

Consolidated financial statements and independent auditor's report
Arzan Financial Group for Financing and Investment – KPSC
and its Subsidiaries
Kuwait

31 December 2024

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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 2024, and the 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 policy 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and 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 Code of Ethics for Professional Accountants (including international independence standards)* issued by the International Ethics Standards Board for Accountants (“IESBA Code”) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our ethical responsibilities in accordance with these requirements and 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

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.

Independent Auditor's Report to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

Valuation of financial assets at FVTPL and FVTOCI (continued)

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.

Other information

Management is responsible for the other information. The other information comprises Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete Group's Annual Report which is expected to be made available to us after that date.

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.

When we read the Group's Complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB and 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

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.

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)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 2024 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2024 that might have had a material effect on the business or financial position of the Parent Company.



Independent Auditor's Report to the Shareholders of Arzan Financial Group for Financing and Investment - KPSC (continued)

Report on other Legal and Regulatory Requirements

We further report that, during the course of our audit, 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 the banking business, and its related regulations during the year ended 31 December 2024 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
27 March 2025

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Income			
Income from instalment credit debtors	7	403,082	321,762
Revenue from contracts with customers	8	1,918,495	1,757,516
Realised profit from instalment sales		1,818,948	1,063,402
Gain on disposal of real estates under development	19	-	1,038,808
Gain on disposal of properties held for trading	16	329,464	21,849
Rental income		228,097	231,672
Interest income	11	567,229	550,263
Gain on disposal of financial assets at fair value through profit or loss	11 & 14	258,911	146,031
Change in fair value of financial assets at fair value through profit or loss	11	9,134,821	(386,292)
Share of results of associates	18.2	3,987,576	1,536,879
Dividend income	11	4,792,404	4,888,015
Foreign currency exchange gain	6.1.1	833,735	919,699
Other income		253,968	275,150
Reversal of provision for impairment of instalment credit debtors – net	13	98,579	237,346
Reversal of provision for credit losses of restricted cash and cash equivalents	12.2	318,238	2,986,753
Reversal of provision for impairment of properties held for trading	16	449,874	118,691
Reversal of impairment of real estates under development	19	31,363	182,148
		25,424,784	15,889,692
Expenses and other charges			
Staff costs		(3,364,325)	(2,863,384)
General and administrative expenses		(1,903,407)	(1,538,658)
Finance costs	9	(2,069,168)	(1,765,789)
Depreciation		(218,038)	(214,876)
Provision for impairment of doubtful debts - net	15	(1,480,648)	(640,221)
		(9,035,586)	(7,022,928)
Profit for the year before for contribution to KFAS and provision for NLST and Zakat			
		16,389,198	8,866,764
Contribution for KFAS		(63,697)	(15,577)
Provision for NLST		(240,093)	(133,100)
Provision for Zakat		(63,007)	(36,300)
Profit for the year		16,022,401	8,681,787
Attributable to:			
Shareholders of the Parent Company		14,096,643	7,034,594
Non-controlling interests		1,925,758	1,647,193
Profit for the year		16,022,401	8,681,787
Basic earnings per share attributable to the Parent Company's shareholders (Fils)			
	10	16.567	8.346
Diluted earnings per share attributable to the Parent Company's shareholders (Fils)			
	10	16.540	8.329

The notes set out on pages 13 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Profit for the year	16,022,401	8,681,787
Other comprehensive income/ (loss):		
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the year	38,113,806	15,895,224
<i>Items that may be subsequently reclassified to consolidated statement of profit or loss:</i>		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the year	16,441	(537,225)
Differences arising on translation of foreign operations (Note 6.1.1)	(1,616,504)	(4,458,339)
Share of other comprehensive income/(loss) of associates (Note 18.2)	1,061,433	(210,238)
Total other comprehensive income for the year	37,575,176	10,689,422
Total comprehensive income for the year	53,597,577	19,371,209
Attributable to:		
Shareholders of the Parent Company	38,882,261	20,215,171
Non-controlling interests	14,715,316	(843,962)
Total comprehensive income for the year	53,597,577	19,371,209

The notes set out on pages 13 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2024 KD	31 Dec. 2023 KD
Assets			
Cash and cash equivalents	12.1	3,810,901	6,764,437
Term deposits	12.1	434,311	562,170
Instalment credit debtors	13	757,781	864,120
Financial assets at fair value through profit or loss	14	41,032,693	21,858,181
Accounts receivable and other assets	15	9,441,029	7,805,421
Assets held for sale	21	6,594,129	-
Properties held for trading	16	1,911,617	1,419,575
Financial assets at fair value through other comprehensive income	17	159,190,513	133,660,668
Investment in associates	18	55,213,376	31,229,754
Real estates under development	19	1,589,939	2,208,564
Investment properties	20	1,302,765	1,361,504
Property and equipment		1,919,698	1,925,924
Total assets		283,198,752	209,660,318
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	22	10,417,934	11,011,933
Term loans	23	2,196,000	10,592,834
Murabaha payables	24	41,482,130	14,332,400
Provision for employees' end of service benefits		1,892,415	1,800,158
Total liabilities		55,988,479	37,737,325
Equity			
Share capital	25	86,422,279	83,098,345
Share premium	25	9,355,213	9,355,213
Treasury shares	26	(243,811)	(1,509,861)
Treasury shares reserve		2,341,230	282,455
Statutory reserve	27	4,144,801	2,698,457
Voluntary reserve	27	2,987,967	1,541,623
Share based payments reserve	28	169,295	133,296
Foreign currency translation reserve	6.1.1	(6,311,708)	(4,730,933)
Fair value reserve		53,749,818	33,955,998
Retained earnings		19,671,447	6,960,302
Total equity attributable to shareholders of the Parent Company		172,286,531	131,784,895
Non-controlling interests		54,923,742	40,138,098
Total equity		227,210,273	171,922,993
Total liabilities and equity		283,198,752	209,660,318



Jassem Hasan Zainal
Vice chairman and CEO

The notes set out on pages 13 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company										Non-controlling interests		Total
	Share capital KD	Share premium KD	Treasury shares 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	
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
Dividends of bonus shares (Note 30)	3,323,934	-	-	-	-	-	-	-	-	(3,323,934)	(1,623,870)	-	(1,623,870)
Cash dividends (Note 30)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(1,113,998)	-	-	-	-	-	-	-	(1,113,998)	(150,221)	(150,221)
Sale of treasury shares	-	-	2,295,928	1,992,675	-	-	-	-	-	-	(1,113,998)	-	(1,113,998)
Dividends of share-based payments (Note 28)	-	-	84,120	66,100	-	-	(42,337)	-	-	(117,579)	(9,696)	-	(9,696)
Cost of share-based payments (Note 28)	-	-	-	-	-	-	78,336	-	-	-	78,336	-	78,336
Non-controlling interest resulting from establishment and increase of the capital of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	184,112	184,112
Movement to non-controlling interests – net	-	-	-	-	-	-	-	-	-	-	-	36,437	36,437
Total transactions with owners	3,323,934	-	1,266,050	2,058,775	-	-	35,999	-	-	(5,065,383)	1,619,375	70,328	1,689,703
Profit for the year	-	-	-	-	-	-	-	-	-	14,096,643	14,096,643	1,925,758	16,022,401
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(1,580,775)	26,366,393	-	24,785,618	12,789,558	37,575,176
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(1,580,775)	26,366,393	14,096,643	38,882,261	14,715,316	53,597,577
Gain/(loss) on reclassification/disposal of financial assets at FVTOCI	-	-	-	-	-	-	-	-	(6,906,176)	6,906,176	-	-	-
Gain on reclassification (Note 18.2)	-	-	-	-	-	-	-	-	782,777	(782,777)	-	-	-
Loss on disposal	-	-	-	-	-	-	-	-	(449,174)	449,174	-	-	-
Impact of disposal from associate	-	-	-	-	-	-	-	-	(6,572,573)	6,572,573	-	-	-
Transfer to reserves	-	-	-	-	1,446,344	1,446,344	-	-	-	(2,892,688)	-	-	-
Balance at 31 December 2024	86,422,279	9,355,213	(243,811)	2,341,230	4,144,801	2,987,967	169,295	(6,311,708)	53,749,818	19,671,447	172,286,531	54,923,742	227,210,273

The notes set out on pages 13 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company													
	Share capital KD	Share premium KD	Treasury shares 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 owners	-	-	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	
Gain on disposal 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 13 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Operating activities			
Profit for the year		16,022,401	8,681,787
Adjustment for:			
Interest income		(567,229)	(550,263)
Dividend income		(4,792,404)	(4,888,015)
Reversal of impairment of real estates under development	19	(31,363)	(182,148)
Gain on disposal of real estates under development		-	(1,038,808)
Gain on disposal of properties held for trading		(329,464)	(21,849)
Share of results of associates	18.2	(3,987,576)	(1,536,879)
Reversal of provision for impairment of instalment credit debtors - net	13	(98,579)	(237,346)
Provision for impairment of doubtful debts - net	15	1,480,648	640,221
Finance costs	9	2,069,168	1,765,789
Depreciation		218,038	214,876
Cost of share-based payments	28	78,336	66,584
Provision for employees' end of service benefits		192,294	171,833
Reversal of provision impairment of credit losses for restricted cash and cash equivalents	12.2	(318,238)	(2,986,753)
Reversal of impairment provision for properties held for trading		(449,874)	(118,691)
		9,486,158	(19,662)
Changes in operating assets and liabilities:			
Instalment credit debtors		204,917	48,829
Financial assets at FVTPL		(19,174,512)	(52,321)
Accounts receivable and other assets		(2,732,998)	258,939
Accounts payable and other liabilities		(661,177)	4,381,523
Employees' end of service benefits paid		(59,260)	(13,570)
Net cash (used in)/from operating activities		(12,936,872)	4,603,738
Investing activities			
Additions of property and equipment		(96,244)	(108,140)
Purchase of financial assets at FVTOCI		(9,419,916)	(6,217,875)
Proceeds on disposal of financial assets at FVTOCI		2,884,880	2,807,938
Proceeds from disposal of property held for trading	16	829,973	29,880
Acquisition of assets held for sale	21	(6,594,129)	-
Proceeds from disposal of real estate under development		-	1,681,342
Additions to real estate under development	19	(392,958)	(916,346)
Net movement in restricted cash and cash equivalents	12.2	318,238	2,986,753
Term deposits		127,859	(562,170)
Dividend income received		4,792,404	4,888,015
Additions to new investment in associate		(1,069,700)	-
Dividend received from associates	18.2	1,342,795	1,776,374
Interest income received		183,973	323,348
Net cash (used in)/from investing activities		(7,092,825)	6,689,119

The notes set out on pages 13 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Financing activities			
Term loans obtained		1,476,000	2,710,000
Term loans paid		(9,872,834)	(5,750,800)
Murabaha payables obtained		27,858,030	-
Murabaha payables paid		(708,300)	(708,300)
Finance costs paid		(2,001,986)	(1,705,480)
Dividends paid to non-controlling interests		(150,221)	(344,231)
Dividends paid to shareholders		(1,665,772)	(3,192,354)
Acquisition of treasury shares		(1,113,998)	(515,278)
Disposal of treasury shares		4,288,603	-
Net movement in non-controlling interests		220,549	(60,316)
Net cash from/(used in) financing activities		18,330,071	(9,566,759)
Net (decrease)/increase in cash and cash equivalents		(1,699,626)	1,726,098
Foreign currency translation adjustments		(1,253,910)	(4,397,213)
Cash and cash equivalents at beginning of the year	12.1	6,764,437	9,435,552
Cash and cash equivalents at end of the year	12.1	3,810,901	6,764,437

The notes set out on pages 13 to 75 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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 Parent 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.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

- 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.
- 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 2024 for issuance on 27 March 2025. 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 promulgated 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.

3 Changes in accounting policies

3.1 New amended IFRS Accounting Standards adopted by the Group

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

<i>Standard or Interpretation</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

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

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

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities as either current or non-current depends only on the covenants that an entity is required to comply with on or before the reporting date. 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 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 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 consolidated financial information.

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.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

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

IFRS 16 Amendments – Lease liability in a sale and leaseback (continued)

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.

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

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.

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 21 Amendments – Lack of exchangeability	1 January 2025
IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments - Amendments	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

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.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments

The amendments to IFRS 7 and IFRS 9 addresses three changes:

- derecognition of a financial liability settled through electronic transfer whereby entities are permitted to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option would be required to apply it to all settlements made through the same electronic payment system.
- Classification of financial assets based on a) contractual terms that are consistent with basic lending arrangements, b) assets with non-recourse description has been enhanced to include a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets, and c) contractually linked instruments have been clarified, and
- Disclosures relating to a) financial assets at FVTOCI where entities are required to disclose fair value gain or loss separately for financial assets derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period, and b) contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs.

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.

IFRS 18 Presentation and Disclosure in Financial Statements

The new standard will replace the IAS 1 Presentation of Financial Statements though it contains a number of the current requirements in the IAS 1. IFRS 18 sets out to ensure the financial statements provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The major new requirements in IFRS 18 include

- Presentation of specific categories and sub totals in the statement of profit or loss
- Disclosures of management-defined performance measures (MPM)
- Improvement of aggregation and disaggregation

Management anticipates that the adoption of the new standard in the future may have an impact on the Group's consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows reduced disclosure requirements for an entity instead of the disclosure requirements in other IFRS Accounting Standards if the entity 1) is a subsidiary, 2) it does not have public accountability, 3) it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. An entity electing to apply IFRS 19 is required to apply other IFRS Accounting Standards, except for the disclosure requirements.

Management does not anticipate adoption of the new standard for its consolidated financial statements of the Group.

Notes to the consolidated financial statements (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.5 Revenues from contracts with customers (continued)

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.

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)

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.

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:

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.13 Financial instruments (continued)

4.13.1 Recognition, initial measurement and derecognition (continued)

- 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.

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

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.13 Financial instruments (continued)

4.13.3 Subsequent measurement of financial assets (continued)

- *Financial assets at amortised cost (continued)*

- 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.

- *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).

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.13 Financial instruments (continued)

4.13.3 Subsequent measurement of financial assets (continued)

- *Financial assets at FVTOCI (continued)*

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 short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.13 Financial instruments (continued)

4.13.4 Impairment of financial assets (continued)

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

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, 12-month 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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.13 Financial instruments (continued)

4.13.5 Classification and subsequent measurement of financial liabilities (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.17 Fair value of financial instruments (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.19 Investments in associates (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.21 Property and equipment (continued)

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.

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)

4 Material accounting policies (continued)

4.22 Leased assets (continued)

The Group as a lessee (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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.23 Impairment testing of goodwill and non-financial assets (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

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.

4.34 Non-current assets and liabilities classified as held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Any profit or loss arising from the sale of a non-current assets held for sale or its remeasurement to fair value less costs to sell is presented as part of a single line item in profit or loss.

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.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.2 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month 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 criterion set out in IFRS 15 relating to transfer of control of goods or provide services to customers has been satisfied requires significant judgement.

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.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

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 or loss.

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)

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		Place of incorporation	Principal activities	Reporting date
	31 Dec. 2024	31 Dec. 2023			
Direct subsidiaries:					
International Finance Company – S.A.L (6.1.1)	100%	100%	Lebanon	Finance services including financing, management and brokerage.	30 September 2024
Al-Addan Real Estate Company – S.P.C (6.1.2)	-	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 2024
Kuwait Invest Real Estate Co.– W.L.L	51%	51%	Kuwait	General Trading and Contracting and real estate services	31 December 2024
Arzan Securities Brokerage Co. SAE	84.55%	84.55%	Egypt	Brokerage services	30 September 2024
International Financial Advisers Company – WLL	65.20%	65.20%	Jordan	Brokerage services	30 September 2024
Saudi Invest Real Estate Co. – WLL	100%	100%	Saudi Arabia	Real estate services	31 December 2024
Arzan VC I Ltd.	100%	100%	United Arab Emirates	Projects management	31 December 2024
HI Equity Company Ltd.	99.18%	99.18%	Cayman Islands	Real estate	30 September 2024
HI Debt Company Ltd.	99.35%	99.35%	Cayman Islands	Real estate	30 September 2024
Arzan Capital (Holding) Limited	63.14%	63.14%	United Arab Emirates	Holding Company	30 September 2024
Arzan AM Limited	100%	100%	United Arab Emirates	General Trading	31 December 2024
ARZAN Real Estate Co. – SAE	80%	80%	Egypt	Real estate	30 September 2024
Blender Company for Rent and Lease Lands and Properties – SPC	100%	100%	Kuwait	Real estate	31 December 2024
Seven Seas Resorts Co. – KSCC (6.1.3)	-	100%	Kuwait	Real estate and hospitality activities	31 December 2023

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.1 Composition of the Group (continued)

Name of the subsidiary	Voting capital held		Place of incorporation	Principal activities	Reporting date
	31 Dec. 2024	31 Dec. 2023			
Easy Buy Company – SPC	100%	100%	Kuwait	Credit facilities services	31 December 2024
Joint venture Arzan ESS for General Trading Company – WLL	51%	51%	Kuwait	Investment	31 December 2024
Fairway Kuwaiti Limited Company W.L.L. (6.1.4)	100%	100%	Kuwait	General trading Consulting services	31 December 2024
Dahyat Al Khalidya Real Estate Company W.L.L. (6.1.5)	51%	-	Kuwait	Real Estate activities	30 September 2024
Indirect subsidiaries: Through Arzan Capital (Holding) Limited:					
Arzan Wealth (DIFC) Co. Limited	100%	100%	United Arab Emirates	Financial advisory services	30 September 2024
Arzan VC for Projects Management –S.P.C	100%	100%	Kuwait	Projects management	30 September 2024
Arzan Capital Jersey Limited	100%	100%	United Kingdom	Financial advisory services	30 September 2024
Arzan Suisse SA	100%	100%	Switzerland	Fund management activities	30 September 2024
Hill Top Digital Strategies 1 LTD	100%	100%	Liechtenstein	Digital currency Consulting service and project management	30 September 2024
Arzan VC Consulting Company (Egypt)	98%	98%	Egypt	Financial advisory services and Fund management	30 September 2024
Arzan Venture Capital Limited	50%	50%	United Arab Emirate	Financial advisory services and Fund management	30 September 2024
Other indirect subsidiary: Hill Top US 13 Limited - jointly owned through Arzan Capital (Holding) Limited and a Joint Venture Company	94%	94%	USA	Real Estate	30 September 2024

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.

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.1 Composition of the Group (continued)

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 15,030 = 1 USD as of 31 December 2023 to LP 89,550 = 1 USD as of 31 December 2024 (as of 31 December 2022: LP 1,507 = 1 USD), 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 KD1,369,334 as of 31 December 2024 recognized in the equity (KD4,390,789 as of 31 December 2023).

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 KD6,420,471 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 KD318,238 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 2023: a reversal of provision of KD2,986,753) (refer Note 12.2). The Group also reversed a provision for instalment credit debtors of KD96,396 (31 December 2023: reversal of a provision of KD189,596) (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 KD1,101,577 recognized in the consolidated statement of profit or loss for the year (2023: a foreign currency exchange gain of KD1,222,843).

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.

Summarised intra-group financial information of IFC Lebanon as at 31 December 2024 and 2023 is set out below:

	31 Dec. 2024 KD	31 Dec. 2023 KD
Financial assets at fair value through other comprehensive income	-	306,612
Trading properties	456,705	459,918
Other assets	41,111	66,187
Total assets	497,816	832,717
Accounts payable and other liabilities	256,958	440,509
Total liabilities	256,958	440,509
	Year ended 31 Dec 2024 KD	Year ended 31 Dec 2023 KD
Income from instalment credit	21,145	34,983
Profit for the year	1,494,009	4,234,791

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.1 Composition of the Group (continued)

6.1.2 During the year, 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.

Net assets of the subsidiary as at the date of deconsolidation, is as follows:

	Al-Addan Real Estate Company – S.P.C KD
Total assets	1,410,668
Total liabilities	(222,939)
Net disposed asset value	1,187,729
The carrying amount of the undisposed share classified as financial assets at FVTOCI	1,237,500
Deemed gain on deconsolidation of the subsidiary (included under other income)	49,771

6.1.3 During the year, the Parent Company sold the Subsidiary Seven Seas Resorts Co. – KSCC. The Group recognized gain on disposal of KD980 (included under other income).

6.1.4 During the year, 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 KD1,000, in which the Group holds a 51% stake. The principal activity of the new subsidiary is consulting. Subsequently, during the year, the company's management increased the subsidiary's capital to KD100,000.

6.1.5 During the year, the Group acquired a new subsidiary, i.e. Dahyat Al Khalidya Real Estate Company W.L.L, in the State of Kuwait with a share capital of KD20,000, in which the Group holds 100% stake.

6.2 Material non-controlling interests in subsidiaries:

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

Name of the subsidiary	Proportion of ownership interests and voting rights held by the NCI		Results allocated to NCI		Accumulated NCI	
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
	%	%	KD	KD	KD	KD
Kuwait Invest Real Estate Co.– WLL	49	49	125,921	84,467	4,738,855	4,608,741
Arzan Capital (Holding) Limited	36.86	36.86	271,777	247,415	9,314,222	9,252,087
Joint Venture	49.26	49.26	1,532,021	1,330,291	37,267,414	22,854,659
Others			(3,961)	(14,980)	3,603,251	3,422,611

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Material non-controlling interests in subsidiaries: (continued)

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. 2024 KD	31 Dec. 2023 KD
Non-current assets	9,626,142	9,359,145
Current assets	45,591	47,184
Total assets	9,671,733	9,406,329
Current liabilities	599	734
Total liabilities	599	734
Equity attributable to the shareholders of the Parent Company	4,932,878	4,796,854
Non-controlling interests	4,738,855	4,608,741
Total equity	9,671,733	9,405,595
	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Income	258,440	173,538
Expenses and other charges	(1,459)	(1,156)
Profit for the year attributable to the shareholders of the Parent Company	131,060	87,915
Profit for the year attributable to non-controlling interests	125,921	84,467
Profit for the year	256,981	172,382
Total comprehensive income for the year attributable to the shareholders of the Parent Company	135,425	29,714
Total comprehensive income for the year attributable to non-controlling interests	130,114	28,549
Total comprehensive income for the year	265,539	58,263
Net cash flow (used in)/from operating activities	(1,594)	46,201
Net cash flows	(1,594)	46,201

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Material non-controlling interests in subsidiaries: (continued)

b) Arzan Capital (Holding) Limited

	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Non-current assets	29,741,630	26,514,554
Current assets	4,393,983	3,710,635
Total assets	34,135,613	30,225,189
Non-current liabilities	145,137	125,363
Current liabilities	6,274,678	5,550,938
Total liabilities	6,419,815	5,676,301
Equity attributable to the shareholders of the Parent Company	18,401,576	15,296,801
Non-controlling interests	9,314,222	9,252,087
Total equity	27,715,798	24,548,888
	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Revenues	3,237,573	2,633,633
Expenses and other charges	(2,460,979)	(2,027,712)
Profit for the year attributable to the shareholders of the Parent Company	504,817	358,506
Profit for the year attributable to non-controlling interests	271,777	247,415
Profit for the year	776,594	605,921
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent Company	251,951	(485,883)
Total comprehensive income/(loss) for the year attributable to non-controlling interests	124,159	(245,524)
Total comprehensive income/(loss) for the year	376,110	(731,407)
Net cash flow used in operating activities	(764,127)	(2,430,037)
Net cash flows	(764,127)	(2,430,037)

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Material non-controlling interests in subsidiaries: (continued)

c) Joint Venture

	31 Dec. 2024 KD	31 Dec. 2023 KD
Non-current assets	77,042,749	46,399,200
Current assets	1,379,420	-
Total assets	78,422,169	46,399,200
Total liabilities	-	-
Equity attributable to the shareholders of the Parent Company	41,154,755	23,544,541
Non-controlling interests	37,267,414	22,854,659
Total equity	78,422,169	46,399,200
	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Income	3,110,288	2,700,737
Profit for the year attributable to the shareholders of the Parent Company	1,578,267	1,370,446
Profit for the year attributable to non-controlling interests	1,532,021	1,330,291
Profit for the year	3,110,288	2,700,737
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent Company	14,847,814	(2,001,658)
Total comprehensive income/(loss) for the year attributable to non-controlling interests	14,412,756	(1,943,007)
Total comprehensive incomes/(loss) for the year	29,260,570	(3,944,665)

7 Income from instalment credit debtors

	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Interest income from instalment credit	100,425	149,706
Discount, commission and fees	11,378	12,476
Recovery of written off balances	291,279	159,580
	403,082	321,762

Notes to the consolidated financial statements (continued)

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. 2024 KD	Year ended 31 Dec. 2023 KD
Assets management	287,327	243,315
Custodian and other fees	250,138	313,575
Advisory services	1,381,030	1,200,626
	1,918,495	1,757,516

Revenue from contracts with customers include revenues from related parties of KD180,920 (2023: KD174,900) (Note 33).

9 Finance costs

	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
<i>On financial liabilities at amortised cost:</i>		
Term loans	523,592	937,344
Murabaha payables	1,275,379	801,798
Others	270,197	26,647
	2,069,168	1,765,789

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. 2024	Year ended 31 Dec. 2023
Profit for the year attributable to the shareholders of the Parent Company - KD	14,096,643	7,034,594
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	850,882,481	842,872,175
Shares to be issued for no consideration under share-based payments (Note 28)	1,373,837	1,671,794
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	852,256,318	844,543,969
Basic earnings per share attributable to the Parent Company's shareholders - fils	16.567	8.346
Diluted earnings per share attributable to the Parent Company's shareholders - fils	16.540	8.329

The basic and diluted earnings per share reported during the previous year were 8.689 Fils and 8.671 Fils respectively, before retroactive adjustments relating to bonus shares issue (Note 30).

Notes to the consolidated financial statements (continued)

11 Net profit on financial assets

Net profit on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
<i>At amortised cost:</i>		
Interest income	237,733	250,496
Instalments credit debtors	501,661	559,108
Profit on financial assets at amortised cost	739,394	809,604

Income from instalment credit debtors' includes the reversal of provision of KD96,396 (31 December 2023: the reversal of provision KD189,596) related to IFC Lebanon (Note 13).

	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
<i>Financial assets at fair value through profit or loss:</i>		
Interest income	33,069	55,344
Change in fair value	9,134,821	(386,292)
Gain on disposal	258,911	146,031
Dividend income	492,122	447,997
Gain on financial assets at FVTPL	9,918,923	263,080
<i>Financial assets at fair value through other comprehensive income:</i>		
Interest income	296,427	244,423
Dividend income	4,300,282	4,440,018
Profit included in consolidated statement of profit or loss	4,596,709	4,684,441
Change in fair value	31,953,340	15,326,941
Gain on disposal	6,176,907	31,057
Profit included in other comprehensive income	38,130,247	15,357,998
Total profit on financial assets at fair value through other comprehensive income	42,726,956	20,042,439
Net profit on financial assets	53,385,273	21,115,123

Notes to the consolidated financial statements (continued)

12 Cash and cash equivalents

12.1 Cash and cash equivalents

	31 Dec. 2024 KD	31 Dec. 2023 KD
Cash on hand and at banks	3,579,706	6,558,432
Cash balance held in managed portfolios	209,479	206,005
Total cash and bank balances	3,789,185	6,764,437
Term deposits with contractual maturity not exceeding three months	21,716	-
Term deposits with contractual maturity exceeding three months	434,311	562,170
Total term deposits	456,027	562,170
	4,245,212	7,326,607
Less: Term deposits with contractual maturity exceeding three months	(434,311)	(562,170)
Cash and cash equivalent as per the consolidated statement of cash flows	3,810,901	6,764,437

Cash in managed portfolios includes an amount of KD31,645 (31 December 2023: KD138,926) pledged against term loans (Note 23) and Murabaha payable (Note 24).

12.2 Restricted cash and cash equivalents

	31 Dec. 2024 KD	31 Dec. 2023 KD
Cash and bank balances	154,388	461,669
Term deposits with contractual maturity ranging from 1 to 3 months	2,951,557	2,971,785
	3,105,945	3,433,454
Provision for credit losses	(3,105,945)	(3,433,454)
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 KD318,238 (31 December 2023: the Group recognised reversal of a provision of KD2,986,753) 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 3.25% to 6.6% (31 December 2023: 6.25% to 6.6%) per annum.

Notes to the consolidated financial statements (continued)

13 Instalment credit debtors

	31 Dec. 2024 KD	31 Dec. 2023 KD
Gross instalment credit debtors	3,224,827	3,673,559
Deferred income	(248,623)	(266,790)
	2,976,204	3,406,769
Specific provision for credit losses	(2,196,264)	(2,500,781)
General provision for credit losses	(22,159)	(41,868)
	757,781	864,120

Gross instalment credit debtors are due as follows:

	31 Dec. 2024 KD	31 Dec. 2023 KD
Within one year	2,696,426	3,010,286
More than a year	528,401	663,273
	3,224,827	3,673,559

The effective interest rate earned on instalment credit ranging from 5% to 10% (31 December 2023: 5% to 10%) per annum.

Movement in provisions for credit losses is as follows:

	31 December 2024			31 December 2023		
	Specific provision KD	General provision KD	Total KD	Specific provision KD	General provision KD	Total KD
Opening balance	2,500,781	41,868	2,542,649	2,770,904	218,967	2,989,871
Charge for the year	92,453	17,086	109,539	143,648	59,690	203,338
Write-back of provision during the year	(172,005)	(36,113)	(208,118)	(204,264)	(236,420)	(440,684)
Write-off of provision during the year	(189,214)	-	(189,214)	-	-	-
Foreign currencies translation adjustments	(35,751)	(682)	(36,433)	(209,507)	(369)	(209,876)
Closing balance	2,196,264	22,159	2,218,423	2,500,781	41,868	2,542,649

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 KD96,396 (31 December 2023: reversal of a provision of KD189,596) for instalment credit debtors of its subsidiary “IFC - Lebanon” (Note 6.1.1).

Notes to the consolidated financial statements (continued)

14 Financial assets at fair value through profit or loss

	31 Dec. 2024 KD	31 Dec. 2023 KD
Local quoted shares	14,409,542	14,456
Foreign quoted shares	647,199	576,071
Foreign unquoted shares	7,531,543	7,722,472
Investments in managed portfolios	15,148,051	11,878,795
Investment in managed fund	3,296,358	1,666,387
	41,032,693	21,858,181

Investments in managed portfolios, include an investment portfolio with fair value of KD13,933,807 (31 December 2023: KD11,232,409) including cash balances, which are pledged against borrowings (Notes 23 and 24).

During the year, the Group disposed financial assets at FVTPL with a carrying value of KD5,739,564 (31 December 2023: KD2,054,156) for a consideration of KD5,998,475 (31 December 2023: KD2,200,187) resulting in a profit of KD258,911 (31 December 2023: KD146,031).

15 Accounts receivable and other assets

	31 Dec. 2024 KD	31 Dec. 2023 KD
Financial assets		
Trade receivables	3,610,303	2,831,399
Instalments sales receivable	5,113,474	2,943,973
Receivable from margin finance clients (see below)	2,498,189	1,747,090
Due from related parties	1,365,922	1,705,520
	12,587,888	9,227,982
Provision for doubtful debts	(4,041,171)	(2,572,087)
	8,546,717	6,655,895
Non-financial assets:		
Advance payments	31,057	27,688
Other assets	863,255	1,121,838
	894,312	1,149,526
	9,441,029	7,805,421

The receivable from margin finance clients includes an amount of KD838,472 (31 December 2023: KD503,503) related to related parties (Note 33). Receivable from margin finance clients is 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)

15 Accounts receivable and other assets (continued)

Movement in provision for impairment of doubtful debts is as follows:

	31 Dec. 2024 KD	31 Dec. 2023 KD
Balance at the beginning of the year	2,572,087	3,816,146
Charged during the year	1,531,720	755,238
Reversal during the year	(51,072)	(115,017)
Written-off during the year	-	(1,850,732)
Foreign currency adjustments	(11,564)	(33,548)
Balance at end of the year	4,041,171	2,572,087

The above-mentioned provision includes a provision of KD99,111 (31 December 2023: KD151,634) 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. 2024 KD	31 Dec. 2023 KD
Balance at 1 January	1,869,449	1,877,631
Transferred from real estate under development (Note 19)	545,890	-
Disposals (see below)	(500,509)	(8,031)
Foreign currency translation	(3,213)	(151)
Total	1,911,617	1,869,449
Provision for impairment in value of properties held for trading	-	(449,874)
Balance at 31 December	1,911,617	1,419,575

During the year, the Group disposed properties held for trading with a carrying value of KD500,509 (31 December 2023: KD8,031) for consideration of KD829,973 (31 December 2023: KD29,880), resulting in a gain of KD329,464 (31 December 2023: KD21,849).

Based on impairment tests of the carrying value of properties held for trading, the Group reversed a provision for impairment of KD449,874 (31 December 2023: KD118,691).

Notes to the consolidated financial statements (continued)

17 Financial assets at fair value through other comprehensive income

	31 Dec. 2024 KD	31 Dec. 2023 KD
Local quoted shares	56,631,636	50,842,369
Local unquoted shares	7,974,201	6,797,171
Foreign unquoted shares	51,175,521	47,507,688
Investments in managed portfolios	38,701,053	26,464,354
Debt instruments	4,698,634	1,729,851
Investment funds	9,468	319,235
	159,190,513	133,660,668

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 2024:					
Local quoted shares	47,272,016	9,262,961	-	96,659	56,631,636
Local unquoted shares	6,378,377	34,395	1,560,201	1,228	7,974,201
Foreign unquoted shares	26,419,493	23,301,177	996,725	458,126	51,175,521
Investments in managed portfolios	25,070,000	1,218,696	12,412,357	-	38,701,053
Debt instruments	526,773	3,403,736	-	768,125	4,698,634
Investment funds	9,468	-	-	-	9,468
	105,676,127	37,220,965	14,969,283	1,324,138	159,190,513
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

- 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 KD66,528,903 as at 31 December 2024 (2023: KD49,207,567). Due to the restrictions on sale of this investment for a five-year period ended Q1 2024, the Group has applied 15% discount of KD7,381,135 on the quoted bid price when determining its fair value of KD41,826,432, as of 31 December 2023. Upon removal of these restrictions in 2024, this investment has been marked to market without any discount.

Notes to the consolidated financial statements (continued)

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

- 17.2 Debt instruments amounting to KD4,698,634(31 December 2023: KD1,193,254) carry interest rate ranging from 8% to 15% (31 December 2023: 7%) per annum.
- 17.3 Local quoted shares and investments in managed portfolios with an aggregate carrying value of KD43,329,813 (31 December 2023: KD30,977,633) are pledged against borrowings (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.

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		Activity
		31 Dec. 2024	31 Dec. 2023	
		%	%	
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
IFA Hotels and Resorts – K.P.S.C (a)	Kuwait	10.18	-	Real estate
Bantry SP (b)	UK	15.00	-	Hotels services management

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

	31 Dec. 2024 KD	31 Dec. 2023 KD
At 1 January	31,229,754	31,679,487
Transfer from financial assets at FVTOCI (below - a)	19,207,709	-
Additions (b below)	1,063,000	-
Share of results	3,987,576	1,536,879
Dividend received	(1,342,795)	(1,776,374)
Foreign currency translation	6,699	-
Shares of other comprehensive income/(loss)	1,061,433	(210,238)
At 31 December	55,213,376	31,229,754

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

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

- a) The Group owns 10.18% of IFA Hotels & Resorts Co. - KPSC (“IFAHR”), which was originally classified as financial assets at fair value through other comprehensive income. During the year, following the appointment of the Parent Company’s representation in the board of directors of IFAHR, the Parent Company has gained the significant influence over IFAHR, as defined under IFRS 28. Consequently, the Parent Company has reclassified its investment in IFAHR from financial assets at fair value through other comprehensive income to investment in associate at its fair value of KD19,207,709 on the reclassification date. The fair value adjustment previously recorded in other comprehensive income amounting to KD6,906,176 has been transferred to retained earnings, in equity, as part of the reclassification process.

The associate is accounted using the equity method in these consolidated financial statements based on the consolidated financial statements as of 31 December 2024 (after incorporating the impact of the purchase price allocation).

The summarised financial information of IFAHR below, represents the amounts presented in the consolidated financial statements of the associate (and not the Group’s share of those amounts) as of the date of reclassification.

	IFAHR 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 included in the carrying value of the associate	16,947,220

The initial accounting for the business combination is provisional due to its complexity and will be adjusted retrospectively (if required) when the final purchase price allocation is completed during the one-year measurement period from the reclassification date.

- b) During the year, the Parent Company, in partnership with its subsidiary Arzan Capital (Holding) Limited, invested USD11,000,000, 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 Cayman Islands. However, the Group decided to reduce its share of the ownership from 47.41% to 15% over the period of 12 months. Consequently, the Group has decided to transfer 32.41% of USD7,520,000 (equivalent to KD2,249,268) to assets held for sale category, upon meeting the criteria for recognition as non-current assets held for sale (Note 21). As the management intends to retain the remaining 15% of the investee with a carrying value of USD3,480,000 (equivalent to KD1,063,000), such will continue to be equity accounted in accordance with IFRS Accounting Standards until the disposal of the portion classified as assets held for sale since the Group has significant influence over Investee as of the reporting date.

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

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

	Offset Holding Co. K.S.C.C		Al Wafir Marketing Services Co. K.S.C.C		IFA Hotels and Resorts Co. K.P.S.C	
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
	KD	KD	KD	KD	KD	KD
Assets						
Current	8,892,202	7,604,567	40,871,789	44,165,123	30,806,919	-
Non-current	17,689,384	17,426,207	63,790,596	40,038,523	196,665,783	-
	26,581,586	25,030,774	104,662,385	84,203,646	227,472,702	-
Liabilities						
Current	748,803	324,354	18,933,460	20,761,036	89,551,963	-
Non-current	1,131,879	950,376	34,030,547	25,566,302	68,238,978	-
	1,880,682	1,274,730	52,964,007	46,327,338	157,790,941	-
Total equity	24,700,904	23,756,044	51,698,378	37,876,308	69,681,761	-
Non-controlling interests	(5,448,620)	(5,037,755)	(7,303,684)	29,927	(37,702,734)	-
Equity attributable to the owners of the associates	19,252,284	18,718,289	44,394,694	37,906,235	31,979,027	-
Group share of net assets	9,626,142	9,359,145	15,093,574	12,887,589	3,254,378	-
Goodwill	-	-	7,104,406	7,237,955	16,947,221	-
Carrying amount	9,626,142	9,359,145	22,197,980	20,125,544	20,201,599	-
Income	1,569,525	2,836,806	13,292,079	21,553,013	59,612,633	-
Profit	516,879	347,075	6,913,264	3,432,495	16,748,341	-
Total comprehensive income	516,879	87,960	9,832,761	3,149,745	17,510,962	-
Dividend received	-	455,248	1,270,565	1,270,565	-	-
Market value	-	-	-	-	43,166,011	-

The remaining associates are considered immaterial to the Group.

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

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

	31 Dec. 2024 KD	31 Dec. 2023 KD
Assets	16,208,619	6,921,915
Liabilities	1,227,737	714,872
Net assets	14,980,882	6,207,043
Group's share of net assets	3,187,656	1,745,065
Carrying amount	3,187,656	1,745,065
Revenue	2,158,702	1,344,636
Profit for the year	1,892,247	754,065
Total comprehensive income	1,892,247	754,065
Dividends received	72,230	50,561

Investments in associates with a carrying amount of KD12,019,983 (31 December 2023: KD16,454,758) are pledged against borrowings (Notes 23 and 24).

19 Real estates under development

	31 Dec. 2024 KD	31 Dec. 2023 KD
Cost		
Balance at the beginning of the year	2,208,564	1,886,005
Disposal (see below)	-	(642,534)
Transfer to properties held for trading (Note 16)	(545,890)	-
Development costs and additions	392,958	916,346
Foreign exchange differences	(497,056)	(133,401)
Total Cost	1,558,576	2,026,416
Reversal of impairment	31,363	182,148
Net book value at the year end	1,589,939	2,208,564

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

Notes to the consolidated financial statements (continued)

20 Investment properties

	Land KD	Building KD	Total KD
Cost			
1 January 2024	1,023,750	1,484,989	2,508,739
31 December 2024	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2024	-	1,147,234	1,147,234
Charge for the year	-	58,740	58,740
31 December 2024	-	1,205,974	1,205,974
Net book value			
At 31 December 2024	1,023,750	279,015	1,302,765
Fair value as at 31 December 2024	2,555,382	703,993	3,259,375
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

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).

21 Assets held for sale

The breakdown of classified as assets held for sale are as follows:

	31 Dec. 2024 KD
Bantry SP (Note 18.2b)	2,249,268
Riparian Housing Investors I, LLC (below – a)	927,000
Hill Top UK 7 Ltd (below – a)	3,417,861
	6,594,129

- a) During the year, the management of the Group has purchased two structured entities and decided to transfer to assets held for sale category, upon meeting the criteria for recognition as non-current assets held for sale.

Notes to the consolidated financial statements (continued)

22 Accounts payable and other liabilities

	31 Dec. 2024 KD	31 Dec. 2023 KD
Trade payables	145,370	153,759
Due to related parties (Note 33)	2,856,747	2,814,160
Other payables	2,938,860	3,974,142
Lease liability	63,817	318
Accrued interest	232,644	165,462
Provision for employees leave	340,364	302,491
KFAS payable	290,499	242,379
NLST and Zakat payable	3,083,266	2,850,954
Due to shareholders (Note 33)	466,367	508,268
	10,417,934	11,011,933

23 Term loans

	Interest	31 Dec. 2024 KD	31 Dec. 2023 KD
Kuwaiti Dinar facilities	(1.625% - 1.75% + CBK)	2,196,000	10,592,834
		2,196,000	10,592,834
Due within one year		2,196,000	1,500,000
Due more than one year		-	9,092,834

The details of the outstanding term loans are as follows:

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 as of on 31 December 2024. During the current year, the Parent Company has signed an additional agreement with the same Kuwaiti bank to obtain Kuwaiti Dinar facilities in the form of a revolving loan, whereby the maximum loan limit is KD1,500,000. The Parent Company withdrew an amount of KD696,000 from these facilities.

Kuwaiti Dinar facilities are payable on 30 June 2025.

Kuwaiti Dinar facilities are secured against mortgage of cash in managed portfolios (Note 12), certain financial assets at FVTPL (Note 14), financial assets at FVTOCI (Note 17) and investment in associates (Note 18).

24 Murabaha payables

The Murabaha payables outstanding balance represents Islamic financings obtained in Kuwaiti Dinar from a local banks carrying effective profit rates ranging from 5.2% to 5.50% (31 December 2023: 5% to 5.75%) 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, which are payable in various instalments ending in November 2026.

Notes to the consolidated financial statements (continued)

24 Murabaha payables (continued)

Murabaha payables are due as follows:

	31 Dec. 2024 KD	31 Dec. 2023 KD
Within one year	21,504,330	2,291,300
After one year	19,977,800	12,041,100
	41,482,130	14,332,400

25 Share capital and share premium

The authorized, issued and paid up share capital of the Parent Company consists of 864,222,782 shares of 100 fils each (31 December 2023: 830,983,445 shares of 100 fils each). All shares are paid in cash.

During the year, the annual general assembly of the Parent Company's shareholders approved to increase the share capital through issuance of 4% bonus shares (Note 30). It was registered in the commercial register on 21 May 2024.

The share premium is non-distributable.

26 Treasury shares

	31 Dec. 2024	31 Dec. 2023
Number of treasury shares	1,094,422	16,477,907
Percentage of ownership (%)	0.127%	1.983%
Market value (KD)	287,833	3,410,927
Cost (KD)	243,811	1,509,861

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

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.

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.

Notes to the consolidated financial statements (continued)

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 468,930 shares for the year ended 31 December 2023 (31 December 2022: 938,644 shares). The fair value of the shares on the grant date was KD0.1940 each (31 December 2022: KD0.1040 each). Therefore, the Group recognised an expense of KD78,336 (31 December 2023: KD66,584) in the consolidated statement of profit or loss.

During the year, from the shares granted to staff as share-based payments 774,331 shares were issued out of treasury shares (cost of KD84,120 and market value of shares on issue date KD150,220). This led to a reduction in the balance of the share-based payment reserve by an amount of KD42,337 and a reduction in the balance of retained earnings by an amount of KD117,579, as stated in the consolidated statement of changes in equity.

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 2024	10,592,834	14,332,400	24,925,234
Cash flows:			
• Repayment	(9,872,834)	(708,300)	(10,581,134)
• Proceeds	1,476,000	27,858,030	29,334,030
31 December 2024	2,196,000	41,482,130	43,678,130
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

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 3 Fils each for the year ended 31 December 2024 (31 December 2023: 2 Fils each) and bonus shares at 5% for the shareholders of the parent company through increase in share capital (31 December 2023: bonus share at 4%)

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).

Notes to the consolidated financial statements (continued)

30 Proposed dividends and annual general assembly (continued)

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, which has been recorded under expenses in the consolidated statement of profit or loss of the current year.

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 of 4% of 100 fils each to be distributed to the shareholders of the Parent Company.

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 KD84,609,051 (31 December 2023: KD51,993,107), which include related parties' assets under management amounted to KD58,826,263 (31 December 2023: KD30,008,099) (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 2024					
Total revenue	2,854,102	20,601,832	911,390	1,057,460	25,424,784
Profit for the year	2,121,949	12,450,160	545,000	905,292	16,022,401
As at 31 December 2024					
Total assets	1,135,191	265,083,057	11,317,144	5,663,360	283,198,752
Total liabilities	(403,914)	(54,232,169)	(639,617)	(712,779)	(55,988,479)
Net assets	731,277	210,850,888	10,677,527	4,950,581	227,210,273
Year ended 31 December 2023					
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

Notes to the consolidated financial statements (continued)

33 Related party balances and transactions

Related parties represent 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. 2024 KD	31 Dec. 2023 KD
Balances included in the consolidated statement of financial position		
Margin finance receivable (Note 15)	838,472	503,503
Due from related parties - net (net of provision amounting to KD99,111 in 2024 and KD151,634 in 2023) (Note 15)	1,266,811	1,553,886
Due to related parties (Note 22) – See below	2,856,747	2,814,160
Due to shareholders (Note 22)	466,367	508,268
<hr/>		
	Year ended 31 Dec. 2024 KD	Year ended 31 Dec. 2023 KD
Transactions included in the consolidated statement of profit or loss		
Revenue from contracts with customers (Note 8)	180,920	174,900
Rental income	119,998	34,752
Interest income	128,557	267,285
General and administrative expenses	123,928	119,772
Finance costs	233,111	34,613
Key management compensation:		
Salaries and other short-term benefits	913,793	1,118,379
Board of directors' remuneration and other committees' remunerations (included in general and administrative expenses)	68,050	60,850
End of service benefits	67,249	63,177
Share based compensation	70,495	59,920
<hr/>		
Fiduciary assets of related parties managed by the Group (Note 31)	58,826,263	30,008,099

During the previous year, one of the subsidiaries received an amount of USD8,000,000 (equivalent to KD2,464,800) pursuant to two sales 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 below due to related parties stated above.

34 Risk management objectives and policies

The Group's activities expose it to a 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.

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

The most significant financial risks to which the Group is exposed to are described below.

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. 2024 Equivalent KD	31 Dec. 2023 Equivalent KD
US Dollar (USD)	53,846,070	45,027,831
Lebanese Pound (LBP)	485,366	583,419
Great Britain Pound (BPB)	12,928,613	7,430,009
Egyptian Pound (EGP)	1,117,566	1,494,896
UAE Dirham (AED)	1,409,530	959,657
Saudi Riyal (SAR)	59,570	56,490
Euro	1,076,141	424,681
Omani Riyal	46,427	52,231
Jordanian Dinar (JOD)	669,421	686,414
Norway Kron	289,243	106,097
	71,927,947	56,821,725

The following table details the Group's sensitivity to a 2% (2023: 2%) increase and decrease in the KD against above foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated financial assets and liabilities and adjusts their translation at the year-end for a 2% change in foreign currency rates. A positive number below indicates an increase in profit and equity and a negative number indicates a 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. 2024		31 Dec. 2023	
	+2% KD	-2% KD	+2% KD	-2% KD
Profit for the year	502,718	(502,718)	325,414	(325,414)
Equity	935,841	(935,841)	811,021	(811,021)

Notes to the consolidated financial statements (continued)

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 and 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.

Notes to the consolidated financial statements (continued)

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 2024 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	21,716	-	-	21,716	-	3,789,185	3,810,901	3.25%-5.75%
Term deposits	434,311	-	-	434,311	-	-	434,311	6.25%-6.6%
Instalment credit debtors	5,021	32,650	268,080	305,751	452,030	-	757,781	5%-10%
Financial assets at FVTPL	-	-	-	-	-	41,032,693	41,032,693	-
Accounts receivable and other assets	-	2,024,601	473,588	2,498,189	-	6,942,840	9,441,029	8% -8.25%
Financial assets at fair value through other comprehensive income	-	-	-	-	4,698,634	154,491,879	159,190,513	8%-15%
	461,048	2,057,251	741,668	3,259,967	5,150,664	206,256,597	214,667,228	-
Liabilities								
Accounts payable and other liabilities	-	-	2,464,800	2,464,800	-	7,953,134	10,417,934	-
Term loans	-	-	2,196,000	2,196,000	-	-	2,196,000	5.625%-5.75%
Murabaha payables	-	436,730	21,067,600	21,504,330	19,977,800	-	41,482,130	5.200%-5.5%
Provision for employees' end of service benefit	-	-	-	-	-	1,892,415	1,892,415	-
	-	436,730	25,728,400	26,165,130	19,977,800	9,845,549	55,988,479	-

Notes to the consolidated financial statements (continued)

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 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	-
Term deposits	259,463	302,707	-	562,170	-	-	562,170	%6.6-%6.25
Instalment credit debtors	3,495	12,026	211,463	226,984	637,136	-	864,120	%10-%5
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	%12-%7
	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)

34 Risk management objectives and policies (continued)

34.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in interest rates of 1% and –1% (2023: +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. 2024		31 Dec. 2023	
	+1% KD	-1% KD	+1% KD	-1% KD
Results for the year	377,323	(377,323)	(237,580)	237,580

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 2024 and 2023 would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2024 KD	31 Dec. 2023 KD	31 Dec. 2024 KD	31 Dec. 2023 KD
Financial assets at fair value through profit or loss	±3,350,115	±2,185,818	-	-
Financial assets at fair value through other comprehensive income	-	-	±9,534,216	±13,366,067

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:

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.2 Credit risk (continued)

	31 Dec. 2024 KD	31 Dec. 2023 KD
Cash and cash equivalents	3,810,901	6,764,437
Term deposits	434,311	562,170
Instalment credit debtors	757,781	864,120
Financial assets at FVTPL	18,444,410	13,545,182
Accounts receivable and other assets	9,441,029	7,805,421
Financial assets at FVTOCI (Note 17)	38,710,521	26,783,589
Total	71,598,953	56,324,919

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.3 Concentration of assets

The distribution of assets by geographic region is as follows:

	Kuwait	Gulf Cooperation	Other Middle	Europe and other	USA	Total
	KD	Council Countries KD	Eastern countries KD	countries KD	KD	KD
At 31 December 2024						
Cash and cash equivalents	2,294,695	987,824	523,973	-	4,409	3,810,901
Term deposits	-	-	434,311	-	-	434,311
Instalment credit debtors	757,781	-	-	-	-	757,781
Financial assets at FVTPL	29,177,868	2,462,680	3,233,014	-	6,159,131	41,032,693
Accounts receivable and other assets	6,138,569	1,570,100	1,079,119	-	653,241	9,441,029
Properties held for trading	-	1,409,530	502,087	-	-	1,911,617
Financial assets at fair value through other comprehensive income	103,316,357	458,127	-	13,071,105	42,344,924	159,190,513
Investment in associates	54,143,676	-	-	1,069,700	-	55,213,376
Real estates under development	1,174,469	-	415,470	-	-	1,589,939
Investment Properties	1,302,765	-	-	-	-	1,302,765
Assets held for sale	-	-	-	-	-	-
Property and equipment	1,833,065	59,779	26,854	5,669,829	924,300	6,594,129
Total	200,139,245	6,948,040	6,214,828	19,810,634	50,086,005	283,198,752

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.3 Concentration of assets (continued)

	Kuwait KD	Gulf Cooperation Council Countries KD	Other Middle Eastern countries KD	Europe and other countries KD	USA KD	Total KD
At 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

Notes to the consolidated financial statements (continued)

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 2024:

	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	3,810,901	-	-	3,810,901	-	3,810,901
Term deposits	434,311	-	-	434,311	-	434,311
Instalment credit debtors	5,021	32,650	268,080	305,751	452,030	757,781
Financial assets at FVTPL	33,501,151	-	7,531,542	41,032,693	-	41,032,693
Accounts receivable and other assets	953,489	3,200,299	3,355,907	7,509,695	1,931,334	9,441,029
Properties held for trading	-	-	1,911,617	1,911,617	-	1,911,617
Financial assets at fair value through other comprehensive income	-	-	-	-	159,190,513	159,190,513
Investment in associates	-	-	-	-	55,213,376	55,213,376
Real estates under development	-	-	-	-	1,589,939	1,589,939
Investment Properties	-	-	-	-	1,302,765	1,302,765
Assets held for sale	-	-	6,594,129	6,594,129	-	6,594,129
Property and equipment	-	-	-	-	1,919,698	1,919,698
Total assets	38,704,873	3,232,949	19,661,275	61,599,097	221,599,655	283,198,752
Liabilities						
Accounts payable and other liabilities	1,329,730	754,725	5,248,573	7,333,028	3,084,906	10,417,934
Term loans	-	-	2,196,000	2,196,000	-	2,196,000
Murabaha payables	-	436,730	21,067,600	21,504,330	19,977,800	41,482,130
Provision for employees' end of service benefits	-	-	-	-	1,892,415	1,892,415
Total liabilities	1,329,730	1,191,455	28,512,173	31,033,358	24,955,121	55,988,479

Notes to the consolidated financial statements (continued)

34 Risk management objectives and policies (continued)

34.4 Liquidity risk (continued)

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

The contractual maturity profile of the financial liabilities based on undiscounted cash flow is 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	Total KD
31 December 2024						
Financial liabilities						
Accounts payable and other liabilities	1,329,730	754,737	5,482,729	7,567,196	3,084,906	10,652,102
Term loans	-	-	2,322,270	2,322,270	-	2,322,270
Murabaha payable	-	460,181	22,169,149	22,629,330	21,026,635	43,655,965
Provision for employees' end of service benefits	-	-	-	-	1,892,415	1,892,415
	1,329,730	1,214,918	29,974,148	32,518,796	26,003,956	58,522,752

Notes to the consolidated financial statements (continued)

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:

	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
31 December 2023						
Financial liabilities						
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

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).

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

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. 2024 KD	31 Dec. 2023 KD
Financial assets:		
<i>At amortised cost:</i>		
Cash and cash equivalents	3,810,901	6,764,437
Term deposits	434,311	562,170
Instalment credit debtors	757,781	864,120
Accounts receivable and other assets	9,441,029	7,805,421
<i>Carried at fair value:</i>		
Financial assets at FVTPL	41,032,693	21,858,181
Financial assets at fair value through other comprehensive income	159,190,513	133,660,668
Total	214,667,228	171,514,997
Financial liabilities:		
<i>Carried at amortised cost:</i>		
Accounts payable and other liabilities	10,417,934	11,011,933
Term loans	2,196,000	10,592,834
Murabaha payable	41,482,130	14,332,400
Provision for employees' end of service benefits	1,892,415	1,800,158
Total	55,988,479	37,737,325

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 consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2024

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at FVTPL:				
Local quoted shares	14,409,542	-	-	14,409,542
Foreign quoted shares	647,199	-	-	647,199
Foreign unquoted shares	-	-	7,531,543	7,531,543
Investments in managed portfolios	15,148,051	-	-	15,148,051
Investment in managed fund	-	3,296,358	-	3,296,358
Financial assets at fair value through other comprehensive income:				
Local quoted shares	56,631,636	-	-	56,631,636
Local unquoted shares	-	-	7,974,201	7,974,201
Foreign unquoted shares	-	-	51,175,521	51,175,521
Investments in managed portfolios	38,701,053	-	-	38,701,053
Debit instruments	-	-	4,698,634	4,698,634
Investment funds	-	9,468	-	9,468
	125,537,481	3,305,826	71,379,899	200,223,206

Notes to the consolidated financial statements (continued)

35 Fair value measurement (continued)

35.2 Fair value measurement of financial instruments (continued)

31 December 2023

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
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

Financial assets in level 3:

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

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

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

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

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

Notes to the consolidated financial statements (continued)

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. 2024 KD	31 Dec. 2023 KD
Opening balance	63,757,182	62,185,839
Change in fair value	1,509,973	(1,463,433)
Sales	(3,167,658)	(2,803,996)
Purchases	9,280,402	5,838,772
Closing balance	71,379,899	63,757,182

Non-financial assets

Investment properties were fair valued for the impairment assessment at 31 December 2024 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 valuers 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.

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. 2024 KD	31 Dec. 2023 KD
Term loans (Note 23)	2,196,000	10,592,834
Murabaha payables (Note 24)	41,482,130	14,332,400
Less:		
Cash and cash equivalents (Note 12.1)	(3,810,901)	(6,764,437)
Term deposits	(434,311)	(562,170)
Net debt	39,432,918	17,598,627
Equity	227,210,273	171,922,993
Net debt to equity ratio	17.36%	10.24%

Notes to the consolidated financial statements (continued)

37 Capital commitments

At the date of the consolidated statement of financial position, the Group had capital commitments of KD Nil (31 December 2023: KD522,869) for properties under development and capital commitments of KD29,785 (31 December 2023: KD71,558) 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.

39 Subsequent events

Subsequent to the reporting date, the Vice Chairman and CEO of the Parent Company has been appointed as a Board Member of International Financial Advisers Holding – KPSC, representing Dahyat Al Khalidya Real Estate Company – WLL, a wholly owned subsidiary of the Parent Company. As a result, the Group now holds significant influence over the decisions of International Financial Advisers Holding – KPSC. As of the reporting date, this investment is classified under "Financial Assets at FVTOCI" and "Financial Assets at FVTPL."

Following this Board appointment, the Group will gain significant influence over the investee, leading to a reclassification of the investments to "Investments in Associates." This reclassification occurred in the first quarter of 2025 and its financial impact, including any gain recognized from the reclassification, will be reflected in the first-quarter financial statements of 2025.

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