

Interim condensed consolidated financial information and review report
Arzan Financial Group for Financing and Investment – KPSC
and its Subsidiaries
Kuwait
30 September 2024 (Unaudited)

Contents

| | Page |
|---|---------|
| Review report | 1 and 2 |
| Interim condensed consolidated statement of profit or loss | 3 |
| Interim condensed consolidated statement of profit or loss and other comprehensive income | 4 |
| Interim condensed consolidated statement of financial position | 5 |
| Interim condensed consolidated statement of changes in equity | 6 and 7 |
| Interim condensed consolidated statement of cash flows | 8 |
| Notes to the interim condensed consolidated financial information | 9 to 26 |

Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arzan Financial Group for Financing and Investment - KPSC (“the Parent Company”) and its subsidiaries (“the Group”) as at 30 September 2024 and the related interim condensed consolidated statements of profit or loss and profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Emphasis of Matter

We draw attention to Note 5.1 to the interim condensed consolidated financial information, which describes the possible material effects of uncertainty with respect to the Group’s exposure in Lebanon. Our conclusion is not modified in respect of this matter.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016 and its Executive Regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2024 that might have had a material effect on the business or financial position of the Parent Company.



Report on Review of Interim Condensed Consolidated Financial Information of Arzan Financial Group for Financing and Investment - KPSC (continued)

Report on review of other legal and regulatory requirements (continued)

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2024 that might have had a material effect on the business or financial position of the Parent Company.

A handwritten signature in blue ink, appearing to be 'Hend Abdullah Al Surayea', written over a faint circular stamp.

Hend Abdullah Al Surayea
(Licence No. 141-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
29 October 2024

Interim condensed consolidated statement of profit or loss

| | Notes | Three months ended | | Nine months ended | |
|---|-------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 30 Sept. 2024 (Unaudited) KD | 30 Sept. 2023 (Unaudited) KD | 30 Sept. 2024 (Unaudited) KD | 30 Sept. 2023 (Unaudited) KD |
| Income | | | | | |
| Income from instalment credit debtors | | 188,769 | 121,973 | 322,300 | 259,391 |
| Revenue from contracts with customers | | 404,023 | 531,019 | 1,431,070 | 1,308,518 |
| Realised profit from instalment sales | | 495,652 | 288,006 | 1,275,681 | 719,994 |
| Rental income | | 58,734 | 57,779 | 172,963 | 173,138 |
| Interest income | | 177,908 | 139,471 | 393,381 | 418,599 |
| Gains on sale of properties under development | | - | 1,038,808 | - | 1,038,808 |
| Gain on sale of financial assets at FVTPL | | 614 | 6,322 | 203,600 | 129,877 |
| Change in fair value of financial assets at FVTPL | | 7,955,432 | (12,514) | 9,505,092 | (51,711) |
| Share of results of associates | 11 | 515,662 | 591,991 | 2,900,437 | 729,165 |
| Dividends income | | 662,502 | 556,969 | 4,169,334 | 4,533,350 |
| (Loss)/ profit on foreign currency exchange | 5.1 | (144,018) | 4,670 | 839,372 | 1,078,473 |
| Other income | | 59,544 | 47,589 | 177,327 | 222,119 |
| Reversal of provision for instalment credit debtors - net | 8.3 | 117,136 | 74,640 | 100,848 | 125,615 |
| (Provision)/ reversal of provision for credit losses of restricted cash and cash equivalents | 7.2 | (51,523) | (68,910) | 265,852 | 2,900,149 |
| | | 10,440,435 | 3,377,813 | 21,757,257 | 13,585,485 |
| Expenses and other charges | | | | | |
| Staff costs | | (715,791) | (790,538) | (2,393,904) | (2,281,235) |
| General and administrative expenses | | (457,846) | (364,821) | (1,424,672) | (1,086,152) |
| Finance costs | | (535,063) | (464,648) | (1,467,051) | (1,310,402) |
| Depreciation | | (54,806) | (54,698) | (163,462) | (163,218) |
| Provision for doubtful debts - net | | (454,486) | (207,767) | (1,178,011) | (375,777) |
| | | (2,217,992) | (1,882,472) | (6,627,100) | (5,216,784) |
| Profit for the period before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat | | | | | |
| | | 8,222,443 | 1,495,341 | 15,130,157 | 8,368,701 |
| Provision for KFAS | | (65,513) | (5,588) | (65,513) | (19,126) |
| Provision for NLST | | (4,095) | (37,779) | (196,706) | (104,487) |
| Reversal/ (charge) of provision for Zakat | | 4,804 | (9,192) | (56,738) | (32,428) |
| Profit for the period | | 8,157,639 | 1,442,782 | 14,811,200 | 8,212,660 |
| Attributable to: | | | | | |
| Owners of the Parent Company | | 7,879,850 | 1,393,013 | 13,202,438 | 6,638,299 |
| Non-controlling interests | | 277,789 | 49,769 | 1,608,762 | 1,574,361 |
| Profit for the period | | 8,157,639 | 1,442,782 | 14,811,200 | 8,212,660 |
| Basic earnings per share attributable to the owners of the Parent Company (Fils) | 6 | 9.302 | 1.642 | 15.595 | 7.891 |
| Diluted earnings per share attributable to the owners of the Parent Company (Fils) | 6 | 9.287 | 1.639 | 15.570 | 7.876 |

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

| | Three months ended | | Nine months ended | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 30 Sept. 2024 (Unaudited) KD | 30 Sept. 2023 (Unaudited) KD | 30 Sept. 2024 (Unaudited) KD | 30 Sept. 2023 (Unaudited) KD |
| Profit for the period | 8,157,639 | 1,442,782 | 14,811,200 | 8,212,660 |
| Other comprehensive income/ (loss): | | | | |
| <i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of profit or loss:</i> | | | | |
| <i>Financial assets at FVTOCI:</i> | | | | |
| - Net change in fair value arising during the period | 7,671,086 | 7,268,036 | 29,424,496 | 2,068,270 |
| Share of other comprehensive income/ (loss) of associates (Note 11) | 41,755 | 38,049 | 298,112 | (449,232) |
| <i>Items that may be reclassified subsequently to the interim condensed consolidated statement of profit or loss:</i> | | | | |
| <i>Financial assets at FVTOCI:</i> | | | | |
| - Net change in fair value arising during the period | 25,768 | (178,108) | (64,134) | (514,868) |
| Exchange differences arising on translation of foreign operations (Note 5.1) | (287,053) | 228,937 | (1,990,805) | (4,185,866) |
| Total other comprehensive income/ (loss) for the period | 7,451,556 | 7,356,914 | 27,667,669 | (3,081,696) |
| Total comprehensive income for the period | 15,609,195 | 8,799,696 | 42,478,869 | 5,130,964 |
| Attributable to: | | | | |
| Owners of the Parent Company | 14,535,932 | 8,903,030 | 32,535,644 | 6,093,407 |
| Non-controlling interests | 1,073,263 | (103,334) | 9,943,225 | (962,443) |
| Total comprehensive income for the period | 15,609,195 | 8,799,696 | 42,478,869 | 5,130,964 |

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

| | Notes | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|--|-------|---------------------------------------|------------------------------------|---------------------------------------|
| Assets | | | | |
| Cash and cash equivalents | 7.1 | 4,471,596 | 6,764,437 | 4,885,758 |
| Term deposits | 7.1 | 472,814 | 562,170 | 1,887,281 |
| Instalment credit debtors | 8 | 941,806 | 864,120 | 2,117,868 |
| Financial assets at FVTPL | 9 | 39,940,017 | 21,858,181 | 22,221,127 |
| Accounts receivable and other assets | | 9,068,087 | 7,805,421 | 7,750,243 |
| Properties held for trading | | 1,416,362 | 1,419,575 | 1,312,832 |
| Financial assets at FVTOCI | 10 | 147,732,022 | 133,660,668 | 118,730,031 |
| Investment in associates | 11 | 53,356,216 | 31,229,754 | 30,638,294 |
| Properties under development | | 1,779,090 | 2,208,564 | 1,620,374 |
| Investment properties | | 1,317,450 | 1,361,504 | 1,376,189 |
| Assets held for sale | 12 | 2,289,083 | - | - |
| Property and equipment | | 1,934,610 | 1,925,924 | 1,908,919 |
| Total assets | | 264,719,153 | 209,660,318 | 194,448,916 |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Accounts payable and other liabilities | 13 | 9,964,401 | 11,011,933 | 9,396,685 |
| Term loans | 14 | 2,080,000 | 10,592,834 | 10,592,834 |
| Murabaha payable | 15 | 34,466,839 | 14,332,400 | 14,686,550 |
| Provision for employees' end of service benefits | | 1,864,834 | 1,800,158 | 1,777,515 |
| Total liabilities | | 48,376,074 | 37,737,325 | 36,453,584 |
| Equity | | | | |
| Share capital | 16 | 86,422,279 | 83,098,345 | 83,098,345 |
| Share premium | | 9,355,213 | 9,355,213 | 9,355,213 |
| Treasury shares | 17 | - | (1,509,861) | (1,449,237) |
| Treasury shares reserve | | 2,341,230 | 282,455 | - |
| Statutory reserve | | 2,698,457 | 2,698,457 | 1,976,500 |
| Voluntary reserve | | 1,541,623 | 1,541,623 | 819,666 |
| Share based payments reserve | | 169,296 | 133,296 | 133,296 |
| Foreign currency translation reserve | 5.1 | (6,595,427) | (4,730,933) | (4,505,223) |
| Fair value reserve | | 49,032,442 | 33,955,998 | 20,031,764 |
| Retained earnings | | 21,218,613 | 6,960,302 | 8,263,431 |
| Total equity attributable to the owners of the Parent Company | | 166,183,726 | 131,784,895 | 117,723,755 |
| Non-controlling interests | | 50,159,353 | 40,138,098 | 40,271,577 |
| Total equity | | 216,343,079 | 171,922,993 | 157,995,332 |
| Total liabilities and equity | | 264,719,153 | 209,660,318 | 194,448,916 |



Jassem Hasan Zainal
Vice chairman and CEO

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

| | Equity attributable to the owners of the Parent Company | | | | | | | | | | | | Total KD |
|---|---|------------------------|--------------------------|-------------------------------------|----------------------------|----------------------------|--|---|-----------------------------|----------------------------|-----------------|--|-------------|
| | 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 | |
| Balance at 31 December 2023 (Audited) | 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 |
| Bonus shares distributions (Note 23) | 3,323,934 | - | - | - | - | - | - | - | - | (3,323,934) | - | - | - |
| Cash dividends (Note 23) | - | - | - | - | - | - | - | - | - | (1,623,870) | (1,623,870) | - | (1,623,870) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (111,866) | (111,866) |
| Purchase of treasury shares | - | - | (870,188) | - | - | - | - | - | - | - | (870,188) | - | (870,188) |
| Sale of treasury shares | - | - | 2,295,928 | 1,992,675 | - | - | - | - | - | - | 4,288,603 | - | 4,288,603 |
| Cost of share-based payments | - | - | - | - | - | - | 78,336 | - | - | - | 78,336 | - | 78,336 |
| Distribution of share-based payments | - | - | 84,121 | 66,100 | - | - | (42,336) | - | - | (117,579) | (9,694) | - | (9,694) |
| Non-controlling interests resulting from establishment and increase of the capital of subsidiaries (note 5.3) | - | - | - | - | - | - | - | - | - | - | - | 184,112 | 184,112 |
| Net movement to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 5,784 | 5,784 |
| Transactions with owners | 3,323,934 | - | 1,509,861 | 2,058,775 | - | - | 36,000 | - | - | (5,065,383) | 1,863,187 | 78,030 | 1,941,217 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 13,202,438 | 13,202,438 | 1,608,762 | 14,811,200 |
| Other comprehensive (loss)/income for the period | - | - | - | - | - | - | - | (1,864,494) | 21,197,700 | - | 19,333,206 | 8,334,463 | 27,667,669 |
| Total comprehensive (loss)/income for the period | - | - | - | - | - | - | - | (1,864,494) | 21,197,700 | 13,202,438 | 32,535,644 | 9,943,225 | 42,478,869 |
| Gain on sale and reclassification of financial assets at FVTOCI | - | - | - | - | - | - | - | - | (6,121,256) | 6,121,256 | - | - | - |
| Balance as at 30 September 2024 (Unaudited) | 86,422,279 | 9,355,213 | - | 2,341,230 | 2,698,457 | 1,541,623 | 169,296 | (6,595,427) | 49,032,442 | 21,218,613 | 166,183,726 | 50,159,353 | 216,343,079 |

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

| | Equity attributable to the owners of the Parent Company | | | | | | | | | | | Total KD |
|--|---|------------------------|--------------------------|----------------------------|----------------------------|---|---|-----------------------------|----------------------------|-----------------|--|-------------|
| | Share capital KD | Share premium KD | Treasury shares KD | Statutory reserve KD | Voluntary reserve KD | Share based payments reserve KD | Foreign currency translation reserve KD | Fair value reserve KD | Retained earnings KD | Sub-Total KD | Non- controlling interests KD | |
| Balance as at 31 December 2022 (Audited) | 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 paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (142,251) | (142,251) |
| Cash dividends (Note 23) | - | - | - | - | - | - | - | - | (3,196,794) | (3,196,794) | - | (3,196,794) |
| Bonus shares distributions from treasury shares (Note 23) | - | - | 1,479,230 | - | - | - | - | - | (1,479,230) | - | - | - |
| Cost of share-based payments | - | - | - | - | - | 66,584 | - | - | - | 66,584 | - | 66,584 |
| Distribution of share-based payments | - | - | 62,425 | - | - | (26,378) | - | - | (36,408) | (361) | - | (361) |
| Purchase of treasury shares | - | - | (454,654) | - | - | - | - | - | - | (454,654) | - | (454,654) |
| Net movement to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (10,335) | (10,335) |
| Transactions with owners | - | - | 1,087,001 | - | - | 40,206 | - | - | (4,712,432) | (3,585,225) | (152,586) | (3,737,811) |
| Profit for the period | - | - | - | - | - | - | - | - | 6,638,299 | 6,638,299 | 1,574,361 | 8,212,660 |
| Other comprehensive (loss)/ income for the period | - | - | - | - | - | - | (4,223,183) | 3,678,291 | - | (544,892) | (2,536,804) | (3,081,696) |
| Total comprehensive (loss)/ income for the period | - | - | - | - | - | - | (4,223,183) | 3,678,291 | 6,638,299 | 6,093,407 | (962,443) | 5,130,964 |
| Gain on sale of financial assets at FVTOCI | - | - | - | - | - | - | - | 7,490 | (7,490) | - | - | - |
| Balance at 30 September 2023 (Unaudited) | 83,098,345 | 9,355,213 | (1,449,237) | 1,976,500 | 819,666 | 133,296 | (4,505,223) | 20,031,764 | 8,263,431 | 117,723,755 | 40,271,577 | 157,995,332 |

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

| | Notes | Nine months ended 30 Sept. 2024 (Unaudited) KD | Nine months ended 30 Sept. 2023 (Unaudited) KD |
|--|------------|--|--|
| Operating activities | | | |
| Profit for the period | | 14,811,200 | 8,212,660 |
| Adjustments: | | | |
| Interest income | | (393,381) | (418,599) |
| Dividends income | | (4,169,334) | (4,533,350) |
| Share of results of associates | 11 | (2,900,437) | (729,165) |
| Gains on sale of properties under development | | - | (1,038,808) |
| Reversal of provision for instalment credit debtors - net | 8.3 | (100,848) | (125,615) |
| Depreciation | | 163,462 | 163,218 |
| Finance costs | | 1,467,051 | 1,310,402 |
| Cost of share-based payments | | 78,336 | 66,584 |
| Provision for doubtful debts - net | | 1,178,011 | 375,777 |
| Provision for employees' end of service benefits | | 117,209 | 80,384 |
| Reversal of provision for credit losses for restricted cash and cash equivalents | 7.2 | (265,852) | (2,900,149) |
| | | 9,985,417 | 463,339 |
| Changes in operating assets and liabilities: | | | |
| Instalment credit debtors | | 23,162 | (1,316,650) |
| Financial assets at fair value through profit or loss | | (18,081,836) | (415,267) |
| Accounts receivable and other assets | | (2,052,448) | 583,659 |
| Accounts payable and other liabilities | | (1,048,504) | 2,444,128 |
| Employees' end of service benefits paid | | (11,755) | (14,577) |
| Net cash (used in)/ from operating activities | | (11,185,964) | 1,744,632 |
| Investing activities | | | |
| Purchase of property and equipment | | (71,294) | (41,809) |
| Proceeds from sale of properties under development | | - | 1,681,342 |
| Purchase of financial assets at FVTOCI | | (6,823,773) | (4,744,127) |
| Proceeds from sale of financial assets at FVTOCI | | 2,658,796 | 2,646,995 |
| Additions to properties under development | | (54,069) | (529,794) |
| Assets held for sale | | (2,289,083) | - |
| Additions to associates | | (1,063,000) | - |
| Term deposits | | - | (1,887,281) |
| Restricted cash and cash equivalents | 7.2 | 265,852 | 2,900,149 |
| Dividend income received | | 4,169,334 | 4,533,350 |
| Dividend income received from associates | 11 | 1,342,796 | 1,321,126 |
| Interest income received | | 139,128 | 186,582 |
| Net cash (used in)/ from investing activities | | (1,725,313) | 6,066,533 |
| Financing activities | | | |
| Net decrease in term loans | | (8,512,834) | (3,040,800) |
| Net increase/ (decrease) in Murabaha payable | | 20,134,439 | (354,150) |
| Finance costs paid | | (1,466,081) | (1,230,415) |
| Dividends paid to non-controlling interests | | (111,866) | (142,251) |
| Dividends paid to shareholders | | (1,663,467) | (2,889,519) |
| Net movement in non-controlling interests | | 189,896 | (10,335) |
| Net movement in treasury shares | | 3,418,415 | (454,654) |
| Net cash from/ (used in) financing activities | | 11,988,502 | (8,122,124) |
| Net decrease in cash and cash equivalents | | (922,775) | (310,959) |
| Foreign currency translation adjustments | | (1,370,066) | (4,238,835) |
| Cash and cash equivalents at beginning of the period | 7.1 | 6,764,437 | 9,435,552 |
| Cash and cash equivalents at end of the period | 7.1 | 4,471,596 | 4,885,758 |

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

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 extra-ordinary general assembly, held on 19 June 2023, approved the amendment of article (5) of the memorandum of incorporation and article (4) of the articles of association of the parent company regarding the Company’s objectives to be as follows:

- The retail sale of light and heavy equipment and their accessories.
- The wholesale and retail sale of new private cars.
- The wholesale and retail sale of used private cars.
- The wholesale and retail sale of new heavy transport vehicles.
- The wholesale and retail sale of used heavy transport vehicles.
- Finance services.
- Renting-out and renting of scientific, commercial, and industrial machinery and equipment.
- Renting-out of construction equipment.
- Buying and selling land and real estate.
- Managing and leasing owned or leased properties.
- Land and real estate management and development.
- Investment portfolio manager.
- Collective investment scheme manager.
- A securities broker that is not registered on the stock exchange.
- Investing its own funds in trading of stocks, bonds and other securities.
- Currency exchange.
- The wholesale of precious stones.
- The wholesale of gold and precious metals.
- Consulting in business projects.
- Managing its subsidiaries or participating in the management of other companies in which it contributes and providing the necessary support to it.
- Project Management.
- Owning intellectual property rights such as patents, trademarks or industrial designs, franchises, and other moral rights and exploiting and leasing them to its holding companies and to other.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

- Owning real estate and movables as necessary for the Company to carry out its work within the limits permitted in accordance with law.
- Investment advisor.
- Subscription agent.
- Financing or lending to companies in which it owns shares and guaranteeing them towards others, in which case the holding company's participation in the capital of the borrowing company shall not be less than twenty percent.

The Parent Company may have an interest or participate in any way with companies that engage in similar business to it in achieving its objectives in the State of Kuwait or abroad, and it may establish, purchase, or attach themselves to such companies.

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

This interim condensed consolidated financial information for the nine-month period ended 30 September 2024 was authorized for issue by the Parent Company's board of directors on 29 October 2024.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2024 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The annual consolidated financial statements for the year ended 31 December 2023 were prepared in accordance with the IFRS Accounting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB"), modified 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 IFRS Accounting Standards 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.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars (KD), which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all the information and disclosures required for complete financial statements prepared in accordance with the IFRS Accounting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine-month period ended 30 September 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024. For further details, refer to the consolidated financial statements and their disclosures for the year ended 31 December 2023.

3 Changes in accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the new and amended IFRS Accounting Standards effective as of 1 January 2024 as described in Note 3.1. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended IFRS Accounting Standards adopted by the Group

The following new IFRS Accounting Standards or amendments to existing IFRS Accounting Standards were effective for the current period.

| <i>Description</i> | <i>Effective for annual periods beginning</i> |
|--|---|
| 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 |
| IFRS 16 Amendments - Lease liability in a sale and leaseback | 1 January 2024 |

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

The adoption of the amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

IAS 1 Amendments - Classification of 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.

The adoption of the amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

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 is 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

The adoption of the amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended IFRS Accounting Standards adopted by the Group (continued)

IFRS 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 recognizes 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 arises 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 recognized at the date of the transaction. The new requirements do not prevent a seller-lessee from recognizing in any gain or loss relating to the partial or full termination of a lease.

The adoption of the amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2023.

5 Subsidiaries

5.1 The Group's subsidiary, International Finance Company - SAL ("IFC"), is located in Lebanon which is currently witnessing 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.

Further, 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 15,030 = 1 USD as of 31 December 2023 to LP 89,550 = 1 USD as of 30 September 2024, foreign currency translation differences resulting from translating the subsidiary assets and liabilities to Kuwaiti Dinars as a result of consolidating the financial statements resulted in currency devaluation of KD1,369,334 as at 30 September 2024 recognized in the equity.

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries (continued)

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. Reversal of the provision, amounting to KD265,852 was recognized as “reversal of provision for credit losses of restricted cash and cash equivalents” during the period to match the assets balance of the Lebanese subsidiary to the provision amount against them (31 December 2023: reversal of a provision of KD2,986,753 and 30 September 2023: reversal of provision of KD2,900,149) (refer Note 7.2.1).

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 KD1,119,112 (31 December 2023: gain of KD1,222,843 and 30 September 2023: gain of KD1,272,433) recognized in the interim condensed consolidated statement of profit or loss for the period.

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.

Summarised financial information of IFC Lebanon as at and for the period ended 30 September 2024 is set out below:

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|--|---|---|---------------------------------------|
| Properties held for trading | 456,705 | 459,918 | 463,809 |
| Financial assets at FVOCI | - | 306,612 | 309,206 |
| Other assets | 39,548 | 66,187 | 58,216 |
| Total assets | 496,253 | 832,717 | 831,231 |
| Accounts payable and other liabilities | 294,028 | 440,509 | 430,314 |
| Total liabilities | 294,028 | 440,509 | 430,314 |
| | Nine months ended 30 Sept. 2024 (Unaudited) KD | Nine months ended 30 Sept. 2023 (Unaudited) KD | |
| Income from instalment credit | 16,827 | 26,245 | |
| Profit for the period | 1,448,651 | 1,229,495 | |

5.2 During the period, the Parent Company’s management changed the legal entity of the subsidiary; Al-Addan Real Estate Company; from single person company to a limited liability company. It was approved to increase the Company’s share capital from KD1,250,000 to KD13,750,000 by transferring an amount of KD12,500,000 through entry of new partners including a related party. As a result, the Parent Company’s ownership interest declined to 9%, leading to a loss of control over the subsidiary and the reclassification of that subsidiary from an investment in a subsidiary to financial assets at fair value through other comprehensive income. Consequently, the Parent Company ceased to consolidate the financial statements of this subsidiary as of the date of loss of control.

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries (continued)

Statement of assets and liabilities of the subsidiary as at the date of disposal is as follows:

| | AI-Addan Real Estate Company – S.P.C KD |
|--|---|
| Cash and cash equivalents | 8,007 |
| Financial assets at FVTPL | 851 |
| Receivables and other assets | 110,252 |
| Financial assets at FVTOCI | 1,276,781 |
| Due from related parties | 14,777 |
| Accounts payable and other liabilities | (938) |
| Due to related parties | (96,239) |
| Due to the Parent Company | (125,762) |
| Net disposed asset value | 1,187,729 |
| The carrying amount of the undisposed share classified as financial assets at FVTOCI | 1,237,500 |
| Gain on disposal of a subsidiary (included under other income) | 49,771 |

5.3 Establishment of a new subsidiary

During the period, the Group contributed to the establishment of a new subsidiary, i.e. Fairway Kuwaiti Limited Company for Administrative Consultations W.L.L, in the State of Kuwait with a share capital of KD 1,000, in which the Group holds a 51% stake. The principal activity of the new subsidiary is consulting. Subsequently, during the period, the company's management increased the subsidiary's capital to KD 100,000.

6 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is computed by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period excluding treasury shares as follows:

| | Three months ended | | Nine months ended | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 30 Sept. 2024 (Unaudited) | 30 Sept. 2023 (Unaudited) | 30 Sept. 2024 (Unaudited) | 30 Sept. 2023 (Unaudited) |
| Profit for the period attributable to the owners of the Parent Company (KD) | 7,879,850 | 1,393,013 | 13,202,438 | 6,638,299 |
| Weighted average number of shares outstanding during the period to be used to account for basic earnings per share (excluding treasury shares) | 847,115,370 | 848,114,875 | 846,555,011 | 841,217,896 |
| Shares to be issued for no consideration under share-based payments | 1,373,837 | 1,671,794 | 1,373,837 | 1,671,794 |
| Weighted average number of shares outstanding during the period to be used to account for diluted earnings per share (excluding treasury shares) | 848,489,207 | 849,786,669 | 847,928,848 | 842,889,690 |
| Basic earnings per share attributable to the owners of the Parent Company (Fils) | 9.302 | 1.642 | 15.595 | 7.891 |
| Diluted earnings per share attributable to the owners of the Parent Company (Fils) | 9.287 | 1.639 | 15.570 | 7.876 |

The current and comparative weighted average number of shares for calculating the basic and diluted earnings per share has been adjusted to reflect the bonus shares at 4% of the issued share capital for the year ended 31 December 2023 (note 23).

Notes to the interim condensed consolidated financial information (continued)

7 Cash and cash equivalents

7.1 Cash and cash equivalents

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|---|---------------------------------------|------------------------------------|---------------------------------------|
| Cash and bank balances | 3,614,283 | 6,558,432 | 4,269,853 |
| Cash in managed portfolios | 792,838 | 206,005 | 615,905 |
| Total cash and bank balances | 4,407,121 | 6,764,437 | 4,885,758 |
| Term deposits with contractual maturity not exceeding three months | 64,475 | - | - |
| Term deposits with contractual maturity exceeding three months | 472,814 | 562,170 | 1,887,281 |
| Total term deposits | 537,289 | 562,170 | 1,887,281 |
| | 4,944,410 | 7,326,607 | 6,773,039 |
| Less: Term deposits with contractual maturity exceeding three months | (472,814) | (562,170) | (1,887,281) |
| Cash and cash equivalent as per the consolidated statement of cash flows | 4,471,596 | 6,764,437 | 4,885,758 |

Cash in managed portfolios includes an amount of KD45,119 (31 December 2023: KD138,926 and 30 September 2023: KD232,610) pledged against term loans (Note 14) and Murabaha payable (Note 15).

7.2 Restricted cash and cash equivalents

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|--|---------------------------------------|------------------------------------|---------------------------------------|
| Cash and bank balances | 206,997 | 461,669 | 534,676 |
| Term deposits with contractual maturity not exceeding three months | 2,951,334 | 2,971,785 | 2,996,609 |
| | 3,158,331 | 3,433,454 | 3,531,285 |
| Provision for credit losses (7.2.1 below) | (3,158,331) | (3,433,454) | (3,531,285) |
| Restricted cash and cash equivalents | - | - | - |

7.2.1 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. The balance of cash and cash equivalents restricted in Lebanon was decreased and the Group recognised reversal of a provision for credit losses of KD265,852 (31 December 2023: reversal of a provision of KD2,986,753 and 30 September 2023: reversal of a provision of KD 2,900,149) against these restricted cash and cash equivalents of its subsidiary “IFC Lebanon” (Note 5.1).

7.3 The term deposits carry an effective interest rate ranging from 6.25% to 6.6% (31 December 2023: 6.25% to 6.6% and 30 September 2023: 4.06% to 6.25%) per annum.

Notes to the interim condensed consolidated financial information (continued)

8 Instalment credit debtors

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|--------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Gross instalment credit debtors | 3,410,062 | 3,673,559 | 5,061,327 |
| Deferred income | (252,103) | (266,790) | (272,398) |
| | 3,157,959 | 3,406,769 | 4,788,929 |
| Specific provision for credit losses | (2,198,780) | (2,500,781) | (2,558,435) |
| General provision for credit losses | (17,373) | (41,868) | (112,626) |
| | 941,806 | 864,120 | 2,117,868 |

8.1 Gross instalment credit debtors are due as follows:

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Within one year | 2,741,390 | 3,010,286 | 4,569,439 |
| More than a year | 668,672 | 663,273 | 491,888 |
| | 3,410,062 | 3,673,559 | 5,061,327 |

8.2 The effective interest rate earned on instalment credit debtors ranged from 5.0% to 10.0% (31 December 2023: 5.0% to 10.0% and 30 September 2023: 5.0% to 10.0%) per annum.

8.3 The provision for credit losses is calculated, in all material respect, in accordance with the requirements of the Central Bank of Kuwait. During the period, the Group reversed a provision for net amount of KD100,848 (30 September 2023: reversal of a provision for net amount of KD125,615).

9 Financial assets at fair value through profit or loss

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|----------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Local quoted shares | 15,053,222 | 14,456 | 14,306 |
| Foreign quoted shares | 633,347 | 576,071 | 580,196 |
| Foreign unquoted shares | 7,258,219 | 7,722,472 | 8,033,658 |
| Investment in managed portfolios | 14,674,960 | 11,878,795 | 11,727,494 |
| Investments in managed funds | 2,320,269 | 1,666,387 | 1,865,473 |
| | 39,940,017 | 21,858,181 | 22,221,127 |

9.1 Investments in managed portfolio with fair value of KD14,584,026 (31 December 2023: KD11,232,409 and 30 September 2023: KD11,101,272), which include cash balances, are pledged against the term loans and murabaha payable (Notes 14 & 15).

9.2 The hierarchy for determining and disclosing the fair values of financial assets at fair value through profit or loss is presented in Note 21.3

Notes to the interim condensed consolidated financial information (continued)

10 Financial assets at fair value through other comprehensive income

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|--------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Local quoted shares (see 10.1 below) | 51,691,765 | 50,842,369 | 49,254,911 |
| Local unquoted shares | 8,029,452 | 6,797,171 | 5,553,734 |
| Foreign unquoted shares | 49,732,175 | 47,507,688 | 47,169,828 |
| Investments in managed portfolios | 36,171,632 | 26,464,354 | 14,609,213 |
| Debt instruments | 2,097,255 | 1,729,851 | 1,802,180 |
| Investment funds | 9,743 | 319,235 | 340,165 |
| | 147,732,022 | 133,660,668 | 118,730,031 |

- 10.1 The Group's investments in local quoted shares include investment in a local listed company (Boursa Kuwait Securities Company – KPSC). During the period, the restrictions on sale of this investment have been removed. Accordingly, the Group has discontinued applying the discount on the above quoted bid price when determining its fair value. This investment was estimated at the fair value without applying any discount as at 30 September 2024 (31 December 2023: a discount of KD7,381,135 and 30 September 2023: a discount of KD10,565,079).
- 10.2 Local quoted shares and investments in managed portfolios with an aggregate carrying value of KD40,866,115 (31 December 2023: KD30,977,633 and 30 September 2023: KD18,145,050) are pledged against term loans (Note 14) and Murabaha payable (Note 15).
- 10.3 The hierarchy for determining and disclosing the fair values of financial assets at FVTOCI is presented in Note 21.3.

11 Investment in associates

Movement in the carrying amount of the investment in associates during the period/year is as follows:

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|--|---------------------------------------|------------------------------------|---------------------------------------|
| Balance at the beginning of the period/year | 31,229,754 | 31,679,487 | 31,679,487 |
| Transfer from financial assets at FVTOCI (below - a) | 19,207,709 | - | - |
| Additions (b below) | 1,063,000 | - | - |
| Share of results | 2,900,437 | 1,536,879 | 729,165 |
| Dividends received | (1,342,796) | (1,776,374) | (1,321,126) |
| Share of other comprehensive income/ (loss) | 298,112 | (210,238) | (449,232) |
| Balance at the end of the period/ year | 53,356,216 | 31,229,754 | 30,638,294 |

- a) The Group was elected to be the board of directors' member of IFA Hotels and Resorts Co.– KPSC, in which the Group holds a 10.18% investment. This investment was classified at FVOCI prior to that election.

The Group's election and representation on the board of directors of that company has resulted in significant influence over its decisions, leading to the reclassification of this investment from financial assets at fair value through other comprehensive income to an investment in an associate. This requires a change in the accounting policy applied to the treatment of this investment from fair value through other comprehensive income in accordance with IFRS 9 to the equity method in accordance with IAS 28.

The fair value of the investment as at the reclassification date was KD 19,207,709. The reclassification of the investment as an associate resulted in a temporary goodwill of KD 16,947,220, included in the carrying amount of the investment. As a result of the reclassification, a profit of KD 6,906,176 was recognized directly in retained earnings within equity. The fair value of the investment at the end of the period was KD 30,542,870.

Notes to the interim condensed consolidated financial information (continued)

11 Investment in associates (continued)

The temporary fair value of the identified assets and liabilities of the company as at the reclassification date is as follows:

| | IFA Hotels and Resorts Company KD |
|---|--|
| Total assets | 211,264,101 |
| Total liabilities | 153,574,796 |
| Equity | 57,689,305 |
| Non-controlling interests | (35,476,696) |
| Equity attributable to the owners of the associate | (22,212,609) |
| Fair value of investment at the reclassification date | 19,207,709 |
| Share of net assets | (2,260,489) |
| Goodwill | 16,947,220 |

The temporary fair value of the reclassified identified assets and liabilities has been provisionally determined by the Group's management. The estimates referred to above, and resultant goodwill, are subject to revision within twelve months of the reclassification date.

- b) During the period, the Parent Company, in partnership with its subsidiary Arzan Capital (Holding) Limited, invested USD 11,000,000, equivalent to 47.41% ownership of a company based in Dubai - United Arab Emirates (Bantry SP), which is managed through a fund established in the Cyman Islands. The Group intends to reduce its share in this investment from 47.41% to 15% over a period of 12 months. Therefore, 15% amounting to USD 3,480,000 (equivalent to KD 1,063,000) has been classified as an investment in an associate due to the Group's ability to exercise significant influence over the management decisions. (Note 12)
- c) Investments in associates with a carrying value of KD 11,677,033 (31 December 2023: KD 16,454,758 and 30 September 2023: KD 15,867,016) is pledged against term loans (Note 14) and Murabaha payable (Note 15).

12 Assets held for sale

During the period, the Parent Company, in partnership with its subsidiary Arzan Capital (Holding) Limited, invested USD 11,000,000, equivalent to 47.41% ownership of a company based in Dubai - United Arab Emirates (Bantry SP), which is managed through a fund established in the Cyman Islands (AIM SPC - Bantry Segregated Portfolio).

The purpose of the investment is to participate in the purchase of a five-star hotel in Dubai, United Arab Emirates, with other investors and external financing from a foreign bank.

The Group intends to reduce its share in this investment from 47.41% to 15% over a period of 12 months. Based on the above:

- a) 15% amounting to USD 3,480,000 (equivalent to KD 1,063,000) has been classified as an investment in an associate due to the Group's ability to exercise significant influence over the management decisions (refer to note 11 - b).
- b) The remaining share at 32.41% of USD 7,520,000 (equivalent to KD 2,289,083) has been classified as assets held for sale in accordance with the IFRS 5 requirements.

Notes to the interim condensed consolidated financial information (continued)

13 Accounts payable and other liabilities

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|----------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Accounts payable | 200,352 | 153,759 | 207,155 |
| Due to related parties (note 20) | 2,765,773 | 2,814,160 | 1,872,546 |
| Other payables | 2,659,921 | 3,974,142 | 2,640,917 |
| Lease liabilities | 61,938 | 318 | 12,165 |
| Accrued interests | 166,432 | 165,462 | 185,140 |
| Provision for staff leaves | 315,388 | 302,491 | 570,667 |
| KFAS payable | 292,315 | 242,379 | 245,928 |
| NLST and Zakat payable | 3,033,610 | 2,850,954 | 2,818,470 |
| Due to portfolio manager | - | - | 32,965 |
| Due to shareholders (Note 20) | 468,672 | 508,268 | 810,732 |
| | 9,964,401 | 11,011,933 | 9,396,685 |

14 Term loans

Term loans are due for repayment as follows:

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| KD facilities | 2,080,000 | 10,592,834 | 10,592,834 |
| | 2,080,000 | 10,592,834 | 10,592,834 |
| Due within one year | 2,080,000 | 1,500,000 | 1,500,000 |
| Due after more than one year | - | 9,092,834 | 9,092,834 |

During 2022, 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 CBK discount rate (31 December 2023 and 30 September 2023: 2.75% per annum above the CBK discount rate). 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 payable on 2 January 2027. During the period, the Parent Company withdrew an amount of KD960,000 from these facilities. Also, during the period, the Parent Company fully settled its outstanding facilities amounting to KD 9,872,834.

Furthermore, during the previous 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, which is fully utilized. The facilities carry an interest rate of 1.625% per annum above the CBK discount rate, and repayable on 31 December 2024. During the current period, the Parent Company has signed an additional 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 1.75% per annum above the CBK discount rate, and repayable on 31 December 2024. The Parent Company withdrew an amount of KD 580,000 from these facilities.

Kuwaiti Dinar facilities are secured against mortgage of cash in managed portfolios (Note 7), financial assets at FVPL (Note 9), financial assets at FVOCI (Note 10) and investment in associates (Note 11).

Notes to the interim condensed consolidated financial information (continued)

15 Murabaha payable

The Murabaha payable outstanding balance represents Islamic finance obtained in Kuwaiti Dinar from local banks carrying effective profit rates of 5 % - 5.75% (31 December 2023: 5% - 5.75% and 30 September 2023: 5% - 5.5%) per annum. This finance is secured against pledge of cash in managed portfolios (Note 7), financial assets at FVTPL (Note 9), financial assets at FVTOCI (Note 10), investment in associates (Note 11), investment properties and property and equipment and is repayable in various instalments ending in July 2029.

Murabaha payable are as follows:

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|-----------------|---------------------------------------|------------------------------------|---------------------------------------|
| Within one year | 13,780,739 | 2,291,300 | 2,291,300 |
| After one year | 20,686,100 | 12,041,100 | 12,395,250 |
| | 34,466,839 | 14,332,400 | 14,686,550 |

During the period, the Parent Company obtained new Murabaha payable amounting to KD 20,488,589, which were utilized to settle term loans (Note 14).

16 Share Capital

| | Authorized, issued and fully paid | | |
|--|---------------------------------------|------------------------------------|---------------------------------------|
| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
| 864,222,782 (31 December 2023 and 30 September 2023: 830,983,445) authorized, issued and fully paid-up shares of 100 fils each - in cash | 86,422,279 | 83,098,345 | 83,098,345 |

During the period, the annual general assembly of the Parent Company's shareholders approved to increase the share capital through issuance of 4% bonus shares (note 23). It was registered in the commercial register on 21 May 2024.

17 Treasury shares

| | 30 Sept. 2024 (Unaudited) | 31 Dec. 2023 (Audited) | 30 Sept. 2023 (Unaudited) |
|---------------------------|---------------------------------|------------------------------|---------------------------------|
| Number of treasury shares | - | 16,477,907 | 16,107,907 |
| Percentage of ownership | - | %1.983 | %1.938 |
| Market value (KD) | - | 3,410,927 | 2,899,423 |
| Cost (KD) | - | 1,509,861 | 1,449,237 |

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

Notes to the interim condensed consolidated financial information (continued)

18 Fiduciary Assets

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 interim condensed consolidated statement of financial position. Total fiduciary assets as at the financial position date were KD74,567,809 (31 December 2023: KD51,993,107 and 30 September 2023: KD43,844,497) out of which, assets amounting to KD 46,823,694 are managed on behalf of Group's related parties (31 December 2023: KD30,008,099 and 30 September 2023: KD22,887,844).

19 Segmental information

Operating segments are identified by the Group 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 revenues, profit for the period, 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 |
|---|----------------------------|-------------------|------------------------------|-------------------|--------------|
| Nine months ended 30 September 2024 | | | | | |
| Total revenues | 2,125,669 | 18,846,285 | 595,259 | 190,044 | 21,757,257 |
| Profit for the period | 1,598,070 | 12,813,442 | 320,758 | 78,930 | 14,811,200 |
| Three months ended 30 September 2024 | | | | | |
| Total revenues | 760,695 | 9,485,842 | 139,390 | 54,507 | 10,440,435 |
| Profit for the period | 566,719 | 7,505,235 | 64,149 | 21,536 | 8,157,639 |
| As at 30 September 2024 | | | | | |
| Total assets | 1,126,723 | 247,276,853 | 11,365,106 | 4,950,471 | 264,719,153 |
| Total liabilities | (473,937) | (46,510,517) | (702,500) | (689,120) | (48,376,074) |
| Net assets | 652,786 | 200,766,336 | 10,662,606 | 4,261,351 | 216,343,079 |
| Nine months ended 30 September 2023 | | | | | |
| Total revenues | 4,129,660 | 7,590,248 | 619,092 | 1,246,485 | 13,585,485 |
| Profit for the period | 3,437,726 | 3,344,435 | 295,061 | 1,135,438 | 8,212,660 |
| Three months ended 30 September 2023 | | | | | |
| Total revenues | 446,007 | 1,600,278 | 234,513 | 1,097,015 | 3,377,813 |
| Profit for the period | 196,188 | 50,276 | 122,673 | 1,073,645 | 1,442,782 |
| As at 30 September 2023 | | | | | |
| Total assets | 2,416,953 | 174,944,804 | 12,310,438 | 4,776,721 | 194,448,916 |
| Total liabilities | (693,131) | (34,404,050) | (787,174) | (569,229) | (36,453,584) |
| Net assets | 1,723,822 | 140,540,754 | 11,523,264 | 4,207,492 | 157,995,332 |

Notes to the interim condensed consolidated financial information (continued)

20 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 balances and transactions are as follows:

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|--|---------------------------------------|------------------------------------|---------------------------------------|
| Balances included in the interim condensed consolidated statement of financial position | | | |
| Margin finance receivable (included in accounts receivable and other assets) | 847,191 | 503,503 | 503,390 |
| Due from related parties (included in accounts receivable and other assets) | 1,634,511 | 1,553,886 | 1,588,131 |
| Due to shareholders (Note 13) | 468,672 | 508,268 | 810,732 |
| Due to related parties (Note 13) – see below | 2,765,773 | 2,814,160 | 1,872,546 |
| Fiduciary assets of related parties managed by the Group (Note 18) | 46,823,694 | 30,008,099 | 22,887,844 |

During the previous year, a subsidiary received USD8,000,000 (equivalent to KD2,438,102) under two sale and repurchase agreements for certain unquoted foreign shares with related parties at an interest rate at 9.5% per annum and repayable within 360 days. The amount is included under due to related parties stated above.

| | Three months ended | | Nine months ended | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 30 Sept. 2024 (Unaudited) KD | 30 Sept. 2023 (Unaudited) KD | 30 Sept. 2024 (Unaudited) KD | 30 Sept. 2023 (Unaudited) KD |
| Transactions included in the interim condensed consolidated statement of profit or loss | | | | |
| Revenue from contracts with customers | 61,304 | 75,425 | 142,857 | 126,269 |
| Rental income | 29,999 | 8,688 | 89,998 | 26,064 |
| Interest income | 22,925 | 64,713 | 99,534 | 206,807 |
| General and administrative expenses | 5,374 | 11,125 | 112,683 | 94,647 |
| Finance costs | 57,902 | - | 174,572 | - |
| Key management compensation: | | | | |
| Salaries and other short-term benefits | 147,477 | 63,589 | 569,598 | 634,019 |
| Board of directors' and committees' remuneration (included in general and administrative expenses) | - | - | 68,050 | 53,550 |
| End of service benefits | 16,363 | 12,083 | 45,678 | 41,444 |
| Share based compensation | - | 1,020 | 70,496 | 59,920 |
| | 163,840 | 76,692 | 753,822 | 788,933 |

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement

21.1 Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position are as follows:

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|---|---------------------------------------|------------------------------------|---------------------------------------|
| Financial assets: | | | |
| At amortised cost: | | | |
| Cash and cash equivalents | 4,471,596 | 6,764,437 | 4,885,758 |
| Term deposits | 472,814 | 562,170 | 1,887,281 |
| Instalments credit debtors | 941,806 | 864,120 | 2,117,868 |
| Accounts receivable and other assets | 9,068,087 | 7,805,421 | 7,750,243 |
| At fair value: | | | |
| Financial assets at fair value through profit or loss | 39,940,017 | 21,858,181 | 22,221,127 |
| Financial assets at fair value through other comprehensive income | 147,732,022 | 133,660,668 | 118,730,031 |
| | 202,626,342 | 171,514,997 | 157,592,308 |
| Financial liabilities: | | | |
| At amortised cost: | | | |
| Accounts payable and other liabilities | 9,964,401 | 11,011,933 | 9,396,685 |
| Term loans | 2,080,000 | 10,592,834 | 10,592,834 |
| Murabaha payable | 34,466,839 | 14,332,400 | 14,686,550 |
| Provision for employees' end of service benefits | 1,864,834 | 1,800,158 | 1,777,515 |
| | 48,376,074 | 37,737,325 | 36,453,584 |

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortized cost, approximate their fair values.

21.2 Fair value measurement

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. The Group measures financial instruments at fair value and measurement details are disclosed below. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

21.3 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the interim condensed 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).

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.

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

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.3 Fair value hierarchy (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|-------------|-----------|------------|-------------|
| | KD | KD | KD | KD |
| 30 September 2024 (Unaudited) | | | | |
| Financial assets at FVPL: | | | | |
| Local quoted shares | 15,053,222 | - | - | 15,053,222 |
| Foreign quoted shares | 633,347 | - | - | 633,347 |
| Foreign unquoted shares | - | - | 7,258,219 | 7,258,219 |
| Investment in managed portfolios | 14,674,960 | - | - | 14,674,960 |
| Investment in managed funds | - | 2,320,269 | - | 2,320,269 |
| Financial assets at FVOCI: | | | | |
| Local quoted shares | 51,691,765 | - | - | 51,691,765 |
| Local unquoted shares | - | - | 8,029,452 | 8,029,452 |
| Foreign unquoted shares | - | - | 49,732,175 | 49,732,175 |
| Investment in managed portfolios | 36,171,632 | - | - | 36,171,632 |
| Debt instruments | - | - | 2,097,255 | 2,097,255 |
| Investment funds | - | 9,743 | - | 9,743 |
| | 118,224,926 | 2,330,012 | 67,117,101 | 187,672,039 |

During the period, the Group's investment in Bursa Kuwait Securities Company - K.P.S.C was reclassified from Level 2 to Level 1 due to removal of restrictions imposed on sale of this investment (Note 10).

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|------------|------------|------------|-------------|
| | KD | KD | KD | KD |
| 31 December 2023 (Audited) | | | | |
| Financial assets at FVPL: | | | | |
| Local quoted shares | 14,456 | - | - | 14,456 |
| Foreign quoted shares | 576,071 | - | - | 576,071 |
| Foreign unquoted shares | - | - | 7,722,472 | 7,722,472 |
| Investment in managed portfolios | 11,878,795 | - | - | 11,878,795 |
| Investments in managed funds | - | 1,666,387 | - | 1,666,387 |
| Financial assets at FVOCI: | | | | |
| 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 |
| Investment 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 |

30 September 2023 (Unaudited)

| | | | | |
|-----------------------------------|------------|------------|------------|-------------|
| Financial assets at FVPL: | | | | |
| Local quoted shares | 14,306 | - | - | 14,306 |
| Foreign quoted shares | 580,196 | - | - | 580,196 |
| Foreign unquoted shares | - | - | 8,033,658 | 8,033,658 |
| Investment in managed portfolios | 11,727,494 | - | - | 11,727,494 |
| Investments in managed funds | - | 1,865,473 | - | 1,865,473 |
| Financial assets at FVOCI: | | | | |
| Local quoted shares | 6,994,595 | 42,260,316 | - | 49,254,911 |
| Local unquoted shares | - | - | 5,553,734 | 5,553,734 |
| Foreign unquoted shares | - | - | 47,169,828 | 47,169,828 |
| Investment in managed portfolios | 14,609,213 | - | - | 14,609,213 |
| Debt instruments | - | - | 1,802,180 | 1,802,180 |
| Investment funds | - | 340,165 | - | 340,165 |
| | 33,925,804 | 44,465,954 | 62,559,400 | 140,951,158 |

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.3 Fair value hierarchy (continued)

The Group does not have any financial liabilities measured at fair value.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted shares

All the listed equity shares are publicly traded on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

b) Managed funds

The underlying investments of managed funds primarily comprise of quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by fund managers. All significant inputs into the model are based on observable market prices

c) Unquoted shares

Unquoted shares are measured at fair value estimated using various models like discounted cash flow model, and market multiples which include some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

Level 3 fair value measurement

The Group's financial assets classified in Level 3 uses valuation techniques based on significant 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:

| | 30 Sept. 2024 (Unaudited) KD | 31 Dec. 2023 (Audited) KD | 30 Sept. 2023 (Unaudited) KD |
|----------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Opening balance | 63,757,182 | 62,185,839 | 62,185,839 |
| Purchases | 6,504,673 | 5,838,772 | 4,875,126 |
| Sales | (2,941,576) | (2,803,996) | (2,724,774) |
| Change in fair value | (203,178) | (1,463,433) | (1,776,791) |
| Closing balance | 67,117,101 | 63,757,182 | 62,559,400 |

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

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Notes to the interim condensed consolidated financial information (continued)

22 Capital commitments

At the date of the interim condensed consolidated statement of financial position, the Group had capital commitments of Nil (31 December 2023: KD522,869 and 30 September 2023: KD41,966) for a property under development and capital commitments of KD71,090 (31 December 2023: KD71,558 and 30 September 2023: KD 80,391) for the investments in managed funds.

23 Annual ordinary general assembly and extraordinary general assembly

The annual ordinary general assembly of the shareholders of Parent Company held on 12 May 2024 approved the consolidated financial statements for the year ended 31 December 2023. It also approved the board of directors' proposal to distribute a cash dividend of 2 Fils per share (2022: 4 fils per share). It approved 4% bonus shares through increase of the share capital for the financial year ended 31 December 2023 (2022: 2% of the treasury shares to the Parent Company's shareholders without an increase of the share capital or number of the issued shares). Further, the annual general assembly approved the board of directors' and committees' remuneration of KD68,050 for the year ended 31 December 2023 (2022: KD 53,550), which has been recorded under expenses in the interim condensed consolidated statement of profit or loss of the current period.

Also, the Extra-ordinary general assembly of the shareholders held on 12 May 2024 approved to increase the authorized share capital of the Parent Company from KD83,098,345 to KD86,422,279 through issuance of 33,239,337 bonus shares at 4% of 100 fils each to be distributed to the shareholders of the Parent Company.

About Grant Thornton

Grant Thornton is a global network of 58,000 people in member firms in over 130 countries with a common goal — to help you realise your ambitions. Which is why our network combines global scale and capability with local insights and understanding. So, whether you're growing in one market or many, looking to operate more effectively, managing risk and regulation, or realising stakeholder value, our member firms have the assurance, tax and advisory capabilities you need with the quality you expect.

Grant Thornton - Al-Qatani, Al-Aiban and Partners, established in 1973, is one of the oldest public accounting firms in the State of Kuwait and has been a full member of Grant Thornton International since 1983. This affiliation helps us draw on the expertise and resources of the international organization to provide world class professional services to our clients in Kuwait.

We invest in listening, building relationships and understanding your concerns to deliver an experience that's more personal, agile and proactive.

We work at the pace that matters. Yours.

That's why we celebrate fresh thinking and diverse perspectives to find better solutions.

We don't predict the future. We help you shape it.

"Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. "GTIL" refers to Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

© 2022 Grant Thornton - Al-Qatani, Al-Aiban & Partners
All Rights Reserved

grantthornton.com.kw