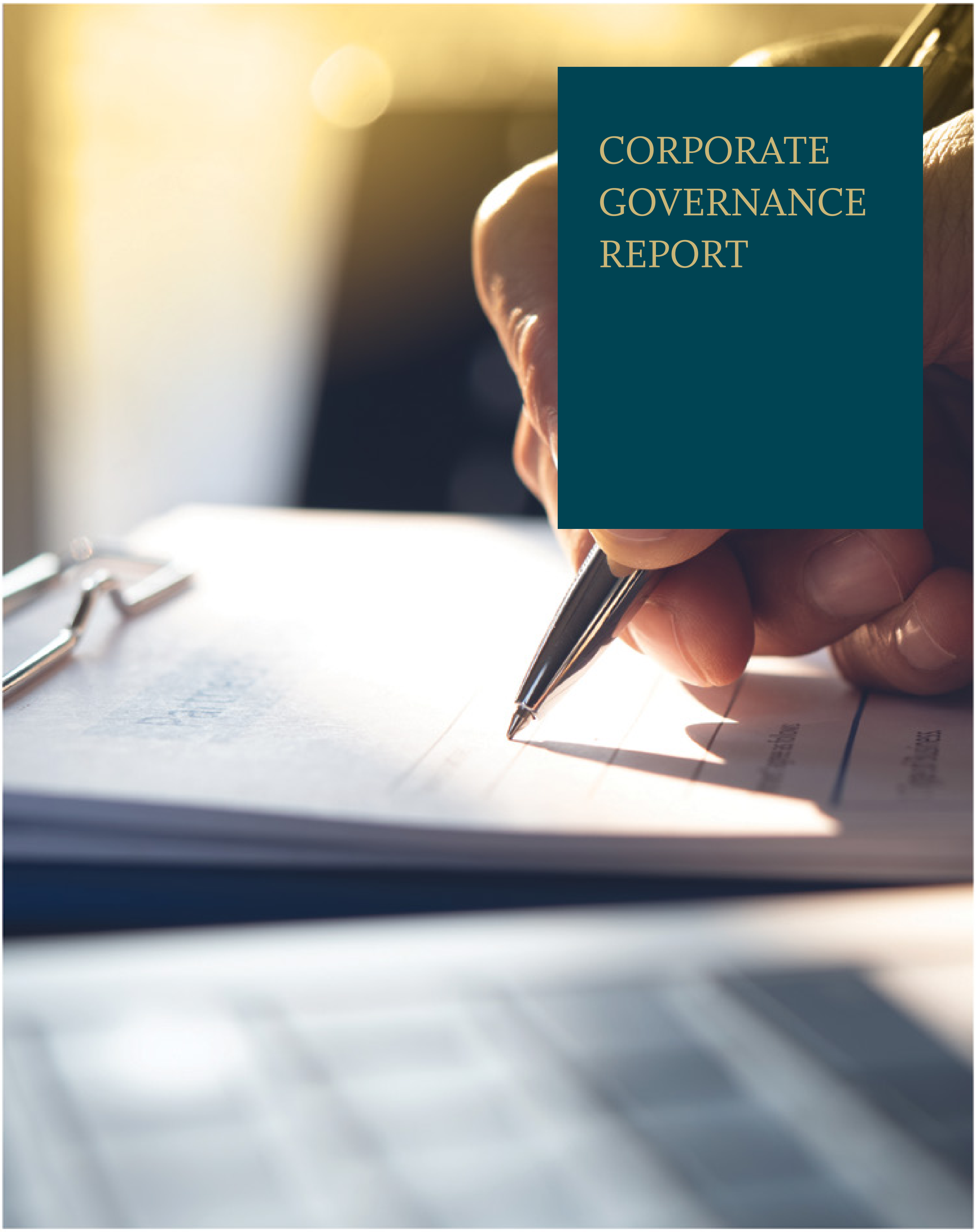
Book Value per share attributable to owners of the parent Company



Return on Assets



Return on Equity



CORPORATE GOVERNANCE REPORT

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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.

BOARD DECLARATION
on the Integrity and Fairness of the financial statements

March, 2024

We, the Board of Directors hereby certify that to the best of our knowledge and belief, the consolidated financial statements of Arzan Financial Group for Financing & Investment KPSC ("the Parent Company") and its subsidiaries (collectively, the "Group"), which comprise:

- Consolidated statement of financial position,
- Consolidated statement of profit or loss,
- Consolidated statement of profit or loss and other comprehensive income,
- Consolidated statement of changes in equity,
- Consolidated statement of cash flows,

for the year ended 31 December 2023, and notes to consolidated financial statements, including a summary of significant accounting policies present fairly, in all material respects, the consolidated financial position of the Group, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Members Name	Position	Signature
Talal Jassim Al-Bahar	Chairman	
Jassem Hasan Zainal	Vice Chairman	
Ibrahim Saleh Al-Tharban	Member – B.O.D.	
Emad Abdullah Al-Essa	Member – B.O.D.	
Bader Jassim Al Hajri	Member – B.O.D.	
Issa Abdullah Al-Muzaini	Member – B.O.D.	
Dr. Sulaiman Tareq Al-Abduljader	Member – B.O.D.	

CEO AND EXECTIVE DIRECTOR - FINANCE DECLARATION

on the Integrity and Fairness of the financial statements

March, 2024

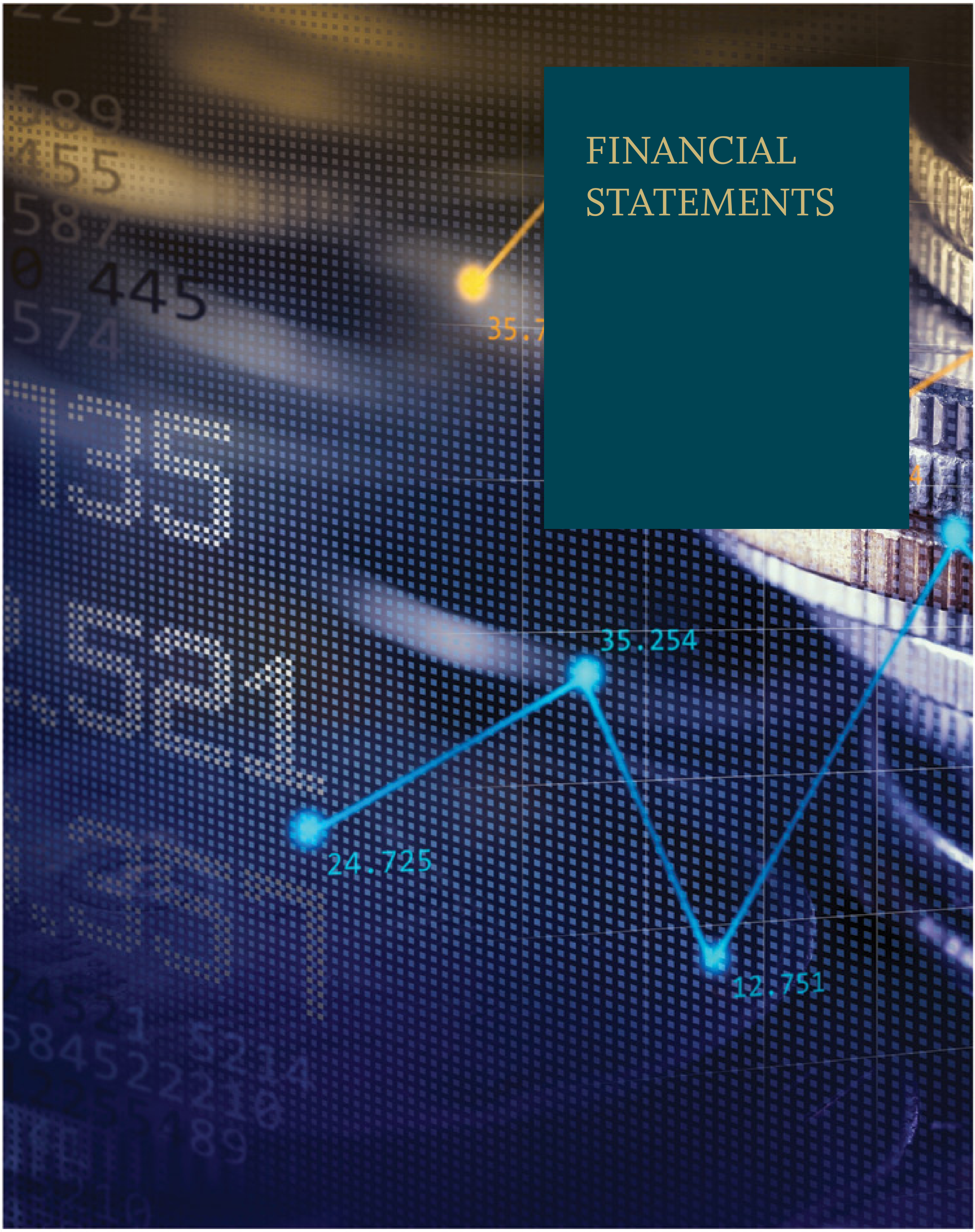
We, the CEO and Executive Director - Finance, hereby certify that to the best of our knowledge and belief, the consolidated financial statements of Arzan Financial Group for Financing & Investment KPSC ("the Parent Company") and its subsidiaries (collectively, the "Group"), which comprise:

a) Consolidated statement of financial position,
b) Consolidated statement of profit or loss,
c) Consolidated statement of profit or loss and other comprehensive income,
d) Consolidated statement of changes in equity,
e) Consolidated statement of cash flows,

for the year ended 31 December 2023, and notes to consolidated financial statements, including a summary of significant accounting policies present fairly, in all material respects, the consolidated financial position of the Group, its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Jassem Hassan Zainal
Chief Executive Officer

Mohammed Farid
Exective Director - Finance



FINANCIAL STATEMENTS

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Content

Grant Thornton
Al-Qatami, Al-Aiban & Partners
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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 KD	2022 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 KD	31 Dec. 2022 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 KD	31 Dec. 2022 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

2023:	Land KD	Building KD	Office equipment and computers KD	Fixtures and decoration KD	Computer software KD	Right of use assets KD	Total 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 differences	**-**	**(10,327)**	**(91,151)**	**(22,815)**	**(110,160)**	**178**	**(234,275)**
At 31 December	**1,316,250**	**1,970,761**	**691,248**	**614,741**	**1,027,284**	**121,225**	**5,741,509**
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**

2022:	Land KD	Building KD	Office equipment and computers KD	Fixtures and decoration KD	Computer software KD	Right of use assets KD	Total 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	31 Dec. 2022
	KD	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	31 Dec. 2022
	KD	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 KD	31 Dec. 2022 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 KD	31 Dec. 2022 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% KD	**-1% KD**	+ 1% KD	- 1% 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 KD	31 Dec. 2022 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

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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.

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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 KD	31 Dec. 2022 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.