

# ANNUAL REPORT 2025

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

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

Paid up Capital: KD 90,743,392.100  
(Ninety million, seven hundred and forty-three thousand,  
three hundred, ninety-two Kuwaiti dinars and one hundred fils)

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



**H.H. Sabah Al-Khaled Al-Hamad Al-Sabah**  
CROWN PRINCE OF KUWAIT



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# BOARD MEMBERS



**Talal Jassim Al-Bahar**  
Chairman

**Jassem Hasan Zainal**  
Vice Chairman & CEO

**Ibrahim Saleh Al Tharban**  
Board Member

**Emad Abdullah Al Essa**  
Board Member

**Bader Jassem Al Hajri**  
Board Member

**Issa Abdullah Al Muzaini**  
Board Member

**Dr. Sulaiman Tareq Al-Abduljader**  
Board Member

**Ruba Fati Ghanem**  
Board Secretary



BOARD  
MESSAGE

## Dear Shareholders and Investors,

Arzan Financial Group's Board of Directors is pleased to deliver the Annual Report and Consolidated Financial Statements for the Group and its subsidiaries for the fiscal year ending December 31, 2025.

In 2025, the global economy has witnessed a notable recovery in most sectors, despite numerous events, ongoing pressures, and tight monetary policies. Advanced economies have achieved moderate growth, while emerging markets have faced mixed results due to currency volatility, capital outflows, and ongoing geopolitical tensions. In addition, the sectors of technology, artificial intelligence, and clean energy have emerged as key drivers of global investment trends.

The Economic performance in the Middle East and North Africa region showed marked divergence. The GCC countries continued to benefit from economic reform programs, government investments, and relatively stable oil revenues, which resulted in strong market performance in 2025. These factors supported the growth of non-oil sectors such as tourism, entertainment, and technology. Economic diversification efforts and public-private partnerships are expected to play a pivotal role in achieving stability and sustainable growth in the future.

2025 has been the final year of the group's three-year strategic cycle. It is a year of significant achievements in spite of the challenges facing regional and global economic markets. At the end of 2025, the Group was able to achieve a net profit attributable to shareholders of the parent company of KD 23 million, compared to KD 14 million in 2024, representing an increase of 65%. Earnings per share reached 25.639 fils per share, and total operating revenues increased to KD 38.6 million, compared to KD 25.4 million in 2024, with a growth of 52%. By the end of 2025, the Group's assets also increased by 35.90%, reaching KD 385 million, due to an increase in the fair value of financial assets and new investments. Conversely, the Group's total liabilities increased by 38.51%, but remained within acceptable limits.

Based on the 2025 financial results, the Group's Board of Directors recommended a cash dividend to shareholders amounting to 2% (equivalent to 2 fils per share) and a bonus share distribution of 6% (equivalent to 6 shares for every 100 shares).

For two decades, investors operated under the banner of globalization, believing that the global economy was evolving into a highly interconnected global economic system, and on this basis, its trajectories became largely predictable. Geopolitical tensions were viewed as temporary and largely insignificant compared to the growth momentum resulting from low interest rates. Today, these tensions have become a major factor that investors can no longer ignore.

Markets are currently witnessing the end of the low-inflation, low-interest-rate environment that prevailed after the 2008 global financial crisis. Essential changes in traditional investment strategies are no longer effective, and the world is experiencing increasing fragmentation of the global economy, progressing towards economic and political blocs.

One of the most significant events for Arzan Financial Group in 2025 was the successful IPO of MIAX on the New York Stock Exchange. MIAX is owned and operated by Miami International Holdings, Inc. Arzan Financial Group's investment in MIAX confirms alignment with its strategy of diversifying revenue streams, expanding into global markets, and exploring promising opportunities in the financial technology sector to deliver added value to its shareholders and clients.

Moreover, Arzan Financial Group increased its investment in Arzan Capital Holding in Dubai, UAE, to support the company's expansion of activities. Arzan Capital Holding continues its commitment to providing the best financial and investment services, meeting client needs, and attracting top talent with extensive experience in the financial and investment services sector. A team of highly qualified professionals recently joined the leadership of Gulf Partners Group, specializing in private equity asset management, providing unique investment



BOARD  
MESSAGE

opportunities to the company's clients in the Gulf region and the Middle East. Clients can now diversify their portfolios and mitigate risk through Arzan Financial Group's various range of investment opportunities, along with a variety of high-quality financial services and unique investment solutions.

Arzan Financial Group continued to solidify its regional presence by executing high-quality strategic investments in early 2025. The group launched the AIM Hospitality Fund, targeting the vital hospitality sector. The fund aims to reach \$1 billion in assets under management. The group has successfully attracted prestigious international investment institutions to this fund. The group also established the AIM Residential Fund, which focuses on housing sector for hotel and airline employees, which step reflects its strategy of capitalizing on unique investment opportunities in the region.

As part of its strategy to expand investments in Sharia-compliant debt instruments, Arzan Wealth provided advice on a mezzanine financing opportunity for a US-based company specializing in managing government-backed rental-guaranteed residential complexes. It also advised on the acquisition of a portfolio of three outpatient radiology centers in Long Island, New York, USA, namely Lenox Hill Radiology, a wholly owned subsidiary of RadNet, listed on the NASDAQ and rated (S&P: B+), being one of the largest providers of outpatient radiology services in the United States.

As part of its strategic investments, the group acquired over 51% of the capital of the National Medical Consumer Industries Company, diversifying its investment portfolio in accordance with the group's strategy in order to achieve sustainable revenue and profitability for the Group.

Arzan Financial Group is also preparing to offer a range of new investment products that align with current and future economic conditions, aiming to capitalize on the best low-risk investment opportunities both at the local and global levels. The group anticipates achieving further positive results and strengthening its standing as one of the leading players in the region's financial and investment sector.

In terms of social responsibility, the Group participated in numerous humanitarian and community projects across various fields during 2025, including its partnership with Kuwait University in the national campaign to employ qualified Kuwaiti nationals with disabilities (Partners in their Employment), as well as its donations and contributions as a humanitarian contributor to the Kuwait Red Crescent Society, the Kuwait Food and Relief Fund, the Kuwait Anti-Smoking and Cancer Society, the Kuwait Heart Association, the Bayt Abdullah Children's Hospice, and the Kuwait Society for the Care of Children in Hospitals.

The company also prioritizes human resources within the Group strategy, aiming to attract unique talent and develop employee capabilities through specialized training programs, as well as focusing on national cadres, instilling professional principles and high values, and creating an attractive work environment. The Board of Directors also confirms its unwavering belief in and commitment to applying the highest ethical standards and governance principles, as the Group adopts transparency, accountability, and ethical conduct in all its policies.

We would also want to take this opportunity to thank and appreciate our shareholders for their ongoing support in accomplishing the Group's goals. We also sincerely thank and appreciate the Company's customers for putting their trust in us. Our gratitude also extends to Executive Management and all Group employees for their dedication and commitment to their jobs, as well as their vital contributions to the achievement of the Group's goals and objectives.

We beseech Allah Almighty to grant us success in accomplishing new milestones and fulfilling the dreams of our shareholders and customers.

**Board of Directors**  
**ARZAN FINANCIAL GROUP**

# MANAGEMENT REPORT

## ARZAN WEALTH

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

The global economic environment in 2025 was characterized by moderating growth, easing inflationary pressures, and a gradual shift in monetary policy direction. Following an extended period of aggressive interest rate tightening, major central banks began transitioning toward a more accommodative stance as inflation showed signs of stabilizing, albeit at levels still above long-term targets in certain markets. This policy pivot supported improved sentiment across capital markets, though uncertainty remained elevated due to geopolitical tensions, trade policy risks, and uneven economic recovery across regions.

Within this context, global real estate markets continued to adjust to higher-for-longer financing costs, with investors focusing increasingly on income resilience, asset quality, and active asset management. Demand remained strongest for defensive and income-producing sectors such as industrial, logistics, residential, and select retail and healthcare assets. Sustainability considerations and energy efficiency continued to play a growing role in investment decision-making, influencing both asset valuations and access to financing. Overall, while transaction activity remained selective, improving financial conditions and pricing adjustments began to support a more constructive outlook for real estate investment toward the end of the year.

Amid these global economic challenges, our primary focus over the past year has been on strengthening portfolio performance through proactive asset management, sustainability initiatives, and value optimization. Across our UK, US, and Dutch portfolios, close coordination with operating partners delivered measurable improvements in income resilience, lease security, and asset quality.

In the UK, targeted leasing initiatives at Crossley Retail Park in Kidderminster drove a valuation uplift of approximately GBP 6.0 million, supported by new long-term lettings and lease renewals that enhanced income visibility and positioned the asset for a potential exit in 2026, subject to market conditions. In parallel, portfolio optimization actions included the launch of sale processes in Q4 2024 for a 110-bedroom Travelodge hotel and a Creams Café unit in Crawley.

In the US, advanced negotiations to extend the lease at our Suburban Philadelphia office asset, occupied by Saint-Gobain's North American headquarters, reached final approval stages. The agreed 12-year lease extension, together with financing secured through November 2029, materially strengthens cash flow certainty, WAULT, and the asset's long-term exit profile.

In the Netherlands, recognizing the increasing importance of sustainability and ESG compliance within the office investment market, we focused on enhancing the sustainability profiles of our Dutch assets. These initiatives are expected to support leasing activity, improve access to financing, and further differentiate the assets in an increasingly competitive and regulation-driven market.



These strategic priorities have been essential in navigating the evolving market conditions, ensuring the continued stability and growth of our portfolio, while cautiously pursuing unique opportunities with attractive risk-reward dynamics.

Despite the challenges, Arzan Wealth remained focused on adapting to evolving market conditions and identifying strategic opportunities, leveraging its physical presence in the UK and the USA. In line with our core strategy of preserving and protecting clients' wealth, we successfully advised on a new acquisition in the UK under the Yielding Assets Platform and completed an exit from an existing asset under the US yielding platform, achieving favorable returns. In addition, through our wholly owned entity, Arzan US, we further enhanced our deal sourcing and due diligence capabilities. Through active asset and capital structure management, we successfully advised on the refinancing of an existing transaction on improved terms for investors and facilitated an exit under the US Debt Strategy Platform, delivering returns exceeding initial expectations.

**Under the Yielding Asset Platform**, one notable success in this period was our advisory role in the launch of its UK Industrial Portfolio, expanding into one of Europe's most resilient real estate sectors. The strategy targets well-located light industrial and multi-let assets, focusing on resilient income and value creation through active asset management, with an average target cash yield of approximately 8%. The portfolio was seeded with assets in established regional markets, including Stuart Close Industrial Estate in Cardiff and Baird Court at Park Farm Industrial Estate in Wellingborough, within the UK's "Golden Triangle." Arzan Wealth will continue to advise the portfolio as it progresses toward a medium-term scale of approximately GBP 200 million.

**Under the Real Estate Debt Platform**, we have successfully refinanced a USD 20 million mezzanine loan secured against a diversified portfolio of hospitality and luxury apartment properties in Chicago, Illinois. As part of the refinancing, we negotiated the inclusion of an additional asset, enhancing collateral coverage and overall credit quality. The transaction delivers an 11.5% net cash yield to investors and an IRR of approximately 16% over a two-year holding period, exceeding the initially agreed return of 14% with the borrower.

**On the exit side**, under the Yielding Asset Platform, we completed the exit of one of the three outpatient imaging centers in Nassau County, Long Island, New York, which had been acquired in Q1 2025. The portfolio comprises properties totaling over 29,000 sq. ft., secured by a 16-year lease with fixed annual rental increases of 3%, and is strategically positioned to serve the captive population of Nassau County. The sale is aligned with our strategy of breaking up the portfolio and executing staggered asset disposals within a two-year horizon, with the objective of enhancing investor IRR.

Another exit was pushed to the finish line in December 2025 under the Real Estate Debt Platform, when we reached a final agreement toward the full exit from the Carpenter Healthcare Portfolio in Louisiana, concluding a mezzanine lending transaction that originated in March 2022 and has already been partially repaid in the past. We project completion of this exit during Q2 2026.

**Within the private equity business line, the Arzan Food & Beverage New Brands Vehicle**, which invests in specialized food and consumer product companies in the US, was launched in Q4 2019 and currently holds 15 portfolio companies. The investment window closed in May 2022, and the fund has since entered the harvesting phase. To date, the fund has completed its first exit, achieving a 3.0x total return, which enabled a cash distribution to investors. In addition, special distributions were made in early 2025, driven by strong operating performance at one portfolio company and proceeds from the sale of another.

A notable development during the period is the fund's largest investment, Once Upon a Farm, which has filed for an IPO. Subject to market conditions and regulatory timing, this transaction is expected to represent a significant value realization for investors.

### **Outlook for 2026**

Looking ahead, Arzan Wealth expects 2026 to present a more constructive investment environment for new transactions, supported by the potential easing of interest rates and improving capital market conditions, while taking advantage of continuing refinancing stress of third parties. While macroeconomic uncertainty persists, particularly in relation to geopolitical risks and evolving fiscal policies, market dislocations continue to create selective entry points, particularly in industrial, residential, necessity-based retail, healthcare, and structured real estate credit.

Arzan Wealth will also focus during 2026 on boosting its exposure to operating companies in certain sectors in order to build up its ownership of real estate capabilities and to efficiently increase non-transactional revenue streams which can stabilize profitability and long-term growth. An initial small investment under this strategy was concluded in the US during 2025 focused on the residential sector, and we hope to be able to conclude further such investments into operating capabilities during 2026.

The firm will remain focused on capital preservation, income resilience, and disciplined risk underwriting, while actively pursuing opportunities to enhance returns through refinancing, leasing initiatives, and selective exits. Continued emphasis will be placed on asset-level execution, value optimization, and ESG-aligned upgrades, particularly within office and logistics assets.

With a geographically diversified portfolio across the US, UK, and Europe, and a strong pipeline across equity and debt strategies, Arzan Wealth is well positioned to navigate evolving market conditions and deliver attractive risk-adjusted returns for its investors.

## ARZAN CAPITAL

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

Arzan Capital, through its operating subsidiaries, offers a range of investment management and advisory services across business lines that include yielding assets (predominantly real estate in selected markets), private debt, private equity, and tech-focused venture capital specific to the MENA region.

Arzan Capital and its subsidiaries have remained committed to expanding their product offerings by integrating new business lines within the alternative assets space. In 2025, this commitment was further demonstrated through the launch of Arzan Gulf Partners Group (GPG), a dedicated private equity arm that brings deep regional expertise to the platform. GPG broadens Arzan Capital's investment offerings and strengthens its earnings base, laying the foundation for long-term strategies that will generate additional revenue streams, enhance diversification, and mitigate risk.



Meanwhile, the existing operating subsidiaries of Arzan Capital have continued to make meaningful progress. Arzan Investment Management, launched in 2024, has gained notable momentum — attracting new global institutional capital and advancing a growing pipeline of investment opportunities across both existing and new strategies.

The diverse investor base of Arzan Capital spans global and regional institutional investors, family offices, and high-net-worth individuals. A concerted effort is underway to grow and diversify the client base both in scale and geographic breadth. The Company's expanding capital requirements will be met through continued engagement with current and prospective shareholders who share its long-term vision. The primary objective of Arzan Capital remains the prudent management of its business, rigorous risk mitigation, and the sustained maximization of shareholder value.

## ARZAN INVESTMENT MANAGEMENT

Following its first full year of operations in 2024, Arzan Investment Management ("AIM") made significant strides during 2025 in executing on its strategy as a vertically integrated investment manager focused on institutional investment opportunities in real estate and credit across the GCC, Europe and the USA.

AIM successfully launched its flagship hospitality and residential funds during the year, building on the seed asset acquisitions and investor engagement that commenced in 2024. These fund launches were underpinned by strong institutional demand, driving AIM's total assets under management to over USD 500 million. The hospitality fund was further strengthened through a strategic partnership with Oaktree Capital, reflecting the institutional quality of AIM's platform and its ability to collaborate with world-class investment managers.

On the credit side, AIM made material progress on its broader credit strategy during the year. Following the initial US transaction with Breedr Limited in 2024, AIM launched and successfully closed its US business in partnership with Xyston Capital, including the closing of its first transaction under this partnership. AIM continues to seek compelling credit opportunities across the GCC and USA as it scales this platform further.

A key milestone during 2025 was AIM's successful regulation by the Dubai Financial Services Authority (DFSA) as a Category 3C Manager. Having commenced the DFSA application process during 2024, the granting of this licence represents an important step in AIM's development and reinforces its commitment to operating within the highest standards of governance, compliance and investor protection.

Looking ahead, AIM remains focused on scaling its investment platform, deepening its strategic partnerships and continuing to leverage the operating experience and expertise of AFG affiliates to deliver vertically integrated investment solutions for its investors. The foundations established in 2024 and built upon in 2025 position AIM well for continued growth in the year ahead.

## ARZAN ASSET MANAGEMENT

Arzan Asset Management offer an extensive range of investment services over a variety of investment products, designed to meet the evolving needs of both individual and institutional clients. With a strong focus on building long-term relationships based on trust, transparency, and performance, we deliver personalized financial solutions that align with each client's unique investment objectives and risk appetite. We remain centered on enhancing the investment experience through innovation, market expertise, and disciplined portfolio oversight. Our services cover asset management for discretionary and non-discretionary portfolios, Margin Trading, brokerage services, subscription agent services, and custody services.

### • Discretionary Portfolios

Discretionary portfolio service allows our experienced investment team to manage portfolios on behalf of clients, according to their customized investment strategy conducted to meet their return/risk objectives. With portfolios actively managed by our experts, we take an overall portfolio approach that starts with screening the investment universe, assessing macro factors, determining mispricing opportunities, and efficiently integrating securities as part of the overall portfolio objective. This proactive model enables rapid decision-making in response to market shifts and supports consistent, sustainable performance over the investment horizon. Our experts also manage portfolios that are passively designed to track market indices. Our dedicated team is working continuously on developing new investment methodologies that are optimized and back tested over multi horizons aimed at achieving superior risk-adjusted returns.

### • Non-Discretionary Portfolios

Non-Discretionary Portfolios are tailored for investors who prefer to retain full decision-making over their portfolios. Clients who choose this service benefit from the deep market insights and reports from our Asset Management team while they make their investment decisions. With our global trading platform "Arzan Trader", fully-fledged trading platform, clients will enjoy a centralized platform to manage and view their accounts on mobile devices and desktop browsers. The enhanced Arzan Trader platform provides upgraded accessibility, faster execution, and a seamless trading experience across digital channels with ease of access from home. In addition, Arzan Trader offers clients access to major global stock exchanges, including U.S., Europe, GCC, MENA and Asia-Pacific markets as well as enabling investments in international equities, ETFs, Fixed Income and various listed securities. This global reach empowers investors to diversify their portfolios geographically and capitalize on opportunities across leading financial markets worldwide, while staying supported by Arzan's team of experts.

### • Margin Portfolios

Arzan Asset Management continues to lead Kuwait's margin trading market. Margin Portfolios are designed for investors who want to increase their buying power and access more opportunities in Boursa Kuwait. Through structured financing and strong risk controls, clients can gain greater market exposure while using their capital efficiently.

In 2025, the number of active margin clients grew significantly, supported by improved credit checks, better monitoring systems, and positive market conditions - showing that investors have growing confidence in Arzan's trusted services.



#### • **Subscription Agent Services**

As part of our strategy to add value for institutional clients, in 2025, Arzan successfully acted as the Subscription Agent for Kuwait Real Estate Company “KRE’s” capital increase. KRE raised 15% additional capital - about KWD 15.97 million - with exceptional demand reaching 2,089.5% coverage (around KWD 667.3 million). This milestone ranks among the highest subscription coverages in the Kuwaiti market in recent years, reinforcing Arzan Asset Management’s strong track record in executing capital market deals with operational excellence, regulatory compliance, and the highest governance standards.

#### • **Custody Accounts**

We provide secure and efficient custody solutions that ensure protection, safekeeping, and accurate processing of client assets. Our strong operational systems support smooth settlement, reconciliation, and reporting, ensuring that all investor holdings are fully protected and properly recorded in line with regulatory requirements.

## ARZAN BROKERAGE

In efforts to reach our regional and existing clients, we oversee the following brokerage subsidiaries as part of Arzan Brokerage:

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

## ARZAN COLLECTIONS

Arzan Collections is responsible for managing and optimizing the organization's receivables to ensure healthy cash flow and financial stability. The unit oversees collection strategies, customer account follow-up, aging analysis, coordination with sales and finance departments, and implementation of credit control policies. Its primary role is to minimize outstanding debts while maintaining strong client relationships and supporting the company's overall financial performance.

### Key Achievements in 2025

#### 1. Financial Performance

Achieved a significant reduction in outstanding receivables, improving overall collection efficiency and cash flow, Reached collection targets for all major portfolios, contributing directly to stronger year-end financial results.

#### 2. Long-standing Debt Resolution

Long-outstanding debt files exceeding 10 years were successfully closed and settled because of extensive legal and administrative follow-up efforts. This initiative cleaned up historical receivables, enhanced financial data quality, and strengthened the organization's financial position.

#### 3. Operational Improvements

Implemented a revised collection workflow, improving processing time and accuracy.

Enhanced the customer reminder system (SMS/email), resulting in faster response and payment turnaround. Improved coordination with Sales & Finance for early dispute resolution and faster closing of overdue accounts.

#### 4. Technology & Process Enhancements

Introduced digital tracking tools for real-time monitoring of collection performance and aging reports.

Standardized documentation and automated reporting, reducing manual work and ensuring higher data accuracy. Developed dashboards for management to monitor daily collections, aging trends, and risk accounts.

#### 5. Customer Relationship Management

Enhanced communication with key clients, resulting in improved payment behavior.

Through these strategic initiatives and dedicated efforts, the Collections Unit has strengthened the company's financial position, enhanced receivables management, and laid a solid foundation for continued success in the years ahead. Additionally, it is expected that contracts with local companies and banks will be signed soon, further boosting growth and expansion opportunities.



## ARZAN CREDIT

Corporate Credit Department, it has proven to be a major division that considerably contributes to the overall remarkable ongoing performance of the Arzan Financial Group. On the local perspective, Arzan Financial Group is driven to develop local companies directing the Corporate Credit Department to provide the best innovative financial services and solutions to companies seeking financing. As such, In Line with the laws and regulations issued by the Central Bank of Kuwait and the relevant regulatory authorities, Arzan Financial Group has built a well-diversified credit portfolio strictly following the guidelines of the Central Bank of Kuwait. The quality of the clients along with the amount of requested finance has been outweighed by the strength of the financial position that includes screening of the audited financials and bank statements along with support documents such as proofs of transfers, market visits, contracts and issued payments, and managerial expertise. Credit management adheres to the principle of sustainable growth based on smart risk management, proficient management decision-making, identification of growth opportunities while enhancing operational efficiency and control practices over operations. The credit department adopts continuous monitoring of the performance of companies through a careful review of reports issued by the Central Bank, regulators, and national media. It also seeks to maintain the quality and performance of companies previously dealt with, in addition to its continuous endeavor to attract the largest number of customers from various sectors, including the commercial, service, construction and industrial sectors.

The year ended 31 Dec 2025 carried several developments namely reconsideration of the current client base along with the potential applicants in terms establishing cohesion between the requested finance and the collateral support. Also, the credit department achieved a remarkable boost in performance despite inflation factors from the financial side as well as political and economic factors in the region. The executive management guided the transition to find appropriate innovative credit solutions and financing means, which helped attract new clients at a higher rate than previous years, while working to overcome obstacles to retain current customers who have proven the solidity of their financial position, good management, and commitment to payment and financing terms.

Among best quality practices, the credit department is focused on increasing the portfolio with margin increase of the number of qualified clients. Each credit application is treated as a separate case with efforts to diversify the study of financing requests to minimize the risks of credit concentration and reduce any allocations that may reflect negatively on the growth plan. As for customer selection, strict measures have been put in place to study financing requests with a periodic review of approval standards imposed by the credit policy and the Administrative Credit Committee in cooperation with the Risk Management and Compliance Department. These measures include analyzing the credit information network data and evaluating the reports issued by the Central Bank of Kuwait for various sectors in the State of Kuwait. Other integral parts of the credit analysis are audited financial statements, cash flows, bank account movement, and assessment of the administrative staff's experience, asset quality, and nature of business.

Senior management are aware of the monthly performance of the corporate department by obtaining reports related to monthly performance, income, collaterals, and the extent of customer commitment, as well as a list of new customers under study or approval. In order to mitigate the risks and applying the instructions of the Executive Management and Central Bank of Kuwait, the Credit Department seeks to ensure proper utilization of financing, follow-up on clients' performance, and provide advice related to business development.

## EASYBUY - INSTALLMENT SALES SERVICE

EasyBuy is a company that provides installment sales services, facilitating customers' shopping experiences to acquire consumer durable goods and services with flexible payments while focusing on clients who require business-friendly services and quick turnaround times.

EasyBuy service was launched with one branch in 2017 and expanded to 242 branches over the past eight years, aiming to reach 250 branches in 2026 in partnership with 175 Kuwaiti companies. EasyBuy has successfully added new vendors and branches to diversify its portfolio to include products such as electronics, curtains and wall coverings, online teaching apps, motorcycles, bicycles, gaming, coffee machines and accessories, sea and desert tools, car protection, drones, cosmetics, dentistry, vehicles, truck spare parts, furniture, and travel and tourism services.

EasyBuy highlights a new segment in the market that diversifies the group's service portfolio and offers a competitive edge compared to existing local installment sales providers currently in the market. Our goal is to enhance the installment sales industry in the Kuwaiti market.

EasyBuy focuses on customer satisfaction by providing competitive pricing, simplified installment plans, and fewer requirements.

## ARZAN VC

In 2025, Arzan VC's portfolio size grew to 51 companies as we made 3 new investments through our third fund (AVC III): Yasmina (KSA), Yozo (UAE) and Yamm (KSA).

Our second fund (AVC II) witnessed an acquisition: UAE-based Cartlow was acquired by Basatne International.

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

Regarding AVC II, its investment period ended in Q3'23 and the fund had 21 active companies as of December 31, 2025. It's worth noting that AVC II had screened a total of 2,390 deals since its inception.

Regarding AVC III, its portfolio comprised 7 companies as of December 31, 2025: Money Fellows (Egypt), Nearpay (KSA), Hala (KSA), Hulexo (UAE), Yasmina (KSA), Yozo (UAE) and Yamm (KSA).

Arzan VC team continued deal scouting and screening throughout the year, out of which 69% were seed-stage deals. Most of the deals originated in KSA (55%) and UAE (16%), followed by Kuwait (8%). The team attended 13 VC events throughout 2025, mainly in Riyadh, Dubai and Kuwait.



## MARKETING & PUBLIC RELATIONS

In 2025, Arzan Financial Group continued the success and leadership in the market through implementing the strategies and plans aimed primarily at protecting the wealth of its clients and investors, enhancing their confidence and satisfying all their needs by providing all types of financial services and financial solutions, Arzan Financial Group accomplished a great results locally and regionally, Furthermore Arzan Financial Group succeed over the past years in providing a several financial and investment services and solutions.

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

During 2025 Arzan Financial Group faced many tough challenges. Despite these circumstances, the Marketing and Public Relations Department successfully passed these challenges and continued by exploiting available technological solutions and through social media channels, press interviews and great media appearances throughout the year.

In addition, Arzan Financial Group provided a great appearance in press, social media channels & CSR participations by supporting national projects , social responsibility projects and allocating 1% of AFG profits to support the CSR activities in 2025, That would contribute to the development of society through its contribution effective in many activities organized by civil society institutions and CSR campaigns of all kinds, which would serve all sectors of society, whether cultural, health, developmental, environmental, educational and others, with the aim of achieving the positive impact on society.

## INVESTOR RELATIONS UNIT

In 2025, The Investor Relations Unit succeeded in building the relationship between Arzan Financial Group and shareholders, investors, and stakeholders, as it handled an effective role to let them know more about the company's activities, financial performance and its strategic directions by holding analyst conferences, communicating, responding to all their inquiries , serving them and facilitating their right to attend general assemblies. During the year, the unit built links between the Board of Directors , executive management , current and potential investors and all related parties and providing a recommendations In order to develop the services for AFG investors and shareholders.

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

## ADMINISTRATION DEPARTMENT

Within the framework of Arzan Financial Group's commitment to its strategic vision, and in line with senior management's dedication to enhancing operational efficiency and institutional governance, the Administrative Affairs Department continued during 2025 to play a vital and supportive role in serving the Group and its subsidiary companies. This was achieved through continuous integration and coordination with various departments, reflecting an institutional approach based on collaboration and the creation of sustainable added value.

The Administrative Affairs Department carries out its responsibilities through three main pillars organized according to the nature of its functions and assigned tasks: Government Relations, General Services, and Records Management & Document Preservation.

### Government Relations

During 2025, the Administrative Affairs Department continued its efforts in monitoring all updates issued through the automated system of the Ministry of Commerce and Industry, while ensuring full compliance with the regulations and instructions issued by various government authorities in the State of Kuwait.

Throughout the year, all relevant data and information related to the Group and its subsidiaries were successfully updated. This included updating Ultimate Beneficial Owner (UBO) information, contact details, renewal of expired licenses, submission of financial reports and annual financial statements, issuance of fire safety licenses in accordance with the requirements of the General Fire Force, and participation in procedures related to the establishment of new companies.

The department also placed particular emphasis on developing the competencies of its human resources to keep pace with regulatory and technological developments. In addition, it ensured the availability of official documents and extracts required to complete governmental transactions efficiently and smoothly, while maintaining full compliance with applicable legal and regulatory frameworks.

### General Services

During 2025, the Administrative Affairs Department focused on enhancing the general services system in line with the evolving requirements of the modern workplace, with particular attention to providing a safe and comfortable working environment for the Group's employees.

The latest methods and technologies were adopted for the periodic maintenance of the Group's headquarters building, contributing to the preservation of its operational efficiency and asset value, in alignment with the Group's strategy for sustainable asset management.

Furthermore, coordination was conducted with the Civil Defense authorities to carry out a virtual training program on emergency evacuation procedures, particularly in fire scenarios, with the aim of increasing preparedness levels and strengthening the culture of safety and prevention among employees.

As part of the Group's digital transformation initiatives, procedures related to stationery requests, inventory management, and maintenance services were automated through an integrated electronic system. This initiative contributed significantly to improving operational efficiency, reducing time and effort, and enhancing the quality of services provided.



## Records Management and Document Preservation

The department continued to enhance its records management and document preservation systems by implementing an advanced electronic system for managing the lifecycle of documents and contracts. This system ensures procedural accuracy, reduces human errors, and accelerates the completion of transactions.

Additionally, internal correspondence and memoranda were digitized and archived within a fully integrated electronic system, facilitating easy access, tracking, and retrieval with greater flexibility and efficiency.

In compliance with regulatory requirements and to strengthen the Group's institutional security framework, modern surveillance systems were installed across all building facilities to safeguard the Group's assets and confidential documents, as well as those belonging to its clients, in accordance with the Group's approved policies and procedures.

In conclusion, the Administrative Affairs Department remains committed to supporting the strategic objectives of Arzan Financial Group, enhancing institutional performance efficiency, and reinforcing the principles of governance and compliance. The department also strives to provide a safe and stable work environment while adopting best practices, protecting shareholders' rights, and strengthening stakeholders' confidence, thereby supporting the Group's position and leadership within the financial sector.

## IT DEPARTMENT

In 2025, the Information Technology (IT) Department remained steadfast in aligning its efforts with the core business needs of Arzan Financial Group (AFG) and its overarching strategic goals. AFG's vision continues to focus on advancing digital transformation by enhancing the current digital experience and expanding its services to offer new digital products. This commitment ensures that AFG remains at the forefront of innovation in the financial sector.

One of the major achievements in 2025 was the completion of the upgrade project for AFG's core business solution, Temenos T24. Temenos is recognized as one of the world's leading core banking software systems, utilized by 41 of the top 50 global banks and serving over 500 million customers daily. IT team held an extensive training courses for AFG and subsidiaries on utilizing the system. Additionally, AFG implemented an advanced management reporting system, Transact Data Hub (TDH), which serves as a robust data warehouse, along with Power BI application, which is an advanced business intelligence tool, to cover all CBK and CMA reporting requirements on the highest standards.

Another great achievement for IT department is the completion of upgrading Payment Safe and Safe Watch applications, which are integrated with our SWIFT system for message monitoring, AML compliance check, and operational control. The upgrade include improved operational efficiency, reduced transaction costs, and real-time processing capabilities for faster, and more secure payments.

In addition to above major systems upgrade, IT team completed all AFG and subsidiaries websites migration based on IT vision. Upon completion of the migration, our team successfully completed Cloud Flare and WAF setup for our network which added an advanced security layer for the protection of AFG network and customers data.

With regards to our automated procedures, IT team have created a new automation system for Arzan Capital and its subsidiaries, which is a replica of our Arzan Automation System. The new Capital automation system was requested based on AFG top management vision to centralize all AFG subsidiaries payment procedures and internal work to be in one secured system. The system is currently serving our subsidiaries in GCC with fully automated cycle.

To enhance our customers support and improve our communication services with our clients, IT team have completed the setup for WhatsApp Business. Having a secured and trusted channel for communication is essential for our customers to support them through any communication channel they might need. IT team is currently upgrading the tool to have AI Chatbot that will lead the customers directly to the right business unit.

Looking ahead, IT department remains committed to working closely with AFG's top management to deliver innovative technology solutions that align with the group's vision. By adopting the latest technologies and maintaining a strong focus on cybersecurity, the IT team aims to provide exceptional outputs that satisfy AFG's shareholders and clients, while ensuring the group's continued growth and success in an increasingly digital world.

## HUMAN RESOURCES

In 2025, Human Resources played a central role in driving Arzan Financial Group's growth and success, ensuring the company remained agile and well-prepared for the future. A key priority was attracting outstanding new talent and strengthening the hiring process, which brought in fresh expertise while reinforcing the foundations of our workforce. Alongside recruitment, mentorship programs and structured career pathways supported employees in advancing their careers, while targeted training, workshops, and certifications equipped them with the skills needed to thrive in a rapidly evolving environment.

Beyond recruitment, HR worked to deepen engagement across the company. Team-building activities and company-wide events brought departments together, fostering collaboration and a stronger sense of unity. Interactive games and knowledge challenges added a creative dimension, encouraging employees to demonstrate their versatility and well-roundedness outside of daily responsibilities.

A supportive workplace culture remained a priority throughout the year. Social gatherings, wellness initiatives, and recognition programs reinforced an environment where achievements were celebrated and employees felt valued. Peer recognition in particular strengthened appreciation across all levels, motivating staff to contribute their best while cultivating community spirit.

At the same time, HR maintained strict compliance with local labor laws and international standards, ensuring transparency and accountability in every practice. Looking ahead, the department will continue to expand leadership development, enhance employee benefits, and integrate advanced HR technologies to elevate efficiency and experience, keeping Arzan's workforce prepared for the challenges of tomorrow.



## OPERATIONS DEPARTMENT

Operations Department is considered one of the fundamental pillars of Arzan Financial Group, playing a vital role in ensuring effective integration between internal and external activities. It supports the achievement of the Group's overall strategies by delivering high-quality services that ensure customer satisfaction and strengthen the Group's market position.

In 2025, Operations Department played a key role in advancing the Group's strategic objectives by facilitating coordination among various departments to ensure operational alignment. It maintained full compliance with established policies, procedures, and regulatory frameworks, while ensuring that daily operations were executed with efficiency, professionalism, speed, and reliability. This role enhances the Group's ability to deliver financial and investment services aligned with its vision and future aspirations.

Internal and external collaboration to enhance performance was among the department's top priorities in 2025. Internally, the department worked closely with all divisions across the Group to ensure consistency in performance and operational integration. Externally, it collaborated with various local, regional, and international entities, most notably stock exchanges, clearing companies, brokerage firms, and banks, as well as regulatory authorities such as the Central Bank and the Capital Markets Authority, in addition to subsidiaries and affiliate companies. Such engagements support operational compliance and strengthen institutional trust among stakeholders.

During 2025, Operations Department placed significant emphasis on developing its workforce in coordination with the Human Resources Department by providing specialized and advanced training programs. These initiatives enhanced employees' awareness of global developments in the financial and business environment, aiming to build a workforce capable of responding to changes efficiently and effectively. This investment in human capital has led to improved work quality and strengthened the ability to deliver innovative and flexible solutions to clients and shareholders.

It is also worth noting that the core responsibilities of Operations Department include maintaining the Group's and clients' investment portfolios, managing and executing all bank transfers, servicing client loans, and managing cashier operations. The department is also responsible for managing shareholder register, organizing general assemblies, and handling subscription processes for major listed companies. Additionally, it completed full preparations for launching new investment products, such as precious metals portfolios (gold and silver). These responsibilities aim to enhance financial performance, meet client needs, and contribute to achieving the Group's objectives while strengthening its market position.

In 2025, the department experienced a significant increase in the number of clients, exceeding three times that of the previous year. This growth has reinforced its commitment to building client trust and delivering the best solutions and services. The increase was driven by the development of investment portfolio activities of various types, including margin portfolios and electronic portfolios, in addition to executing operations with high efficiency and minimizing operational errors. This has contributed to expanding the client base and enhancing the Group's reputation as a reliable and leading investment service provider.

Throughout 2025, the department enhanced its performance by accelerating digital transformation, upgrading technological systems, and improving the automation of operational procedures and client reporting. These efforts have improved efficiency, quality, and transparency, supported by periodic reviews to ensure alignment with business and market requirements. The department also improved integration across divisions by establishing clear mechanisms for data and information exchange. Furthermore, it significantly contributed to enhancing customer experience and communication channels through collaboration with the Customer Service Unit, while strengthening compliance and operational oversight, continuously updating policies and procedures in line with regulatory changes, and implementing a comprehensive framework to mitigate operational risks.

In conclusion, during 2025, Operations Department successfully reinforced its role as a central driver of the Group's success by improving internal performance, supporting compliance, enhancing client trust, and expanding investment services. It continues to play a vital operational role in achieving the company's future objectives and solidifying its position among the region's leading investment firms.

## INTERNAL AUDIT

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

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

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

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

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



## LEGAL AND COMPLIANCE DEPARTMENT

During 2025, the Legal and Compliance function at Arzan Financial Group (AFG) delivered tangible progress in strengthening regulatory adherence, financial crime controls, and governance resilience across the Group. These achievements reflect a proactive and risk-based approach aligned with regulatory expectations and institutional best practices.

### Regulatory Alignment and Legal Compliance

- Ensured full and timely implementation of regulatory requirements issued by supervisory authorities, including Capital Markets Authority (CMA) bylaws and directives.
- Supported the Group in addressing regulatory instructions and legal measures issued by public authorities, reinforcing legal responsiveness and compliance readiness.
- Conducted targeted compliance reviews across key regulatory modules to ensure ongoing alignment with applicable rules and standards.

### Financial Crime Prevention and AML/CFT Framework

- Strengthened the Group's AML/CFT control environment through enhanced screening, monitoring, and reporting mechanisms.
- Supported the identification, assessment, and escalation of suspicious activities in line with regulatory requirements and internal policies.
- Reinforced ongoing customer due diligence and sanctions-related processes to mitigate financial crime and reputational risks.

### Governance, Policies, and Internal Controls

- Reviewed and enhanced internal policies and procedures to reflect regulatory updates and evolving risk profiles.
- Supported governance-related initiatives connected to regulated activities, disclosures, and business conduct.
- Contributed to maintaining a robust internal control environment across regulated operations.

### Compliance Culture and Institutional Discipline

- Promote consistent compliance practices across business units through structured implementation and follow-up.
- Supported management and control functions in embedding compliance considerations into day-to-day operations.
- Reinforced a culture of accountability, regulatory awareness, and ethical conduct across the organization.

As we move forward into 2026, Arzan Financial Group remains steadfast in its commitment to upholding the highest standards of legal and regulatory compliance. Our proactive approach to compliance training, cultural development, and transparency ensures that we continue to foster trust among our stakeholders while maintaining a strong ethical foundation. We will remain vigilant in adapting to regulatory changes and advancing our compliance practices to safeguard the integrity and sustainability of our operations.

## RISK MANAGEMENT & INFORMATION SECURITY

### Risk Management Principles at Arzan Financial Group

Risk management is a fundamental component of Arzan Financial Group's administrative and strategic framework. It plays a crucial role in enhancing the group's ability to identify, analyze, measure, assess, and effectively manage risks, alongside establishing clear mechanisms for monitoring and reporting them. The group remains committed to safeguarding the interests of its shareholders and all relevant stakeholders while striving to enhance the added value of its operations, particularly in an evolving business environment that presents increasing challenges.

In 2025, the group reinforced its risk management approach by adopting advanced practices aligned with regional and international business environment developments. This initiative aimed to support executive management's decision-making and ensure the group's long-term sustainability and success. The methodology was implemented in compliance with regulatory requirements issued by supervisory authorities and international risk management frameworks, contributing to the achievement of the following objectives:

- Risk Control Within Acceptable Limits
- Defining and Establishing Risk Appetite
- Continuous Risk Monitoring and Management
- Enhancing Risk Management Culture
- Embedding Risk Management in Operational Processes
- Improving Risk Prediction Capabilities
- Strengthening Institutional Resilience
- Assessing Emerging Risks
- Ensuring Compliance and Transparency
- Enhancing Cross-Departmental Collaboration
- Measuring Performance and Evaluating Effectiveness

### Risk Management Governance

To enhance risk management governance and ensure sustainability and growth, the Risk Management Department at Arzan Financial Group operates independently within the group's organizational structure. This independence guarantees the department's advisory role remains free from external influence while being subject to periodic review by the Board of Directors' Risk Management Committee. This measure ensures the necessary balance between risk and return, supporting the group's sustainable growth objectives.



Coordinating roles and responsibilities between executive management, the Risk Management Unit, the Risk Management Committee, and the Board of Directors is essential for achieving strategic objectives. The Board of Directors and the Risk Management Committee define overall risk management strategies, while the Risk Management Unit executes these strategies and continuously monitors potential risks. The Board of Directors and the Risk Management Committee receive detailed analyses and reports to facilitate informed decision-making, while executive management fosters a strong risk culture by supporting employees and raising awareness of risk management's importance.

As the second line of defense, the Risk Management Department focuses on proactive risk identification and prevention. This includes assessing and mitigating potential risks to ensure business continuity. In 2025, the department enhanced its capabilities to address emerging risks such as cybersecurity threats and economic fluctuations, ensuring operational resilience in a changing environment.

Implementing risk management governance has improved oversight and transparency, enhancing the overall effectiveness of the group's risk management framework. This has contributed to stability and sustainable success in alignment with Arzan Financial Group's strategic objectives.

#### Arzan Financial Group's Risk Management Approach

Arzan Financial Group's Risk Management Department aims to maintain a sustainable balance between achieving strategic objectives and protecting the group's core interests and values. Risk management is a cornerstone of the business strategy, focusing on identifying, assessing, and monitoring factors that may impact overall performance. These factors include operational, financial, regulatory, legal, strategic, technological, and financial crime risks such as money laundering and terrorist financing. This methodology is based on a deep understanding of risk implications for long-term growth, applying innovative solutions to enhance institutional resilience and business sustainability.

In 2025, the group strengthened its risk management framework by expanding activities and improving tools, with a focus on:

- Proactive Risk Identification and Classification
- Impact Analysis and Risk Probability Assessment
- Diversified Risk Mitigation Strategies
- Dynamic Monitoring and Continuous Analysis
- Promoting Risk Awareness at All Levels
- Enhancing Cross-Departmental Collaboration
- Ensuring Compliance and Transparency

This comprehensive approach reflects Arzan Financial Group's commitment not only to protecting its interests and those of its shareholders but also to generating sustainable value by adopting innovative risk management strategies that support growth and leadership in a competitive and dynamic business environment.

## **Key Risk Areas**

### Credit Risk Management

Arzan Financial Group manages credit risk through a comprehensive analytical approach aimed at enhancing the stability of its credit portfolio and ensuring sustainable financial returns. This approach involves a thorough assessment of loan structures and credit obligations, enabling the group to identify and understand potential threats and implement effective credit management policies. The framework focuses on maintaining a sustainable balance between maximizing investment returns and protecting the group's financial assets.

The risk management framework follows the IFRS 9 standard for calculating expected credit losses, based on a general assessment approach. From the moment credit facilities are granted, they are classified into one of three stages to ensure the appropriate allocation of provisions in accordance with established standards:

Stage 1: Expected credit losses are calculated for a 12-month period for all credit facilities that have not experienced a significant deterioration in credit quality.

Stage 2: Expected credit losses are calculated for the entire duration of credit facilities that have experienced a deterioration in credit quality but are not yet classified as defaulted.

Stage 3: Full expected credit losses are calculated for facilities that have entered a default status, based on the borrower's level of commitment.

The methodology for calculating expected credit losses is forward-looking, taking into account macroeconomic factors that may influence credit performance, including market fluctuations and changes in economic conditions. Additionally, the calculation is based on a probability-weighted methodology, ensuring the accuracy of estimates while aligning with identified risk levels.

Through this integrated approach, Arzan Financial Group continues to enhance its ability to effectively manage credit risk, supporting the stability of its asset portfolio and contributing to the achievement of sustainable growth objectives.

### Market Risk Management

The group manages market risk by assessing the impact of economic fluctuations and price volatility, with a focus on portfolio diversification, continuous monitoring of financial market developments, and utilizing financial instruments for hedging purposes. Additionally, the group proactively anticipates the effects of economic and political events to strike a balance between capitalizing on market opportunities and minimizing market risks.

- **Price Risk**

The Risk Management Department applies the Value at Risk (VaR) model through various testing and validation stages to ensure its capability in delivering accurate and reliable results. The department calculates the VaR based on equity investment at a 95% confidence level. The insights gained from this analysis assist the group's management in making informed decisions while avoiding excessive risk exposure.



To manage price risk, the department conducts market volatility analyses, diversifies investments, and devises strategies to mitigate price fluctuations. It also actively monitors financial news and economic events to adapt effectively to changes, ensuring investment stability and balancing profit generation with risk mitigation.

- Foreign Exchange Risk

Arzan Financial Group prioritizes managing foreign exchange risk to protect its profits and assets from currency fluctuations, thereby maintaining financial stability. The group's foreign exchange risk management strategy includes:

- Monitoring exchange rates and analyzing market trends to anticipate potential fluctuations.
- Establishing clear limits on exchange rate fluctuations within acceptable levels set by the Board of Directors.
- Diversifying currency exposure and asset allocation, reducing reliance on a single currency through a diversified approach to financial transactions.
- Conducting periodic financial impact assessments, measuring the effects of exchange rate volatility on financial performance, and providing management with timely reports for informed decision-making.

#### Capital Adequacy Risk Management

The company is committed to complying with the instructions and regulations related to capital adequacy issued by the Capital Markets Authority (CMA). The Risk Committee regularly monitors the adequacy of the capital adequacy ratio, while a Capital Adequacy Report is prepared on a quarterly basis and submitted to the CMA, in addition to being presented to the Board of Directors.

The Company continuously monitors relevant economic indicators and takes the necessary measures to maintain the capital adequacy ratio within the limits approved by the CMA.

During 2025, the company implemented plans and measures aimed at strengthening the capital adequacy ratio and maintaining it within acceptable levels in accordance with the company's policies and regulatory requirements. The executive management continues to implement and monitor the approved plans to ensure ongoing compliance with regulatory obligations.

#### Liquidity Risk Management

Liquidity risk management at Arzan Financial Group involves regular forecasting and analysis of cash flow projections, adopting appropriate financing structures, and implementing contingency measures and advanced financial management technologies to ensure business continuity and adaptability to financial challenges.

To mitigate liquidity risks, the management team conducts continuous liquidity monitoring on a quarterly basis, establishing controls over asset and liability maturities to prevent any actual liquidity shortfalls. Additionally, the company reschedules certain liabilities when necessary to enhance liquidity levels.

During 2025, the liquidity levels at Arzan Financial Group fall within acceptable limits, reflecting the effectiveness of its liquidity management strategies in maintaining financial stability.

### Operational Risk Management

Arzan Financial Group has designed and implemented a comprehensive framework for operational risk management, incorporating the following key elements:

- Self-assessment of risks and controls
- Risk registers
- Key risk indicators
- Risk data collection and event management

The Risk Management team conducts regular workshops to complete self-assessments for different departments. Inherent risks, associated controls, and residual risks are identified and evaluated. The team's assessment of residual risks highlighted the need for management attention.

A risk registers tracks risk strategies (acceptance, avoidance, transfer, or mitigation) and ensures continuous risk reduction.

The Risk Management Department actively collects and analyzes key risk indicators and continuously updates the status of operational risk cases.

Additionally, The Risk department regularly updates policies, procedures, authorities, and organizational structures to ensure high-quality risk management practices.

### **Margin Trading Risk Management**

The risk management framework for margin trading services has been strengthened by implementing a daily monitoring system conducted by the Margin Trading Risk Committee to ensure compliance with approved limits. The key objectives include:

- Enhancing the ability to understand and analyze the nature and scale of risks associated with margin trading in line with CMA regulations, mitigating them to the extent possible, and determining appropriate responses.
- Identifying internal and external factors that could contribute to such risks and developing effective mitigation strategies while adhering to predefined policies and strategies.

### **Technology Risk Management**

The use of advanced technology and digital solutions significantly enhances operational efficiency but also introduces risks related to remote identity verification and electronic registration. This increases exposure to fraud, false identities, and security threats, making financial services more accessible to malicious actors.

To mitigate these risks, the department has implemented strict security measures and adheres to rigorous anti-money laundering (AML) and counter-terrorist financing (CTF) controls. These include comprehensive customer due diligence, transaction monitoring systems, and continuous risk assessments.



## **E-Trade Service**

Arzan Financial Group has expanded its electronic trading services across regional and international securities markets, leading to increased revenue and enhanced customer engagement. The Risk Management Department has assessed the risks associated with offering this service and has established controls and procedures to mitigate them, particularly regarding anti-money laundering (AML) risks. Measures include enhancing policies and procedures, updating customer agreements, adopting Know Your Customer (KYC) models, and strengthening the security of the electronic trading platform.

A new electronic trading service for gold and silver was approved and is currently in the process of being launched via the Arzan Trader platform. This initiative builds upon the company's trading services, which have been available since 2022. The service aims to support clients in managing their finances and assets, while granting them access to the commodities market, thereby enhancing customer loyalty and expanding the client base. Additionally, this step is expected to increase the company's revenue and improve operational efficiency, while adhering to best risk management practices to ensure that the service is delivered within a secure and regulatory-compliant environment.

In this context, the Risk Management Department has focused on identifying and assessing potential risks associated with this service, including legal, operational, compliance, and market-related risks. To mitigate these risks, a set of controls and procedures has been implemented, including continuous transaction monitoring, enhanced information security, and strict adherence to AML standards.

The company is committed to providing a secure trading environment that protects customer assets and data confidentiality, while upholding governance and transparency standards. This initiative aligns with the company's strategy to expand its customer base and achieve sustainable growth, while maintaining acceptable risk levels.

The launch of these new services reflects the company's commitment to strengthening its position in financial markets, providing innovative solutions that meet customer expectations, and ensuring effective risk management to sustain business continuity and long-term profitability.

## **Account Opening Risks Using Digital Technologies**

In line with the Capital Markets Authority's regulatory amendments, which allow account opening through modern digital technologies, Arzan Financial Group has adopted a balanced approach that maximizes the advantages of digitalization—such as speed, convenience, and reduced paperwork—while mitigating associated risks. These risks include cybersecurity threats, privacy concerns, fraud, identity theft, and compliance risks related to KYC (Know Your Customer) and AML (Anti-Money Laundering) requirements, as well as system failures and data misuse.

To mitigate these risks, the group has implemented a range of preventive measures, including:

- Enhancing data security through advanced encryption technologies to protect sensitive information during storage and transmission.
- Implementing strict KYC and AML procedures by adhering to local and international compliance standards to ensure accurate customer identity verification and prevent illicit activities.
- Conduct periodic risk assessments to regularly review and analyze emerging risks associated with technological advancements.
- Raising security awareness by offering training programs to employees on best security practices, equipping them to detect and prevent fraud attempts.
- Ensuring system continuity by developing business continuity plans to address potential technical failures and guarantee uninterrupted service delivery.

#### Business Continuity and Disaster Recovery Risk Management

At Arzan Financial Group, Business Continuity and Disaster Recovery Risk Management involves comprehensive strategies that include Continuous threat assessment, Implementation of integrated emergency plans and leveraging advanced technologies to ensure uninterrupted operations and asset protection in crisis situations.

The Risk Management Department oversees the ongoing development of business continuity and disaster recovery procedures, ensuring alignment with operational requirements. Additionally, regular testing is conducted to assess the readiness of contingency plans and report the results to the Board of Directors.

#### Compliance Risk Management

Arzan Financial Group's compliance risk management framework addresses challenges related to adherence to local and international laws and regulations, which may impact business continuity and corporate reputation. To ensure effective compliance and minimize legal and regulatory risks, the group employs an integrated approach that fosters a strong compliance culture within the organization. This approach includes:

- Developing clear policies and operational procedures that ensure compliance with all regulatory requirements.
- Conducting regular compliance reviews to verify that all departments adhere to applicable laws.
- Monitoring regulatory changes at both local and international levels and updating policies and procedures accordingly.
- Providing ongoing training programs to employees to enhance their understanding of compliance principles and their role in mitigating risks.
- Establishing secure reporting channels for employees to report potential violations, ensuring confidentiality and whistleblower protection.



### Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) Risk Management

Arzan Financial Group places great importance on complying with AML and CTF regulations, while considering regional and international developments in this field.

In 2025, the group conducted extensive training programs for employees, including executives and board members, to enhance awareness and ensure adherence to best practices. The company is committed to continuously improving its AML/CTF policies, which include:

- Implementing advanced verification mechanisms to validate customer identities and monitor transactions for legal compliance.
- Strengthening due diligence procedures to ensure full compliance with local and international standards.
- Submitting regular reports to regulatory authorities, ensuring full transparency and compliance.

The Risk Management Department evaluates AML/CTF risks associated with the company's clients, products, and services. A preventive approach is adopted to assess and manage these risks, thereby enhancing the company's ability to detect and prevent illicit activities, ensuring business stability and reinforcing its reputation in both local and international markets.

### Information Security and Cybersecurity Risk Management

With the growing reliance on digital financial services, cyber threats have significantly increased in recent years, making the financial sector one of the most targeted industries. Cybersecurity has become a major factor affecting financial stability, given the rising complexity and frequency of cyberattacks worldwide. It is therefore crucial to implement proactive measures to safeguard information and enhance digital system resilience.

Arzan Financial Group has implemented a comprehensive set of cybersecurity policies and procedures to strengthen its information security posture, while ensuring full alignment with the Cybersecurity Framework issued by the Central Bank of Kuwait as well as internationally recognized standards. In addition, the company has engaged specialized service providers to support its cybersecurity operations and ensure ongoing compliance.

The group is committed to protecting its digital assets and ensuring data confidentiality, integrity, and availability by applying best practices derived from international security standards, which include:

- Ensuring data confidentiality and integrity, restricting access to authorized personnel, maintaining accuracy, and implementing strict access control policies based on least privilege principles.
- Proactively identifying and mitigating cybersecurity risks to prevent incidents before they occur.
- Enhancing cybersecurity awareness by training employees on best practices to build a strong security culture across all levels.

- Monitoring IT systems and networks using advanced detection technologies and partnering with specialized firms to identify and mitigate threats in real time.
- Implementing rapid incident response plans to minimize cyber threats and ensure operational continuity.
- Developing disaster recovery plans to maintain business operations in the event of cyber emergencies.

This comprehensive approach reflects Arzan Financial Group's commitment to safeguarding shareholder and customer interests, reinforcing trust in the company's cybersecurity capabilities, and ensuring resilience in an ever-evolving digital landscape.

### **Sustainability Risks**

The concept of sustainability has emerged as a response to modern environmental movements, which have criticized unsustainable resource consumption, economic growth patterns, and excessive consumption that threaten the integrity of ecosystems and the well-being of future generations. Sustainability is no longer merely a performance criterion for institutions but has become a strategic goal that societies and businesses must actively pursue. It involves transforming current social and economic structures to reduce environmentally harmful practices, promote sustainable economic activities, and align them with financial markets to achieve responsible and long-term growth.

In line with its commitment to strengthening sustainable practices, Arzan Financial Group is set to introduce sustainability risk assessment and reporting. This initiative aims to:

- Monitor risks related to environmental and social factors, including natural resource degradation and social impacts on business continuity.
- Analyze how sustainability-related risks influence the group's financial performance, including potential costs and shifts in market demand.
- Integrate sustainability into decision-making by embedding environmental and social considerations into all strategic planning and risk management processes, enhancing the group's ability to achieve sustainable growth.
- Enhance disclosure of environmental and social performance in annual reports, ensuring alignment with international standards and best practices.

Through these initiatives, Arzan Financial Group reaffirms its commitment to facilitating the transition to a more sustainable economy, strengthening its competitive position, and delivering long-term value to its shareholders and stakeholders.



## FINANCE DEPARTMENT

### Dear Esteemed Shareholders,

It is with great pleasure that I welcome you to the Annual Results Summary for the year ended December 31, 2025. This summary reflects our continued commitment to transparency and accountability in our financial reporting. I would also like to highlight the availability of the audited consolidated financial statements for the year ended December 31, 2025, and the independent auditor's report, both of which are integral components of the 2025 Annual Report.

In this summary of the annual results, we will highlight the key financial ratios and indicators for the current year ended December 31, 2025, as follows:

#### First: Key Financial Indicators of the Income Statement:

- Despite ongoing challenges in local, regional, and international markets, Arzan Financial Group achieved a record net profit of KWD 23.2 million, compared to KWD 14.1 million in 2024, representing a 64.9% increase. This result reflects the Group's prudent management practices and well-considered strategic decisions.
- Basic earnings per share rose to 25.639 fils, compared to 15.766 fils in 2024, a growth rate of 62.6%, underscoring our ongoing commitment to creating shareholder value amidst changing market conditions.
- Total comprehensive income witnessed a significant increase, reaching KWD 54.3 million, up 39.6% from KWD 38.9 million in the previous year. This growth demonstrates the company management's ability to capitalize on available opportunities, reflecting its flexibility and capacity to adapt to changes in the business environment. It also serves as an indication of the quality of strategic decisions made by management and the company's success in achieving its goals efficiently and effectively.

#### Second: Key Financial Indicators of the Balance Sheet:

- Total assets of the Group increased to KWD 384.86 million, compared to KWD 283.20 million in 2024, representing a 35.9% growth. This increase was driven by strategic investments and asset value enhancement strategies.
- Total liabilities rose to KWD 83.30 million, compared to KWD 55.99 million in 2024, an increase of 48.77%. The company's disciplined approach to debt management ensures a strong and sustainable financial position.
- Equity attributable to the shareholders of the parent company reached KWD 223.72 million, compared to KWD 172.29 million in 2024 representing a 29.86% increase. This reflects our steadfast commitment to long-term shareholder value and financial stability.

### Third: Key Financial Ratios and Indicators:

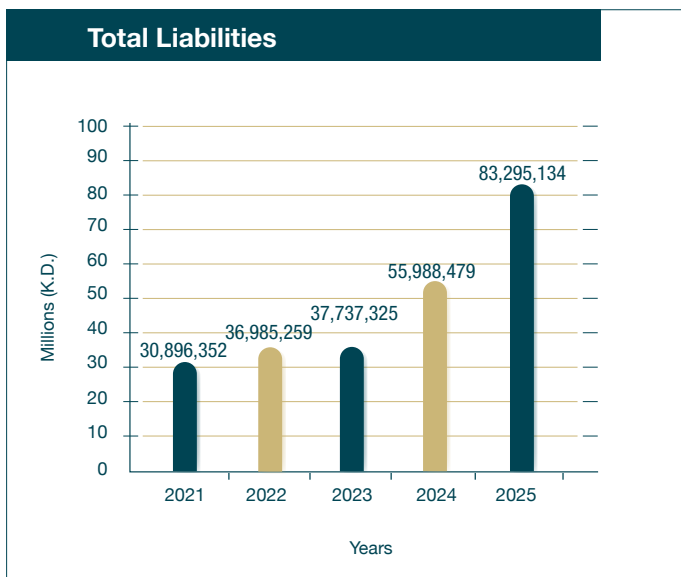
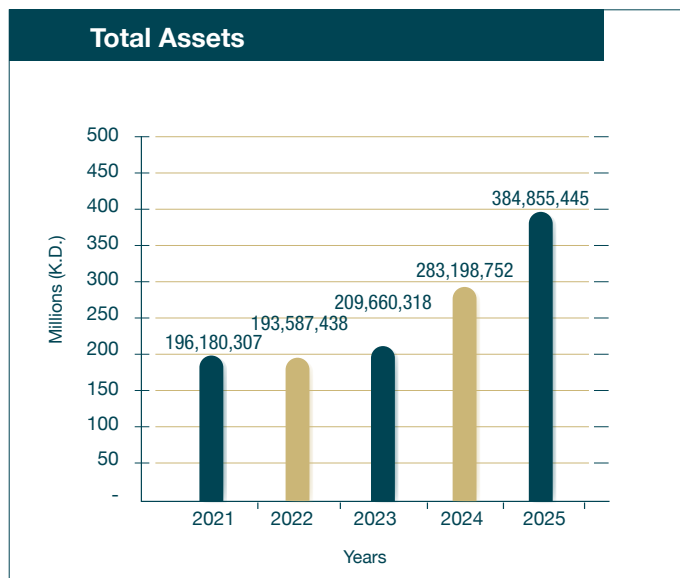
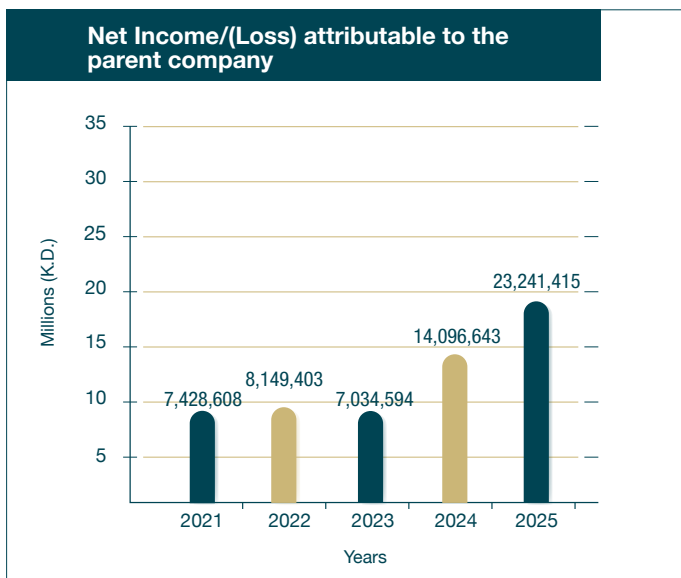
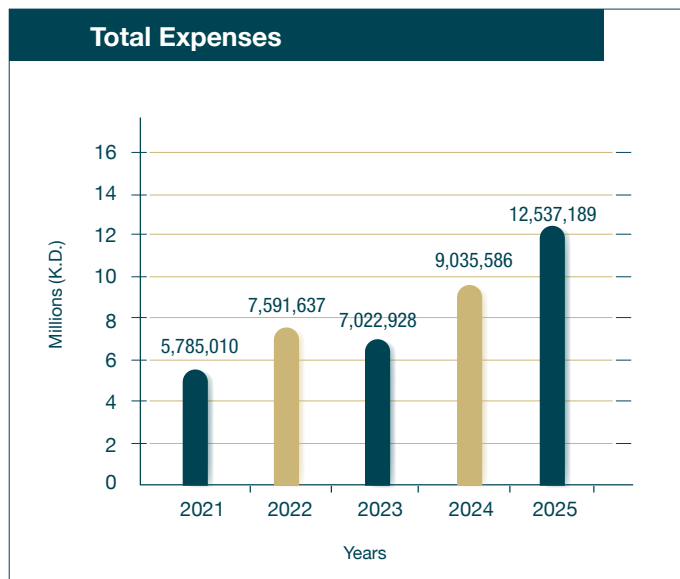
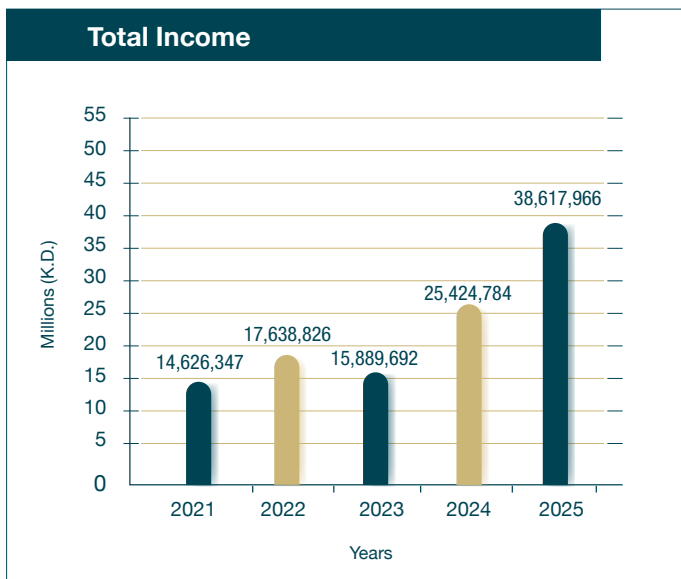
- Return on Assets (ROA) and Return on Equity (ROE) reached 6.43% and 10.39%, respectively, with increases of 13.73% and 26.97% compared to 2024. These figures demonstrate our ongoing pursuit of generating positive returns on invested capital and shareholders' equity.
- The leverage ratio increased by 19.32% compared to 2024, reaching (0.229 to 1). Despite this rise, the leverage ratio reflects our prudent management of capital structure, reducing financial risk and ensuring optimal operational efficiency.
- The quick liquidity ratio decreased by 38% to (1.2 to 1). Despite the decline, the ratio remains strong, confirming our solid liquidity position and our ability to meet short-term obligations with ease.
- The capital adequacy ratio reached 101%, a 1% Increase over the required threshold of 100% set by the Capital Markets Authority in Kuwait.
- The book value per share increased by 24% compared to 2024, while the market capitalization of the company on Boursa Kuwait reached KWD 322 million, a 42% increase from 2024.

It is worth noting that the Board of Directors has recommended a cash dividend of 2 fils per share, , as well as a 6% bonus share distribution. This will be implemented by increasing the capital through the issuance of new shares. This recommendation is subject to approval by the regulatory authorities and the General Assembly of Shareholders.

Below are the financial indicator charts that demonstrate Arzan Financial Group's performance during the current year (2025) and the past four years.

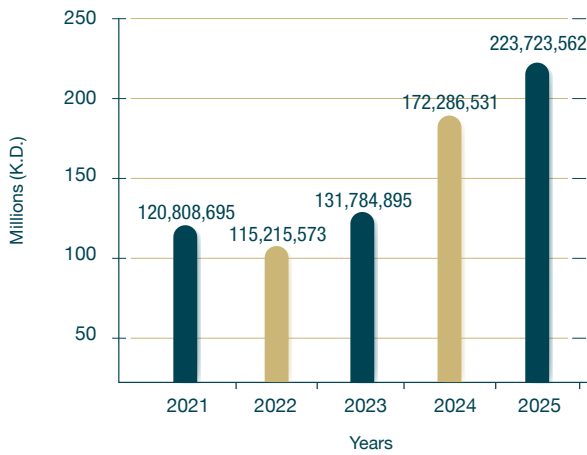


**FINANCIAL REPORT ANALYSIS**

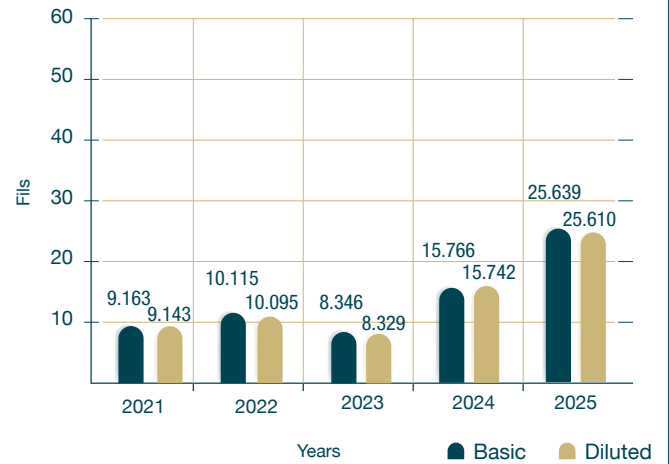


## FINANCIAL REPORT ANALYSIS

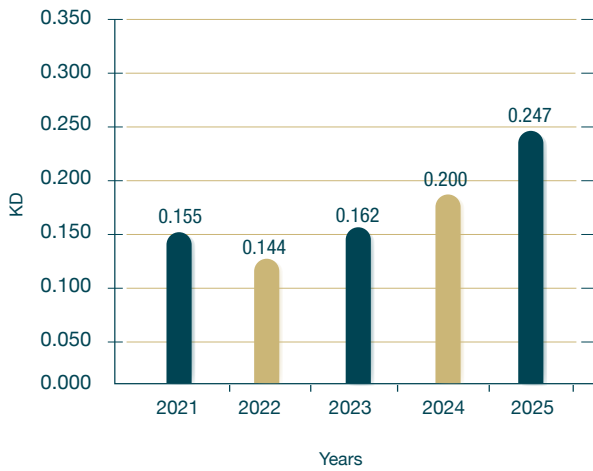
### Shareholders' equity attributable to owners of the parent company



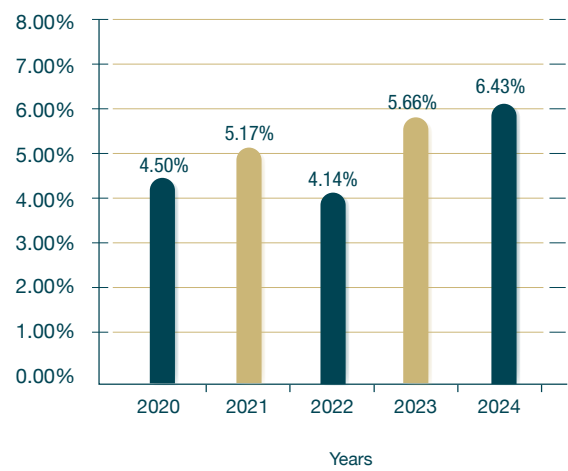
### Basic & Diluted earnings/(Loss) per Share attributable to owners of the parent Company



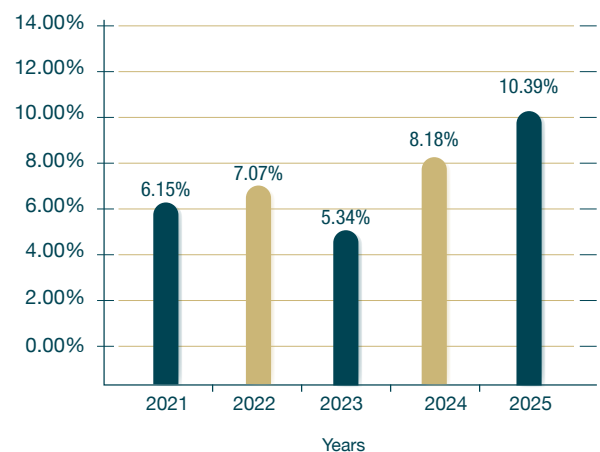
### Net Book Value



### Return on Assets



### Return on Equity





CORPORATE  
GOVERNANCE  
REPORT

## INTRODUCTION

Sound corporate governance constitutes a cornerstone for achieving sustainable success and reinforcing the confidence of investors and shareholders in the Company. In this report, Arzan Financial Group for Financing and Investment presents its key governance achievements and practices for the year 2025, underscoring its steadfast commitment to international standards and best-in-class practices in corporate governance.

### 1. **RULE ONE: BUILDING A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS:**

The role of the Board of Directors serves as the balancing point that ensures the achievement of shareholders' objectives while overseeing the performance of the Company's executive management. The Board of Directors of Arzan Financial Group affirms that its members possess the skills and expertise aligned with their responsibilities and the Company's strategic needs. Their collective expertise includes:

- International, regional, and local experience that provides a comprehensive and multi-dimensional perspective.
- Advanced technical knowledge of the business environment, as well as the relevant regulatory and economic frameworks.
- Deep expertise and specialized knowledge in the financial and investment sectors.

#### 1.1 **Formation of the Board of Directors**

The decisions of the Board of Directors have a significant impact on the Company's performance and financial stability. To ensure adherence to best governance practices, a Board of Directors has been formed with a sufficient number of members to enable the establishment of the necessary sub-committees, thereby supporting effective management and the achievement of strategic objectives.

The Board comprises seven members, including two independent directors, for the term spanning 2023 to 2025.

The Nomination and Remuneration Committee conducted a thorough review of the documentation submitted by candidates for Board membership for the current term (2023–2025). It was confirmed that all nominees met the criteria stipulated by the Capital Markets Authority, particularly those relating to competence and integrity.

The Board includes two independent members, and the Nomination and Remuneration Committee has verified that their qualifications are in full compliance with the independence requirements set forth in the regulations of the Capital Markets Authority.



Name	Member Classification	Qualifications and Practical Expertise	Election Date
<b>Talal Jassem Al-Bahar</b>	Chairman of the Board of Directors (Non-Executive Member)	<ul style="list-style-type: none"> <li>Bachelor of Business Administration, Loyola Marymount University (2001), USA.</li> <li>19 years of experience in Real estate and investment sector.</li> </ul>	12 April 2023
<b>Jassem Hasan Zainal</b>	Vice Chairman of the Board of Directors and Chief Executive Officer (Executive Member)	<ul style="list-style-type: none"> <li>Bachelor of Science - Civil Engineering, Miami University (1980), USA.</li> <li>BA in General Studies - Mathematics, Miami University (1981), Miami, USA.</li> <li>MA of Science - Civil Engineering, Kuwait University (1991), State of Kuwait.</li> <li>41 years of experience in banking, investment and financial institutions</li> </ul>	12 April 2023
<b>Ibrahim Saleh Al-Tharban</b>	Board Member. (Non-Executive Member)	<ul style="list-style-type: none"> <li>Bachelor of Commerce - Accounting, Kuwait University (1975), State of Kuwait.</li> <li>46 years of experience in banking, investment, real estate and financial institutions.</li> </ul>	12 April 2023
<b>Emad Abdullah Al-Essa</b>	Board Member. (Non-Executive Member)	<ul style="list-style-type: none"> <li>Bachelor of Science - Business Administration, Polytechnic University (1986), Pomona, California, USA</li> <li>36 years of experience in investment, real estate and financial institutions</li> </ul>	12 April 2023
<b>Bader Jassim Al-Hajri</b>	Board Member. (Non-Executive Member)	<ul style="list-style-type: none"> <li>Bachelor of Administrative Sciences, Marketing, Kuwait University, (1999), State of Kuwait.</li> <li>23 years of experience in banking, investment, real estate, financial and internet services.</li> </ul>	12 April 2023
<b>Issa Abdullah Al-Muzaini</b>	Board Member. (Independent Member)	<ul style="list-style-type: none"> <li>Bachelor of Science, Civil Engineering, St. Martins College, (1983), USA.</li> <li>20 years of experience in banking, investment, educational and information technology institutions.</li> </ul>	12 April 2023
<b>Dr. Sulaiman Tareq AL-Abduljader</b>	Board Member. (Independent Member)	<ul style="list-style-type: none"> <li>Ph.D. of Financial economics - La Trobe University (2009), Australia.</li> <li>MA of Business Administration - Specialization in finance and real estate – University of Hartford – (2004), USA.</li> <li>Bachelor of Civil Engineering, University of Hartford, (2002), USA.</li> <li>19 years of experience in banking, investment, financial and academic institutions.</li> </ul>	12 April 2023
<b>Ruba Ghanem</b>	Secretary of the Board of Directors	<ul style="list-style-type: none"> <li>Bachelor of Business Administration - Banking, Grant Town University (2014), USA.</li> <li>24 years of experience in banking, investment and financial institutions.</li> </ul>	10 Jan. 2013

## 1.2 Meetings of the Board of Directors.

Six (6) Board meetings have been held during 2025, as follows:

Member Name	Meeting No. (1) on 27/03/2025	Meeting No. (2) on 13/05/2025	Meeting No. (3) on 16/07/2025	Meeting No. (4) on 06/08/2025	Meeting No. (5) on 09/11/2025	Meeting No. (6) on 21/12/2025	Total
Talal Jassem Al-Bahar	√	√	√	√	√	√	6
Jassem Hasan Zainal	√	√	√	√	√	√	6
Ibrahim Saleh Al-Tharban	√	√	-	√	√	√	5
Emad Abdullah Al-Essa*	√	√	√	√	√	√	6
Bader Jassim Al-Hajri	√	√	√	√	√	√	6
Issa Abdullah Al-Muzaini	√	√	√	√	√	√	6
Dr. Sulaiman Tareq AL-Abduljader*	√	√	-	√	√	√	5

\* On 17/03/2025, the Board approved the change in membership classification of:

- Mr. Emad Abdullah Al-Essa, from Non-Executive Member to Independent Member.
- Dr. Sulaiman Tareq Al-Abduljader, from Independent Member to Non-Executive Member.

This based on their requests and in accordance with governance requirements.

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

The Board of Directors dedicates sufficient time to fulfilling its assigned duties and responsibilities, including preparation for Board and committee meetings, as well as ensuring active participation in these meetings. Board meetings are organized in sequential order based on the year of convening, with clear indication of the meeting location, date, start and end times. Detailed minutes are prepared, capturing the discussions, deliberations, and voting outcomes. These minutes are signed by all members and the Board Secretary. All minutes, records, registers, and reports received or issued by the Board are securely maintained, with full and prompt access granted to Board members.

To support the Board's functions, a Secretary has been appointed from among the Company's staff, with clearly defined responsibilities in accordance with governance rules and the accountability framework applicable to the role.

The Board convenes no fewer than six meetings per year, with at least one meeting held each quarter. Members are provided with sufficient documentation and materials to enable them to evaluate matters presented and make informed decisions.



Key documents submitted to the Board of Directors include:

- Quarterly financial statements
- Minutes of previous Board meetings
- Minutes of Board committee meetings
- Updates and developments within each department of the Company
- Reports and observations from regulatory authorities

#### **1.4 Acknowledgment of the Independent Board Member:**

##### **Independent Board Member Acknowledgement**

I, the undersigned, in my capacity as an Independent Member of the Board of Directors of Arzan Financial Group for Financing and Investment, hereby declare the following:

1. I do not own 5% or more of the Company's shares, nor do I represent any shareholder holding such a percentage.
2. I do not have any first-degree familial relationship with any member of the Company's Board of Directors, Executive Management, any company within the Group, or with any related key parties.
3. I am not a member of the Board of Directors of any company within the Group.
4. I am not employed by the Company, any of its subsidiaries or affiliates, or any stakeholders.
5. I am not employed by any legal entities that hold controlling interests in the Company.
6. I confirm that I meet the independence criteria as stipulated in Article (2-3), Chapter Three of Book Fifteen of the Executive Regulations of Law No. (7) of 2010 concerning the Establishment of the Capital Markets Authority and the Regulation of Securities Activity, as amended. I meet all the independence requirements and have no conflicts that would compromise my independence. The above is illustrative and not exhaustive.
7. As an Independent Member, I possess the qualifications, expertise, and technical skills relevant to the Company's line of business, in accordance with the Executive Regulations of the Capital Markets Authority.
8. I undertake to promptly notify the Company in the event that I no longer meet any of the independence criteria mentioned above or those specified by the relevant regulatory authorities (Ministry of Commerce and Industry and/or the Capital Markets Authority).

The Company reserves the right to take any necessary action should it be proven that any of the above declarations are inaccurate.

**Name of Independent Board Member:** Emad Abdullah Al-Essa

Signature:

A handwritten signature in blue ink, appearing to be "Emad Abdullah Al-Essa".

### **Independent Board Member Acknowledgement**

I, the undersigned, in my capacity as an Independent Member of the Board of Directors of Arzan Financial Group for Financing and Investment, hereby declare the following:

1. I do not own 5% or more of the Company's shares, nor do I represent any shareholder holding such a percentage.
2. I do not have any first-degree familial relationship with any member of the Company's Board of Directors, Executive Management, any company within the Group, or with any related key parties.
3. I am not a member of the Board of Directors of any company within the Group.
4. I am not employed by the Company, any of its subsidiaries or affiliates, or any stakeholders.
5. I am not employed by any legal entities that hold controlling interests in the Company.
6. I confirm that I meet the independence criteria as stipulated in Article (2-3), Chapter Three of Book Fifteen of the Executive Regulations of Law No. (7) of 2010 concerning the Establishment of the Capital Markets Authority and the Regulation of Securities Activity, as amended. I meet all the independence requirements and have no conflicts that would compromise my independence. The above is illustrative and not exhaustive.
7. As an Independent Member, I possess the qualifications, expertise, and technical skills relevant to the Company's line of business, in accordance with the Executive Regulations of the Capital Markets Authority.
8. I undertake to promptly notify the Company in the event that I no longer meet any of the independence criteria mentioned above or those specified by the relevant regulatory authorities (Ministry of Commerce and Industry and/or the Capital Markets Authority).

The Company reserves the right to take any necessary action should it be proven that any of the above declarations are inaccurate.

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

Signature:





## 2. RULE TWO: PROPER SPECIFICATION OF TASKS AND RESPONSIBILITIES

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

The Board of Directors serves as the central axis of balance within the Company, aiming to fulfill shareholder expectations while overseeing the performance of executive management. The Board is committed to achieving the Company's strategic objectives by ensuring that executive management carries out its duties with the highest levels of efficiency, enhancing the Company's competitiveness, driving strong growth rates, and maximizing profitability in the best interest of shareholders. The Board also ensures that all decisions and actions taken by executive management are consistently aligned with this interest.

In this context, the Board has adopted a comprehensive governance policy that clearly outlines the roles and responsibilities assigned to both the Board and executive management. The policy includes a detailed authority matrix that reinforces a clear separation of powers between the Board and executive management, thereby ensuring the independence of both parties and enabling the Board to fulfill its duties efficiently and effectively. The policy also specifies the delegated authorities and powers granted to executive management, ensuring clarity and structure in the decision-making process.

### 2.2 Board achievements during the year.

The Board of Directors operates in accordance with an approved charter that outlines its core responsibilities and affirms its commitment to all applicable laws and regulations. The following are the key activities undertaken by the Board during the year 2025:

- Recommendation to the General Assembly for the distribution of cash dividends and bonus shares for the fiscal year ended 31/12/2024.
- Approval of the annual and interim budgets and ensuring performance is measured in line with the approved budgets and business plans.
- Review and approval of the annual financial statements, interim financials, dividend announcements, and shareholder notifications, based on the recommendations of the Board Audit Committee.
- Assessment of the effectiveness of risk management systems, internal controls, and financial and operational frameworks.
- Verification of the Company's compliance with policies and procedures that safeguard shareholder rights and adherence to applicable internal regulations and the corporate governance framework.
- Discussion and approval of proposed related party transactions.
- Monitoring the performance of individual Board members and executive management based on established Key Performance Indicators (KPIs).
- Evaluation of the performance of the Board, its members, Board committees, committee members, and the Chief Executive Officer.
- Approval of the Group's remuneration for the fiscal year ended 31/12/2024.
- Approval of the annual and semi-annual reports submitted to governmental and regulatory authorities.
- Approval of reports presented to the General Assembly.
- Recommendation to the General Assembly to approve the Audit Committee's recommendation to reappoint the external auditors.
- Review and approval of amendments to the organizational and functional structure.
- Review and approval of amendments to the Company's internal policies and procedures.
- Review of reports submitted by Board committees.

These activities reflect the Board's commitment to fulfilling its supervisory and strategic oversight role to ensure the achievement of the Company's objectives and the protection of shareholder interests.

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

Arzan Financial Group's internal control and governance framework is built upon the directives and regulations issued by the Capital Markets Authority, the Central Bank of Kuwait, and Boursa Kuwait, in addition to the Company's Memorandum of Association, Articles of Incorporation, and internal corporate practices. The Board of Directors holds ultimate responsibility for the Company's operations, with the authority to delegate certain powers to specialized committees formed under its oversight.

In this context, the Board has established three primary committees to support it in overseeing key decisions and company functions. Each of these committees operates under a dedicated charter that clearly defines its responsibilities and authorities, as outlined in the Board Charter. These charters are developed in accordance with the Company's internal regulatory framework, ensuring full compliance with applicable supervisory standards and the highest levels of corporate governance.

#### **The Audit Committee:**

- The Audit Committee plays a critical role in supporting the Board of Directors in effectively discharging its responsibilities related to financial reporting, internal control systems, internal and external audits, and fostering a culture of compliance within the Company. The Committee ensures the independence of external auditors, the integrity of financial reporting, and the adequacy and effectiveness of the Company's internal control mechanisms. Its operations are governed by a charter approved by the Board of Directors.
- The following are the key activities and responsibilities carried out by the Audit Committee during 2025:
- Review and discussion of interim and annual financial statements prior to submission to the Board of Directors, including providing opinions and recommendations, and reviewing the external auditors' comments and following up on them.
- Review of the internal control systems evaluation report for the year ended 31/12/2024.
- Assessment of compliance with all legislative requirements under the Anti-Money Laundering and Combating the Financing of Terrorism Law for the fiscal year ended 31/12/2024.
- Evaluation of compliance with the rules and provisions outlined in Book Seven (Client Funds and Assets) of the Executive Regulations for the fiscal year ended 31/12/2024.
- Recommendation to the Board regarding the appointment or reappointment of external auditors, ensuring their independence and registration with the Capital Markets Authority.
- Approval of the Audit Committee's report for the fiscal year ended 31/12/2024 and submission of recommendations to the Board.
- Approval of the internal audit plan for the next three years 2026–2028.
- Evaluation of the performance of the Head of Internal Audit for the year ended 31/12/2024, and approval of the Internal Audit Department's objectives for 2025.
- Review of internal audit reports and ensuring the implementation of corrective actions.
- Review of the internal audit performance evaluation report.
- Review of regulatory reports and ensuring that appropriate measures have been taken in response.



#### The Audit Committee shall consist of:

Four members were appointed pursuant to the resolution of the Board of Directors issued during its meeting No. 04/2023 held on 13/04/2023, for the term (2023–2025), as follows:

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

#### During the year 2025, the Audit Committee has convened four (4) meetings as follows:

Member Name	Meeting No. (1) on 27/03/2025	Meeting No. (2) on 12/05/2025	Meeting No. (3) on 06/08/2025	Meeting No. (4) on 09/11/2025	No. of Meetings
<b>Emad Abdullah Al-Essa (Chairman of the Committee)</b>	-	√	√	√	3
<b>Issa Abdullah Al-Muzaini (Deputy Chairman of the Committee)</b>	√	√	√	√	4
<b>Bader Jassim Al-Hajri (Committee Member)</b>	√	√	√	√	4
<b>Dr. Sulaiman Tareq AL-Abduljader (Committee Member)</b>	√	√	√	√	4
<b>External Auditor</b>	√	√	√	√	4
<b>Internal Auditor</b>	√	√	√	√	4

#### Risk Committee:

The Risk Committee is responsible for supporting the Board of Directors in overseeing the Company's risk management function. This includes the identification, assessment, monitoring, and mitigation of risks to which the Company may be exposed. The Committee assists the Board in setting the Company's risk management direction and strategy, establishing the overall risk management framework, and monitoring the executive management's implementation of that strategy. The Committee operates under a charter approved by the Board of Directors.

Key activities undertaken by the Risk Committee during 2025 included, but were not limited to, the following:

- Reviewed and approved amendments to the Company's policies and procedures manuals.
- Reviewed and approved amendments to the Company's delegation of authority matrix.
- Reviewed and approved amendments to the organizational structure of the Company.
- Reviewed the Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) risk assessment study.
- Reviewed the semi-annual report on related party risks.

- Reviewed the quarterly Risk Management report.
- Reviewed the capital adequacy reports and plans.
- Reviewed the Risk and Control Self-Assessment (RCSA) reports issued by the Information Security Department.
- Reviewed the company-wide risk self-assessment report for 2025.
- Reviewed the incident management report.
- Reviewed the results of the Anti-Money Laundering (AML) on-site inspection.
- Reviewed the Business Impact Analysis (BIA) report.
- Reviewed the semi-annual Business Continuity, Disaster Recovery, and Data Recovery report.
- Evaluated the performance of the Risk Management Department and the Information Security Department for 2024, and approved their objectives and key performance indicators (KPIs) for 2025.
- Discussed the observations resulting from the Capital Markets Authority (CMA) inspection, and approved their escalation to the Board of Directors.

#### **Risk Committee shall consist of:**

Four members were appointed pursuant to the resolution of the Board of Directors issued during its Meeting No. 04/2023 held on 13/04/2023, for the term (2023–2025). They are as follows:

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

#### **During the year 2025, the Risk Committee has convened four (4) meetings as follows:**

Member Name	Meeting No. (1) on 26/03/2025	Meeting No. (2) on 03/06/2025	Meeting No. (3) on 28/09/2025	Meeting No. (4) on 21/12/2025	No. of Meetings
<b>Ibrahim Saleh Al-Tharban (Chairman of the Committee)</b>	√	√	-	√	3
<b>Jassem Hasan Zainal (Deputy Chairman)</b>	√	√	√	√	4
<b>Issa Abdullah Al-Muzaini (Committee Member)</b>	√	√	√	√	4
<b>Bader Jassim Al-Hajri (Committee Member)</b>	√	√	√	√	4



### Nomination and Remuneration Committee:

The Nomination and Remuneration Committee is responsible for overseeing the compensation of the Board members and executive management of Arzan Financial Group, ensuring alignment with their performance and expertise. The Committee also supervises the nomination process in compliance with the regulations of the Capital Markets Authority and applicable laws. It operates in accordance with a charter approved by the Board of Directors.

The following are the key activities carried out by the Committee during 2025:

- Confirmation that one independent board member no longer satisfied independence status.
- Approval of the Remuneration Report for the fiscal year ended 31/12/2024, which includes details of the remuneration, salaries, and benefits granted to Board members and executive management, and submission of the report to the General Assembly.
- Recommendation to the Board of Directors regarding the proposed remuneration for the Group for the fiscal year ended 31/12/2024.
- Identification and approval of objective performance indicators and behavioral competencies for the Board, each of its members—including independents—the Nomination and Remuneration Committee, the Risk Management Committee, the Audit Committee, and the Chief Executive Officer for the year 2025.
- Approval of the evaluation report of the Board of Directors, its members, and its committees for the year 2024, and submission to the Board.
- Recommendation to the Board to approve the change of independence status of two board members based on their requests and governance requirements.

The Nomination and Remuneration Committee consists of four members who were appointed pursuant to the resolution of the Board of Directors issued during its Meeting No. 04/2023 held on 13/04/2023, for the term (2023–2025). They are as follows:

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

**During the year 2025, the Nomination and Remuneration Committee has convened one (1) meeting, as follows:**

Member Name	Meeting No. (1) on 26/03/2025	No. of Meetings
<b>Talal Jassem Al-Bahar (Chairman of the Committee)</b>	√	1
<b>Jassem Hasan Zainal (Vice Chairman)</b>	√	1
<b>Ibrahim Saleh Al-Tharban (Committee Member)</b>	√	1
<b>Issa Abdullah Al-Muzaini (Committee Member)</b>	√	1

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

Executive management is committed to providing complete, accurate, and timely information and data to all members of the Board of Directors, with particular attention given to meeting the needs of non-executive and independent directors. This is facilitated through the role of the Board Secretary, who is responsible for ensuring that all relevant documents required for Board discussions are delivered to members well in advance of meetings.

This mechanism enables Board members to access essential information and data, empowering them to carry out their duties and responsibilities efficiently and effectively. It reinforces their role in decision-making and supports the Company's performance in alignment with the highest standards of governance and transparency.

## **3. RULE THREE: SELECTING QUALIFIED PERSONS FOR THE MEMBERSHIP OF THE BOARD AND THE EXECUTIVE MANAGEMENT**

### **3.1 Nomination and Remuneration Committee formation requirements**

Following its election by the General Assembly, the Board of Directors formed the Nomination and Remuneration Committee, comprising four members, including one independent member. The Committee is chaired by a non-executive Board member. The Board has defined the term of the Committee's membership, its working procedures, and has clearly outlined its powers and responsibilities in a dedicated charter formally approved by the Board.

This formation aims to ensure that the Committee effectively supports the Board in matters related to nominations and remuneration, in line with the Company's objectives and in accordance with the highest standards of governance and transparency.

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

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

The Company's Articles of Association include a clear policy governing the remuneration of the Chairman and members of the Board of Directors, in addition to a comprehensive remuneration policy for the Company based on the following principles:

- **Compliance with Laws:** Adherence to the provisions of the Companies Law and all relevant legislation.
- **Attracting Talent:** Commitment to attracting and retaining top talent to enhance the Company's performance.
- **Promoting Equality and Competitiveness:** Ensuring internal equity and maintaining competitiveness with the external market.
- **Transparency:** Applying the highest levels of transparency in remuneration practices.

This policy reflects Arzan Financial Group's commitment to implementing best practices in human resources management and strengthening corporate governance.



- **Board Members' Remuneration:**

Arzan Financial Group is committed to implementing the Board of Directors' remuneration system in accordance with Article 198 of the Companies Law. Remuneration to Board members is granted only after obtaining the approval of the General Assembly.

- **Executive Management and Managers Remuneration and Incentives:**

**Fixed Remuneration:** This includes salaries and benefits (including end-of-service indemnity) and is determined based on the salary scale and grading structure approved by the Board of Directors. It also complies with applicable laws and regulations, as well as the Company's Human Resources Policies and Procedures Manual.

**Variable Remuneration:** This is performance-based and linked to the achievement of pre-defined objectives. It is designed to incentivize and reward executive management members. Variable remuneration is allocated based on both the individual performance of the executive and the overall performance of the Company. It may be awarded in cash or through the Company's approved stock option plan.

- **Remunerations and incentives of Company's employees**

1. Arzan Financial Group aims to foster a sense of belonging and motivate employees to contribute toward the Group's goals and advancement. The Group seeks to ensure that the remuneration system reflects the nature of assigned roles and responsibilities, and is characterized by fairness and equity.
2. Remuneration is awarded based on performance evaluations, in accordance with an approved policy designed to support the achievement of operational and financial objectives. Consideration is also given to each employee's individual contribution toward the Group's strategic goals.

The remuneration policy reflects Arzan Financial Group's commitment to transparency and fairness at all levels, with the objective of enhancing performance, achieving strategic goals, and upholding the highest standards of corporate governance.

### 3.2.2 Remunerations Schedule:

**First: The Annual remuneration and sitting fees allowance for the Committees paid to all members of the Board during the period from 1<sup>st</sup> of January to 31 of December 2025**

Number	The rewards and benefits through the mother company			The rewards and benefits through the subsidiary companies		
	The fixed rewards and Benefits	The variable rewards and Benefits		The fixed rewards and Benefits	The variable rewards and Benefits	
7	Medical Insurance	Annual remunerations	Sitting fees	Medical Insurance	Annual remunerations	Sitting fees
	0	52,500	25,350	0	0	0

**Second: The total remunerations and benefits granted to five senior executives who received the highest remuneration, in addition to the CEO and the Chief Financial Officer or his representative, for the financial year from 1st of January to 31 of December 2024**

Number	The rewards and benefits through the mother company							The rewards and benefits through the subsidiary companies													
	The fixed rewards and Benefits				The variable rewards and Benefits			The fixed rewards and Benefits				The variable rewards and Benefits									
5	Annual salaries	Social Insurance	Life Insurance	Medical Insurance	Air Tickets	Accrued leave	Business trips	End of Service Provision	Annual remunerations	ESS	ESOP	Business calls	Other Benefits	Annual salaries	Accrued leave	End of Service Provision	Medical Insurance	Air Tickets	Other Benefits	ESOP	Annual remunerations
	355,071	11,220	4,417	4,195	9,595	44,048	3,840	52,544	171,305	30,540	79,075	2,921	565	75,372	10,590	10,737	0	0	360	169,094	0

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



#### **4. RULE FOUR: ENSURING INTEGRITY OF FINANCIAL REPORTS**

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

###### **Board Responsibility for Financial Oversight and Ensuring Integrity**

The Board of Directors holds the ultimate responsibility for overseeing and reviewing the accuracy and integrity of the financial statements, accounting policies, and the information disclosed in the annual report. To fulfill this responsibility, Board members receive continuous support through mechanisms aimed at identifying and assessing risks facing the Company. Independent oversight is carried out by the Internal Audit Department, the Risk Management Department, and the Board's sub-committees to ensure the effectiveness of executive management in achieving the Company's objectives.

###### **Accuracy and Integrity of Financial Data**

The accuracy and integrity of financial data are key indicators of the Company's transparency and credibility in presenting its financial position. This commitment reinforces shareholder and investor confidence in the information and reports disclosed by the Company.

###### **Role of Executive Management**

Executive management provides a written declaration to the Board of Directors affirming that the financial reports present a true and fair view of the Company's financial performance and position, including financial data and operational results. They also confirm that the financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the relevant regulatory authority.

The annual report issued by the Board of Directors to the shareholders includes a formal declaration confirming the accuracy and integrity of all financial data and related reports concerning the Company's operations. These declarations reinforce the principle of accountability—holding executive management accountable to the Board, and the Board accountable to the shareholders.

These governance mechanisms highlight Arzan Financial Group's commitment to the highest standards of transparency and corporate governance, further strengthening stakeholder confidence in the Group's ability to responsibly and ethically achieve its financial and operational goals.

##### **4.2 Audit Committee formation requirements**

The Board of Directors has established the Audit Committee, defining its term, working procedures, powers, and responsibilities in accordance with a charter formally approved by the Board. The Committee is composed of four members, including two independent members. The Committee does not include the Chairman of the Board or any executive members. It comprises individuals with academic qualifications and/or professional experience in accounting and finance. The Committee meets on a regular basis—at least four times per year on a quarterly basis—and maintains detailed minutes of its meetings. It also holds meetings with the external auditor and meets with the internal auditor no fewer than four times per year.

The Audit Committee is committed to supporting the Board of Directors by overseeing financial operations, evaluating internal control systems, and ensuring compliance with financial and accounting standards. The Committee's structure and operating procedures reflect Arzan Financial Group's dedication to implementing best practices in corporate governance and transparency.

**4.3 During the year 2025, there were no conflicts between the Audit Committee's recommendations and the decisions of the Board of Directors.**

**4.4 Emphasizing the independence and impartiality of the external auditor.**

The Company's Ordinary General Assembly is responsible for appointing or reappointing the external auditor based on a proposal submitted by the Board of Directors, which in turn is based on a recommendation from the Audit Committee. The Audit Committee ensures that the auditor is registered in the Capital Markets Authority's official registry and fully meets the requirements set forth in the Authority's resolution regarding the registration system for auditors. The Committee also verifies that the auditor maintains full independence from the Company and its Board of Directors and ensures that the auditor does not perform any non-audit services that may compromise their objectivity or independence.

The Audit Committee discusses the annual financial statements with the external auditor prior to submitting them to the Board of Directors for final approval. The Committee ensures that the audit process is conducted in accordance with the highest standards of professionalism and transparency, thereby enhancing the integrity of the financial statements and strengthening shareholder confidence.

Ms. Hind Abdullah Al-Suraie, from Al-Qatami, Al-Eiban & Partners (Grant Thornton), was appointed as the external auditor for the Group for the current fiscal year ending on 31/12/2025, pursuant to a resolution of the Ordinary General Assembly held on 12/05/2025.

The external auditor participates in the Company's annual Ordinary General Assembly meetings and presents their audit report directly to the shareholders. This active participation enhances transparency and credibility, reinforcing shareholder confidence in the accuracy of the financial statements and the Company's overall performance.

This process reflects Arzan Financial Group's commitment to implementing sound governance practices and enhancing transparency in the selection and oversight of the external auditor to ensure the quality and impartiality of the audit process.

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

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

The Risk Management function at Arzan Financial Group operates with full independence and reports directly to the Risk Management Committee, and by extension, to the Board of Directors. This structure ensures effective governance across the Company and its related entities.



The Group has implemented a comprehensive risk management framework designed to enhance governance and structure the oversight of risk. The Board of Directors provides direction on the Group's risk-related policies and procedures and holds ultimate responsibility for risk management and the associated control systems.

The Board is committed to embedding a risk management culture throughout the Company, integrating it into policies, daily operations, and strategic decision-making. Risk Management officers are granted broad authority to perform their duties independently, without being assigned executive or financial decision-making powers.

The department is responsible for identifying, measuring, and assessing risks that may impact the Group, using a set of Key Risk Indicators (KRIs) tailored to relevant risk categories. It conducts regular risk monitoring and control activities and develops new review and oversight policies as necessary.

The Group continually enhances its risk oversight capabilities through the adoption of advanced IT solutions for risk evaluation and management, ensuring the effectiveness of its control systems and minimizing risk exposure—thus contributing to business sustainability.

The Risk Management Department submits quarterly reports to the Board of Directors, providing updates on risk developments, and submits semi-annual reports to the Capital Markets Authority, reflecting Arzan Financial Group's commitment to transparency and regulatory compliance.

This structured approach to risk management forms a key part of the Group's commitment to strengthening corporate governance, ensuring business sustainability, and safeguarding shareholder interests.

## **5.2 Risk Management Committee formation requirements**

The Board of Directors has established the Risk Management Committee, which is composed of four members and chaired by a non-executive Board member. It is expressly confirmed that the Chairman of the Board does not serve on the Committee. The Board has defined the term of the Committee's membership and its operating procedures, and has outlined its powers and responsibilities in a dedicated charter approved by the Board of Directors. This charter is aligned with best practices in corporate governance and risk management.

The Committee plays a key role in supporting the Board in the evaluation and oversight of risks that may affect the Company. It ensures the implementation of a comprehensive and effective risk management framework across the Company and its related entities.

The establishment of the Committee reflects Arzan Financial Group's commitment to sound governance, and to ensuring the independence of oversight and supervisory bodies contributing to the protection of shareholder interests and the long-term sustainability of the business.

### 5.3 Internal Control and Monitoring Systems

The Company relies on a comprehensive set of elements to ensure the integrity and credibility of its internal control systems, including:

- **Clear Policies and Procedures:** Aligned with the Company's overall governance framework and approved internal policies.
- **Process Automation:** Implemented to enhance the efficiency of policy execution and minimize human error.
- **Careful Staff Selection:** Ensuring the recruitment of qualified personnel capable of adhering to the required standards.
- **Employee Awareness:** Promoted through training and awareness programs aimed at strengthening the culture of control and compliance.
- **Robust Organizational Structure:** Clearly defined responsibilities to prevent conflicts of interest and support transparency.

Internal control procedures are designed to safeguard the Company's assets and ensure that decisions and actions are validated through systematic and disciplined processes. Periodic risk assessments are conducted by the Risk Management Department to proactively identify and evaluate potential risks. In parallel, the Compliance Department carries out regular reviews to verify adherence to internal policies, procedures, and regulatory requirements.

This comprehensive internal control framework enhances confidence in the Company's management, protects shareholder interests, and ensures business sustainability in accordance with the highest standards of governance and transparency.

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

The Internal Audit Department at the Company operates with full professional independence, reporting directly to the Audit Committee, and by extension, to the Board of Directors. This structure ensures that the internal audit function performs its oversight role independently and effectively. Reports are submitted directly to the Audit Committee to maintain transparency in presenting findings and recommendations.

The Internal Audit team carries out audit activities in accordance with a pre-approved audit plan sanctioned by the Audit Committee. The internal auditor submits detailed reports to the Committee, outlining evaluation results and actionable recommendations. Where necessary, appropriate corrective policies and procedures are adopted to address findings and mitigate associated risks.

The audit function focuses on identifying and evaluating key control mechanisms within the Company to ensure their effectiveness. It also assesses the performance of the Risk Management Department and the efficiency of related systems to ensure compliance with regulatory standards and to promote higher levels of transparency and accountability.

The Internal Audit Department serves as a cornerstone in ensuring operational integrity, strengthening corporate governance, and supporting the Board of Directors and the Audit Committee in achieving the Company's objectives with the highest standards of efficiency and transparency.



## 6. RULE SIX: ENHANCING PROFESSIONAL BEHAVIOR AND ETHICAL VALUES

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

Arzan Financial Group, including its Board of Directors, executive management, and all employees, is committed to adhering to a Code of Professional Conduct that outlines the following core principles:

- 1. Compliance with Laws, Rules, and Regulations:** All members of the Group, including its subsidiaries, are required to fully comply with all applicable laws, regulations, and internal policies.
- 2. Insider Trading:** The use of undisclosed or material non-public information for personal gain or trading in the Company's securities is strictly prohibited.
- 3. Company Interests:** Company property, information, or positions must not be used for personal benefit. Any form of direct or indirect competition with the Company is not permitted.
- 4. Fair Dealing:** All stakeholders including customers, suppliers, competitors, and employees must be treated fairly. Unethical practices such as manipulation, misrepresentation, concealment of facts, or misuse of information are strictly forbidden.
- 5. Recordkeeping and Disclosure:** Financial and operational records must be detailed, accurate, and reflective of the Company's actual transactions. All disclosures must comply with applicable legal and regulatory requirements.
- 6. Confidentiality:** Board members, executive management, and employees are required to maintain the confidentiality of proprietary information related to the Company, its clients, and suppliers, unless disclosure is legally required or based on a "need-to-know" basis.
- 7. Protection of Company Assets:** This includes the safeguarding of both tangible and intangible assets, such as intellectual property, trade secrets, patents, trademarks, financial data, and business plans. Unauthorized use or disclosure of such assets constitutes a breach of Company policy and may lead to legal consequences.
- 8. Financial Reporting:** The Board of Directors and executive management are responsible for ensuring that financial reports are accurate and prepared in accordance with international standards. They are also responsible for responding to disclosure-related inquiries from shareholders, stakeholders, and relevant authorities.

This Code of Conduct supports a culture of integrity, reinforces strong corporate governance, and ensures adherence to the highest standards of professionalism and transparency across Arzan Financial Group.

## 6.2 Policies and mechanisms for limiting conflict of interest cases.

The Company's Board of Directors has established clear and well-defined policies and mechanisms for managing conflicts of interest, as part of its corporate governance framework and in accordance with applicable laws and regulatory requirements. These policies are designed to protect the Company's interests and ensure transparency and fairness in the conduct of business operations.

### Conflict of Interest Mitigation Standards

- 1. Separation of Interests:** A clear distinction must be maintained between the Company's interests and the personal interests of any Board member.
- 2. Disclosure of Shared Interests:** Board members are required to disclose any direct or indirect shared interests related to matters under discussion or decision-making.
- 3. Prioritizing the Company's Interests:** The policies include mechanisms to ensure that the Company's interests take precedence over any personal interests of individual Board members.
- 4. Abstention from Participation:** Any Board member with a shared interest in a matter is prohibited from participating in its discussion, opinion-sharing, or voting process.

### Reporting of Improper Practices

- The Company provides employees with a secure internal channel to report any improper practices, including issues related to financial reporting, internal controls, or any suspicious activity.
- Confidentiality is strictly maintained, and whistleblowers acting in good faith are protected from retaliation or adverse consequences.
- The Company ensures that all reported matters are subject to independent and fair investigation procedures.

### Importance of These Policies

These policies aim to:

- Promote transparency and integrity in the functioning of the Board of Directors.
- Protect the Company from potential adverse effects resulting from conflicts of interest.
- Encourage employees to report concerns with confidence, contributing to stronger internal controls and reinforcing trust among stakeholders.

These policies reflect Arzan Financial Group's ongoing commitment to upholding the highest standards of corporate governance, ensuring fairness and integrity in decision-making, and safeguarding the interests of all stakeholders.



## 7. RULE SEVEN: ACCURATE AND TIMELY DISCLOSURE AND TRANSPARENCY

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

Arzan Financial Group is committed to upholding the highest standards of transparency. The Board of Directors has adopted precise disclosure policies and procedures to ensure that information is presented clearly, accurately, and in a timely manner to shareholders and stakeholders.

#### Disclosure Policies

- **Accuracy of Information:** All disclosed information is verified to ensure its accuracy and to reflect the Company's true financial and operational position.
- **Timely Disclosure:** Information is provided to shareholders and stakeholders in a timely manner to enable informed and reliable decision-making.

#### Role of the Compliance Department

- **Internal Coordination:** The Compliance Department coordinates with all departments across the Company to ensure the accurate preparation and submission of required information.
- **Regulatory Communication:** The department is responsible for disclosing information to the Capital Markets Authority and Bursa Kuwait in accordance with applicable laws and regulations.

This commitment to transparency fosters trust between the Company and its stakeholders, supports sound corporate governance, ensures regulatory compliance, and enhances the Company's market reputation while safeguarding the interests of all relevant parties.

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

The Company is committed to maintaining a dedicated register that governs all disclosures related to members of the Board of Directors, executive management, and senior managers.

This register includes comprehensive information on all forms of compensation—such as salaries, bonuses, incentives, and other financial benefits—whether granted directly or indirectly by the Company or any of its subsidiaries.

The register is regularly updated to ensure that all data accurately reflects the current status of the relevant parties, in full compliance with transparency and governance requirements.

All shareholders have the right to access the register during regular business hours, free of charge. This measure is intended to promote transparency and enable shareholders to access relevant and material information.

This disclosure register forms part of the Company's broader commitment to sound corporate governance and contributes to:

- Ensuring transparency in the disclosure of financial benefits
- Strengthening shareholder confidence in the Company's management
- Protecting shareholder rights by providing clear and accurate access to relevant information

### **7.3 Implementation of Investor Affairs Unit formation requirements**

Arzan Financial Group has established an Investor Relations Unit with the objective of enhancing communication and transparency with shareholders and addressing their concerns in accordance with approved policies and procedures.

#### **Unit Responsibilities**

##### **1. Shareholder Communication**

- Establish effective communication channels that enable shareholders to access relevant information and receive timely responses to their inquiries.
- Handle complaints and feedback through a clear and transparent process that ensures fairness and accountability.

##### **2. Oversight of Registrar and Share Transfer Agent**

- Monitor the performance of entities responsible for maintaining share registers and managing share transfers, ensuring full compliance with approved standards and procedures.

##### **3. Continuous Improvement**

- Recommend measures to improve the quality of services provided to investors.
- Promote the adoption of best practices to enhance shareholder experience and satisfaction.

This initiative reflects Arzan Financial Group's strong commitment to implementing the highest standards of corporate governance. The Investor Relations Unit is designed to:

- Enhance transparency and build shareholder trust
- Improve the quality of investor services
- Ensure full compliance with regulatory policies and procedures

### **7.4 Information technology infrastructure development and reliance thereon in disclosures**

The Company has established a dedicated Governance Section on its official website to enhance transparency and provide up-to-date information that enables current and potential shareholders and investors to exercise their rights effectively.

#### **Section Contents**

##### **1. Company Information:**

- Comprehensive details about the Company, its nature of business, and mission statement.

##### **2. Board of Directors and Executive Management:**

- Profiles of Board members, including their professional backgrounds and roles within the Company.
- Information about the executive management team and their expertise.



### 3. Corporate Governance Section:

- Policies and procedures related to corporate governance as approved by the Company.

### 4. Insider Disclosure Form Link:

- Easy access to the insider disclosure form to ensure regulatory compliance.

### 5. Disclosures and Material Information:

- All material disclosures and related updates made available to stakeholders.
- Regular publication of the Company's financial statements, offering shareholders and investors a clear view of financial performance.

#### Importance of the Section

- **Enhancing Transparency:** Enables shareholders and investors to easily access key information.
- **Empowering Shareholders:** Facilitates the effective exercise of shareholder rights by providing relevant and timely data.
- **Supporting Governance:** Reflects the Company's commitment to implementing the highest standards of corporate governance.

This section serves as a vital tool for improving communication with shareholders and investors, reinforcing the Company's dedication to governance and transparency, and strengthening confidence in Arzan Financial Group's professionalism and practices.

## 8. RULE EIGHT: RESPECT FOR SHAREHOLDERS' RIGHTS:

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

The Company is committed to protecting shareholders' rights through a policy approved by the Board of Directors that ensures equal treatment of all shareholders, without discrimination, in accordance with the Companies Law and the regulations of the Capital Markets Authority in the State of Kuwait. This policy aims to promote transparency and fairness while providing shareholders with all necessary information to effectively exercise their rights.

#### Policy Principles

- **Equality Among Shareholders:** All shareholders are treated equally, without any discrimination, and no information or rights are withheld.
- **Commitment to Disclosure:** The Company ensures that all information is disclosed accurately and in a timely manner.

#### Guaranteed Shareholder Rights

1. **Ownership Registration:** Ensuring shareholders' ownership is properly recorded in the Company's share registry.
2. **Share Transactions:** The right to register, transfer, and/or dispose of shares.

3. **Dividend Distributions:** The right to receive the allocated share of profits.
4. **Company Assets:** The right to receive a share of the Company's assets upon liquidation.
5. **Access to Information:** Regular and accessible disclosure of information regarding the Company's activities, as well as its operational and investment strategies.
6. **General Meetings and Voting:** The right to participate in General Assembly meetings and vote on resolutions.
7. **Board Elections:** The right to elect members of the Board of Directors.
8. **Monitoring Performance:** The right to monitor the Company's performance and the Board's activities.
9. **Accountability:** The right to hold Board members or executive management accountable and to initiate legal action if they fail to fulfill their duties.
10. **Approval of Major Transactions:** The right to approve any sale, purchase, or disposal of assets if the transaction equals or exceeds 50% of the Company's total assets.

#### **Objectives of the Policy**

- Promote transparency and accountability
- Protect shareholders' rights and ensure their active participation in key Company decisions
- Strengthen shareholders' and investors' confidence in the Company

This policy reflects Arzan Financial Group's dedication to applying the highest standards of corporate governance and safeguarding the interests of all shareholders.

#### **8.2 Clearing Agency's register to ensure continuous follow-up of shareholders data.**

Arzan Financial Group places great importance on the continuous monitoring and maintenance of shareholder data through a dedicated register maintained by the Kuwait Clearing Company (KCC). This register includes shareholders' names, nationalities, addresses, and the number of shares owned by each shareholder.

#### **Register Updates**

- The register is updated to reflect any changes in the recorded data, based on information received by the Company or the Clearing Agency.
- Any interested party may request access to information from the register through the Company or the Clearing Agency.

#### **Data Confidentiality**

All data contained in the shareholder register is treated with the highest level of protection and confidentiality, in full compliance with applicable laws, executive regulations, and the supervisory rules and guidelines issued by the relevant regulatory authorities.



### Call to Update Shareholder Information

Arzan Financial Group encourages all shareholders to contact the Kuwait Clearing Company to update their personal data. Keeping information current ensures the accuracy of the shareholder register and prevents any communication disruptions between the Company and its shareholders.

#### The Clearing Agent Contact Information:

##### Kuwait Central Security Depository Company

Boursa Kuwait Building, 6th Floor.  
Mubarak Al Kabeer Street, AlSharq,  
Kuwait  
info@maqasa.com

#### Importance of the Shareholder Register

- Ensures the accuracy of share ownership records
- Enhances transparency and compliance with regulatory requirements
- Improves communication between the Company and shareholders, reinforcing trust and the Company's commitment to protecting shareholder rights

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

The Company is committed to implementing a clear and effective mechanism to ensure the active participation of shareholders in General Assembly meetings, while adhering to the following principles:

1. Shareholders are invited to attend the General Assembly meeting through an official notice that includes the agenda, date, time, and venue. The meeting is announced in accordance with the procedures outlined in applicable laws and regulatory requirements.
2. Shareholders have the right to authorize another person to attend the meeting on their behalf, either through a special power of attorney or a proxy form prepared by the Company for this purpose.
3. Board members are prohibited from voting on resolutions related to releasing them from liability or on matters where they, their spouses, or first-degree relatives have a personal interest, or where a conflict exists between them and the Company.
4. The Company provides shareholders with all relevant information and documentation related to the agenda items—including the Board of Directors' reports, external auditor's report, and financial statements—well in advance of the meeting.
5. Shareholders are enabled to actively participate in the General Assembly meetings, discuss agenda items, and raise questions regarding various Company activities. Board members and the external auditor are required to respond to such questions, provided that doing so does not compromise the Company's interests.
6. Shareholders holding at least 5% of the Company's share capital have the right to add items to the agenda of the General Assembly meeting.
7. Shareholders are granted the right to review all data recorded in the special register of disclosures made by Board members and executive management.

8. All matters presented to the General Assembly are accompanied by sufficient and relevant information to allow shareholders to make informed and sound decisions.

These procedures reaffirm Arzan Financial Group's commitment to the principles of sound corporate governance by promoting transparency, equality, and the protection of shareholder rights, while ensuring their effective participation in the Company's key decisions.

## 9. RULE NINE: RECOGNIZING STAKEHOLDERS ROLE

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

Arzan Financial Group is fully committed to recognizing and protecting the rights of stakeholders across all areas of its operations, in line with the principles of sound corporate governance. The Group ensures the protection of the rights of its stakeholders—including employees, clients, suppliers, and investors—through a clear and comprehensive policy approved by the Board of Directors.

#### Mechanism for Reporting Violations

- A dedicated link is available on the Company's official website, allowing stakeholders to report any actions that may constitute a violation or infringement of their rights.
- This mechanism is designed to ensure complaints and violations are addressed promptly and transparently, while maintaining the confidentiality of the whistleblower's identity.

#### Importance of the Policy

- **Building Trust:** Strengthens a transparent and sustainable relationship between the Company and its stakeholders.
- **Regulatory Compliance:** Aligns with legal standards and corporate governance requirements.
- **Effective Protection:** Provides stakeholders with a secure and reliable channel to report violations without fear of retaliation.

This policy reflects Arzan Financial Group's strong commitment to fairness and transparency, supporting long-term business sustainability and reinforcing its position as a responsible and governance-driven organization.

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

Arzan Financial Group is committed to implementing internal policies and regulations that ensure stakeholder-related transactions—including contracts and deals in which the Company is a party—do not conflict with the interests of shareholders. Transparent and structured mechanisms have been established to achieve this objective.

#### Guiding Principles for Stakeholder Transactions

1. **Conflict of Interest Prevention:** Ensuring that no stakeholder derives undue advantage from contracts or transactions related to the Company's regular business activities.



- 2. Contract Award Mechanism:** The Company has adopted clear policies and procedures outlining the mechanisms for awarding contracts and deals. These mechanisms are executed through tenders or various competitive practices to ensure fairness, transparency, and integrity.

#### **Enhancing Stakeholder Engagement**

- **Valuing Contributions:** The Company has developed mechanisms that encourage stakeholders to participate in monitoring corporate activities in alignment with the Company's interests.
- **Access to Information:** Stakeholders are provided with timely and reliable access to all relevant information and data related to their dealings with the Company, ensuring optimal and informed engagement.

#### **Reporting Improper Practices**

- **Reporting to the Board of Directors:** The Company facilitates the reporting of any improper practices experienced by stakeholders through accessible communication channels with the Board.
- **Protection of Whistleblowers:** The Company ensures appropriate protection for individuals who report violations, safeguarding their identity and shielding them from any form of retaliation.

#### **Importance of These Policies**

- **Promoting Transparency:** Builds trust between the Company and its stakeholders.
- **Ensuring Fairness:** Guarantees that all dealings are conducted equitably, without bias or exploitation.
- **Supporting Governance:** Reflects the Company's adherence to best practices in protecting the interests of all relevant parties.

These policies reinforce Arzan Financial Group's commitment to managing stakeholder transactions in a manner that aligns with shareholder interests, while fostering trust, accountability, and transparency across all aspects of the organization's operations.

## **10. RULE TEN: PERFORMANCE ENHANCEMENT AND IMPROVEMENT**

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

Arzan Financial Group is committed to developing comprehensive training plans targeting the Board of Directors, executive management, and employees across the organization. These training programs are implemented regularly in accordance with the Company's approved training plan.

The primary objective of these programs is to enhance the skills and knowledge of all target groups in alignment with the Company's strategic goals.

These efforts reflect Arzan Financial Group's strong commitment to human capital development and performance excellence, ultimately contributing to improved overall organizational performance.

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

### **Board and Committee Performance Evaluation**

Arzan Financial Group has adopted formal policies and procedures to conduct an annual performance evaluation of the Board of Directors and its sub-committees. The purpose of this process is to assess the effectiveness of the Board's oversight, review each member's contribution to the governance and strategic direction of the Group, and establish a structured mechanism to enhance Board performance and implement necessary development actions. The results of this evaluation also serve as a basis for the Board's recommendations to shareholders during the re-election process.

The evaluation process includes the completion of structured questionnaires by Board members, covering self-assessment, performance assessment of sub-committees, and an overall evaluation of the Board's effectiveness. The assessment is conducted in accordance with the Board Charter, the Charters of the respective committees, and the Company's Conflict of Interest Policy and Procedures.

The Nomination and Remuneration Committee reviews the outcomes of the Board and committee evaluations and submits a summarized annual report with its recommendations to the Board of Directors.

### **Executive Management Performance Evaluation**

Arzan Financial Group considers the performance evaluation of executive management a vital tool for achieving strategic objectives and fostering a culture of excellence. The evaluation is carried out through the Company's Human Resources system (MENAME) and is based on pre-approved Key Performance Indicators (KPIs) defined for each department at the beginning of the year.

Performance data is collected throughout the year to provide a comprehensive view of achievements. These data points are then consolidated into an annual performance evaluation report. The results help identify areas requiring improvement and guide efforts to enhance executive effectiveness in driving the Company's objectives.

These evaluation processes are essential tools for improving performance, supporting transparency, and reinforcing the trust of shareholders and stakeholders. Through these measures, Arzan Financial Group reaffirms its commitment to strong corporate governance and ensuring effectiveness across all leadership levels.

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

The Board of Directors at Arzan Financial Group is committed to promoting and embedding institutional values across the organization. This is achieved through a range of initiatives aimed at supporting the Company's strategic goals and enhancing overall performance.

### **Mechanisms for Promoting Institutional Values**

#### **1. Achieving Strategic Objectives:**

- The Board is responsible for developing and executing strategic plans that translate the Company's core values into measurable objectives.
- The Board demonstrates a clear commitment to institutional excellence, serving as a role model for employees.



## 2. Enhancing Performance Levels:

- A high-performance culture is fostered through the implementation of policies and systems that encourage innovation, accountability, and operational efficiency.
- Key Performance Indicators (KPIs) are established to guide employees in aligning their efforts with the Company's mission and values.

## 3. Annual Training Programs:

- Arzan Financial Group delivers regular training programs designed to strengthen employee capabilities and improve overall performance.
- These programs cover technical and managerial areas that reinforce employees' adherence to institutional values.

These efforts contribute to embedding corporate values into the day-to-day work culture, with training initiatives playing a key role in upskilling employees and reinforcing their commitment to organizational excellence. The result is a positive impact on institutional performance and the cultivation of a work environment that encourages innovation and supports the achievement of strategic objectives.

Through these mechanisms, the Board of Directors reaffirms its commitment to leading the Company toward excellence, promoting institutional values, and supporting the sustainable growth of both the Company and its employees.

## 11. RULE ELEVEN: FOCUSING ON SOCIAL RESPONSIBILITY

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

Arzan Financial Group reaffirms its commitment to promoting sustainable development at both the societal and economic levels, with particular emphasis on the well-being of its employees. The Group has adopted a clear Corporate Social Responsibility (CSR) policy, approved by the Board of Directors, which is designed to ensure the Group's active contribution to sustainable social and economic development.

This policy aims to support initiatives that enhance the quality of life within the community, encourage sustainable practices that strengthen the local economy, and improve the working environment to promote employee well-being and skill development. It also seeks to strike a balance between the Company's institutional goals and the needs of its employees, ensuring that all initiatives undertaken align with internationally recognized standards of sustainable development.

Arzan Financial Group's CSR policy reflects its deep commitment to the principles of sustainability and its role as an active partner in building a better future for both society and the economy—while also fostering an ideal work environment for its employees.

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

Arzan Financial Group employs various channels to highlight its social responsibility efforts and community engagement, including:

- **Social Media and Official Website:** To ensure broad public awareness and accessibility to information.
- **Local Newspapers and Magazines:** To promote its initiatives and raise community awareness of its contributions.

### **Key Community Initiatives in 2025**

#### **January 2025**

- support to Kuwait Food Bank and Relief for Ramadan iftar meals
- donation/contribution with Wafra Foods for Ramadan iftar meals

#### **April 2025**

- participation with Kuwait University in the national campaign relating to employment
- participation with Union of Investment Companies and Kuwait University for student investment awareness

#### **May 2025**

- donation/participation with Al Tijaria in "Ishraqat Amal 10" for persons with disabilities / special needs
- donation/participation with Kuwait Red Crescent in community and humanitarian campaigns

#### **July 2025**

- sponsorship of Bayt Abdullah and Kuwait Association for the Care of Children in Hospital

#### **September 2025**

- Arzan Financial Group announced its donation and participation, in collaboration with Commercial Real Estate Company, in the "Ishraqat Amal" Art Exhibition dedicated to people of determination and individuals with special needs.

#### **October 2025**

- Arzan Financial Group announced its donation to the Kuwait Anti-Smoking Society and the Kuwait Cancer Society.
- Arzan Financial Group announced its donation to the Kuwait Heart Association.

Through these efforts, Arzan Financial Group reaffirms its commitment to social responsibility and its role in achieving sustainable development, while enhancing positive engagement with the community across various fields.



## BOARD DECLARATION

on the integrity and fairness  
of the consolidated financial  
statements

March, 2026

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

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

for the year ended 31 December 2025, and notes to consolidated financial statements, including a summary of significant accounting policies present fairly, in all material respects, the consolidated financial position of the Group, its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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

## CEO AND CFO DECLARATION

on the integrity and fairness of  
the financial statements

March, 2026

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

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

for the year ended 31 December 2025, and notes to consolidated financial statements, including a summary of significant accounting policies present fairly, in all material respects, the consolidated financial position of the Group, its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.



**Jassem Hassan Zainal**  
Chief Executive Officer



**Mohammed Farid**  
Chief Financial Officer

# FINANCIAL STATEMENTS

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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 2025, 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 2025, 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.

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

### **KEY AUDIT MATTERS (CONTINUED)**

#### *Valuation of financial assets at FVTPL and FVTOCI*

Investment securities represent 55% of the Group's total assets and comprises of financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI). The valuations of these investments are performed using the fair value hierarchy under IFRS as detailed in Note 35.2.

The Group's financial assets at FVTPL and financial assets at FVTOCI include significant unquoted investments which are classified under level 2 and level 3 in the fair value hierarchy. 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. Due to the size and measurement uncertainties, this is considered a key audit matter. 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.

As part of our audit procedures, we have tested the level 1 fair valuations by comparing the fair values applied by the Group with publicly available market data. Further, 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 obtaining supporting documentation and explanations to corroborate the valuations. We also assessed the adequacy of the Group's disclosures in Notes 14, 17 and 35.2 to the consolidated financial statements.

#### *Equity method investments*

The Group's investment in associates and joint venture represent 37% of the Groups total assets at the reporting date and are accounted for under the equity method of accounting. Under the equity method, the Group's interests in the associates and joint venture 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 and joint venture, 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. During the year, the Group has accounted for interest in new associates, resulting in the recognition of bargain purchase gains (refer note 18.2b) which is significant to the Group's results. The acquisitions involved significant judgment in assessing significant influence, determining the fair value/provisional fair value of identifiable net assets acquired and appropriateness of the bargain purchase gains. Due to these factors and the significance of the investment in associates and joint venture to the Group's consolidated financial statements we consider this as a key audit matter.

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

### **KEY AUDIT MATTERS (CONTINUED)**

#### *Equity method investments (continued)*

Our audit procedures included, among others, determining the nature and extent of audit procedures to be carried out for associates and joint venture and selecting significant associates and joint venture based on the size and/or risk profile of these entities. Further, our audit procedures also included evaluating the Group's assessment of significant influence for the newly acquired associates, assessing the accounting for the acquisition including the fair value/provisional fair value of net assets acquired and recognition of the bargain purchase gain and testing the share of results using the financial information of associates. During our audit, we assessed the financial position and performance of the significant associates and joint venture to evaluate management's impairment assessment and to identify whether there were any indicators of impairment in the value of these associates and joint venture. Furthermore, we evaluated the Group's methodology and tested the key assumptions used by the Group in determining the associates and joint venture's recoverable amounts. We also assessed the adequacy of the Group's disclosures in Notes 4.19, 4.20 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.



## **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)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2025 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 2025 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, 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 2025 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  
30 March 2026



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>Income</b>			
Income from instalment credit debtors	7	226,024	403,082
Revenue from contracts with customers	8	2,614,560	1,918,495
Realised profit from instalment sales		2,826,923	1,818,948
Gain on disposal of properties held for trading	16	53,192	329,464
Rental income		224,187	228,097
Interest income	11	953,183	567,229
Gain on disposal of assets held for sale		14,220	-
Gain on disposal of financial assets at fair value through profit or loss	14	1,476,875	258,911
Change in fair value of financial assets at fair value through profit or loss	11	1,218,480	9,134,821
Net share of results of associates and joint venture	18.2	23,688,463	3,987,576
Dividend income	11	5,136,854	4,792,404
Foreign currency exchange (loss)/gain		(185,685)	833,735
Other income		374,426	253,968
Reversal of provision for impairment of instalment credit debtors – net		6,529	98,579
(Provision)/reversal of provision for credit losses of restricted cash and cash equivalents	12.2	(1,848)	318,238
Reversal of provision for impairment of properties held for trading	16	-	449,874
(Impairment)/reversal of impairment of real estates under development	19	(8,417)	31,363
		<b>38,617,966</b>	<b>25,424,784</b>
<b>Expenses and other charges</b>			
Staff costs		(4,154,938)	(3,364,325)
General and administrative expenses		(3,834,601)	(1,903,407)
Finance costs	9	(3,343,068)	(2,069,168)
Depreciation		(224,818)	(218,038)
Provision for impairment of doubtful debts - net	15	(979,764)	(1,480,648)
		<b>(12,537,189)</b>	<b>(9,035,586)</b>
<b>Profit for the year before for contribution to KFAS and provision for NLST and Zakat</b>			
		<b>26,080,777</b>	<b>16,389,198</b>
Contribution for KFAS		(24,163)	(63,697)
Provision for NLST		(960,944)	(240,093)
Provision for Zakat		(333,224)	(63,007)
<b>Profit for the year</b>		<b>24,762,446</b>	<b>16,022,401</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		23,241,415	14,096,643
Non-controlling interests		1,521,031	1,925,758
<b>Profit for the year</b>		<b>24,762,446</b>	<b>16,022,401</b>
<b>Basic earnings per share attributable to the Parent</b>			
<b>Company's shareholders (Fils)</b>	10	<b>25.639</b>	<b>15.766</b>
<b>Diluted earnings per share attributable to the Parent</b>			
<b>Company's shareholders (Fils)</b>	10	<b>25.610</b>	<b>15.742</b>

The notes set out on pages 89 to 157 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
Profit for the year	<b>24,762,446</b>	16,022,401
<b>Other comprehensive income:</b>		
<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	<b>49,679,708</b>	38,113,806
<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	<b>88,201</b>	16,441
Differences arising on translation of foreign operations (Note 6.1.1)	<b>(321,083)</b>	(1,616,504)
Share of other comprehensive income/(loss) of associates and joint venture (Note 18.2)	<b>3,065,478</b>	1,061,433
<b>Total other comprehensive income for the year</b>	<b>52,512,304</b>	37,575,176
<b>Total comprehensive income for the year</b>	<b>77,274,750</b>	53,597,577
<b>Attributable to:</b>		
Shareholders of the Parent Company	<b>54,298,190</b>	38,882,261
Non-controlling interests	<b>22,976,560</b>	14,715,316
<b>Total comprehensive income for the year</b>	<b>77,274,750</b>	53,597,577



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec. 2025 KD	31 Dec. 2024 KD
<b>Assets</b>			
Cash and cash equivalents	12.1	5,951,106	3,810,901
Term deposits	12.1	172,299	434,311
Instalment credit debtors	13	1,140,852	757,781
Financial assets at fair value through profit or loss	14	27,058,637	41,032,693
Accounts receivable and other assets	15	15,723,517	9,441,029
Assets held for sale	21	3,816,902	6,594,129
Properties held for trading	16	1,866,235	1,911,617
Financial assets at fair value through other comprehensive income	17	183,040,802	159,190,513
Investment in associates and joint venture	18	141,271,372	55,213,376
Real estates under development	19	1,812,430	1,589,939
Investment properties	20	1,244,025	1,302,765
Property and equipment		1,757,268	1,919,698
<b>Total assets</b>		<b>384,855,445</b>	<b>283,198,752</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Accounts payable and other liabilities	22	11,937,773	10,417,934
Term loans	23	7,996,000	2,196,000
Murabaha payables	24	61,172,533	41,482,130
Provision for employees' end of service benefits		2,188,828	1,892,415
<b>Total liabilities</b>		<b>83,295,134</b>	<b>55,988,479</b>
<b>Equity</b>			
Share capital	25	90,743,393	86,422,279
Share premium	25	9,355,213	9,355,213
Treasury shares	26	(325,476)	(243,811)
Treasury shares reserve		2,434,931	2,341,230
Statutory reserve	27	6,600,776	4,144,801
Voluntary reserve	27	5,443,942	2,987,967
Share based payments reserve	28	181,821	169,295
Foreign currency translation reserve		(6,671,579)	(6,311,708)
Fair value reserve		56,191,476	53,749,818
Retained earnings		59,769,065	19,671,447
<b>Total equity attributable to shareholders of the Parent Company</b>		<b>223,723,562</b>	<b>172,286,531</b>
Non-controlling interests		77,836,749	54,923,742
<b>Total equity</b>		<b>301,560,311</b>	<b>227,210,273</b>
<b>Total liabilities and equity</b>		<b>384,855,445</b>	<b>283,198,752</b>

**Jassem Hasan Zainal**  
Vice chairman and CEO



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to the owners of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Share based payment reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
<b>Balance at 31 December 2024</b>	<b>86,422,279</b>	<b>9,355,213</b>	<b>(243,811)</b>	<b>2,341,230</b>	<b>4,144,801</b>	<b>2,987,967</b>	<b>169,295</b>	<b>(6,311,708)</b>	<b>53,749,818</b>	<b>19,671,447</b>	<b>172,286,531</b>	<b>54,923,742</b>	<b>227,210,273</b>
Dividends of bonus shares (Note 30)	4,321,114	-	-	-	-	-	-	-	-	(4,321,114)	-	-	(4,321,114)
Cash dividends (Note 30)	-	-	-	-	-	-	-	-	-	(2,592,608)	(2,592,608)	-	(2,592,608)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(146,009)	(146,009)
Purchase of treasury shares	-	-	(360,554)	-	-	-	-	-	-	-	(360,554)	-	(360,554)
Sale of treasury shares	-	-	6,891	31	-	-	-	-	-	-	6,922	-	6,922
Dividends of share-based payments (Note 28)	-	-	271,998	93,670	-	-	(78,557)	-	-	(293,113)	(6,002)	-	(6,002)
Cost of share-based payments (Note 28)	-	-	-	-	-	-	91,083	-	-	-	91,083	-	91,083
Non-controlling interest resulting from establishment and increase of the capital of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	39,362	39,362
Movement to non-controlling interests – net	-	-	-	-	-	-	-	-	-	-	-	43,094	43,094
<b>Total transactions with owners</b>	<b>4,321,114</b>	<b>-</b>	<b>(81,665)</b>	<b>93,701</b>	<b>-</b>	<b>-</b>	<b>12,526</b>	<b>-</b>	<b>-</b>	<b>(7,206,835)</b>	<b>(2,861,159)</b>	<b>(63,553)</b>	<b>(2,924,712)</b>
Profit for the year	-	-	-	-	-	-	-	-	-	23,241,415	23,241,415	1,521,031	24,762,446
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(359,871)	31,416,646	-	31,056,775	21,455,529	52,512,304
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(359,871)</b>	<b>31,416,646</b>	<b>23,241,415</b>	<b>54,298,190</b>	<b>22,976,560</b>	<b>77,274,750</b>
<b>Gain/(loss) on reclassification/ disposal of financial assets at FVTOCI</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28,679,946)</b>	<b>28,679,946</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gain on reclassification (Note 18.2)	-	-	-	-	-	-	-	-	(28,679,946)	28,679,946	-	-	-
Loss on disposal	-	-	-	-	-	-	-	-	(5,753)	5,753	-	-	-
Impact of disposal from associate and joint venture	-	-	-	-	-	-	-	-	(289,289)	289,289	-	-	-
Transfer to reserves	-	-	-	-	2,455,975	2,455,975	-	(28,974,988)	28,974,988	(4,911,950)	-	-	-
<b>Balance at 31 December 2025</b>	<b>90,743,393</b>	<b>9,355,213</b>	<b>(325,476)</b>	<b>2,434,931</b>	<b>6,600,776</b>	<b>5,443,942</b>	<b>181,821</b>	<b>(6,671,579)</b>	<b>56,191,476</b>	<b>59,769,065</b>	<b>223,723,562</b>	<b>77,836,749</b>	<b>301,560,311</b>

The notes set out on pages 89 to 157 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 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 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)	-	-	-
Cash dividends (Note 30)	-	-	-	-	-	-	-	-	-	(1,623,870)	-	-	(1,623,870)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(150,221)	(150,221)
Purchase of treasury shares	-	-	(1,113,998)	-	-	-	-	-	-	-	(1,113,998)	-	(1,113,998)
Sale of treasury shares	-	-	2,295,928	1,992,675	-	-	-	-	-	-	4,288,603	-	4,288,603
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	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on reclassification (Note 18.2)	-	-	-	-	-	-	-	-	(6,906,176)	6,906,176	-	-	-
Loss on disposal	-	-	-	-	-	-	-	-	782,777	(782,777)	-	-	-
Impact of disposal from associate	-	-	-	-	-	-	-	-	(449,174)	449,174	-	-	-
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

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		24,762,446	16,022,401
<b>Adjustment for:</b>			
Interest income		(953,183)	(567,229)
Dividend income		(5,136,854)	(4,792,404)
Impairment/(reversal) of real estates under development	19	8,417	(31,363)
Gain on disposal of properties held for trading		(53,192)	(329,464)
Gain on disposal of assets held for sale		(14,220)	-
Net share of results of associates and joint venture	18.2	(23,688,463)	(3,987,576)
Reversal of provision for impairment of instalment credit debtors - net	13	(6,529)	(98,579)
Provision for impairment of doubtful debts - net	15	979,764	1,480,648
Finance costs	9	3,343,068	2,069,168
Depreciation		224,818	218,038
Cost of share-based payments	28	91,083	78,336
Provision for employees' end of service benefits		376,705	192,294
Provision/(reversal) of provision impairment of credit losses for restricted cash and cash equivalents	12.2	1,848	(318,238)
Reversal of impairment provision for properties held for trading		-	(449,874)
		(64,292)	9,486,158
<b>Changes in operating assets and liabilities:</b>			
Instalment credit debtors		(376,542)	204,917
Financial assets at FVTPL		(2,515,914)	(19,174,512)
Accounts receivable and other assets		(6,781,352)	(2,732,998)
Accounts payable and other liabilities		1,433,232	(661,177)
Employees' end of service benefits paid		(58,071)	(59,260)
<b>Net cash used in operating activities</b>		<b>(8,362,939)</b>	<b>(12,936,872)</b>
<b>INVESTING ACTIVITIES</b>			
Additions of property and equipment		(6,648)	(96,244)
Purchase of financial assets at FVTOCI		(13,104,610)	(9,419,916)
Proceeds on disposal of financial assets at FVTOCI		1,168,775	2,884,880
Proceeds from disposal of property held for trading	16	101,127	829,973
Net disposal/acquisition of assets held for sale	21	2,976,204	(6,594,129)
Additions to real estate under development	19	(207,493)	(392,958)
Net movement in restricted cash and cash equivalents	12.2	(1,848)	318,238
Term deposits		262,012	127,859
Dividend income received		5,136,854	4,792,404
Additions to new investment in associates and joint venture		(6,668,179)	(1,069,700)
Dividend received from associates and joint venture	18.2	1,357,241	1,342,795
Interest income received		472,282	183,973
<b>Net cash used in investing activities</b>		<b>(8,514,283)</b>	<b>(7,092,825)</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>FINANCING ACTIVITIES</b>			
Term loans obtained		5,800,000	1,476,000
Term loans paid		-	(9,872,834)
Murabaha payables obtained		20,879,199	27,858,030
Murabaha payables paid		(1,188,796)	(708,300)
Finance costs paid		(3,256,459)	(2,001,986)
Dividends paid to non-controlling interests		(146,009)	(150,221)
Dividends paid to shareholders		(2,583,527)	(1,665,772)
Acquisition of treasury shares		(360,554)	(1,113,998)
Disposal of treasury shares		6,891	4,288,603
Net movement in non-controlling interests		82,456	220,549
<b>Net cash from financing activities</b>		<b>19,233,201</b>	<b>18,330,071</b>
Net increase/(decrease) in cash and cash equivalents		2,355,979	(1,699,626)
Foreign currency translation adjustments		(215,774)	(1,253,910)
Cash and cash equivalents at beginning of the year	12.1	3,810,901	6,764,437
<b>Cash and cash equivalents at end of the year</b>	12.1	<b>5,951,106</b>	<b>3,810,901</b>

## 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.
- 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1. Incorporation and activities (continued)

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 2025 for issuance on 30 March 2026. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

### 2 Statement of compliance with IFRS accounting standards and going concern assumption

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.

These consolidated financial statements have been prepared under the assumption that the Group operates on a going concern basis, which assumes the Group will be able to discharge its liabilities as they fall due. In confirming the validity of the going concern basis of preparation, the Group has considered various factors and has a reasonable expectation that the Group has and will have adequate resources to continue its operations for the foreseeable future.

### 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>
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IAS 21 Amendments – Lack of exchangeability	1 January 2025
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#### **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:

## 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 21 Amendments – Lack of exchangeability (continued)

- 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.

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

#### 3.2 IASB Standards issued but not yet effective

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

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>
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
Annual Improvements to IFRS Accounting Standards – volume 11	1 January 2026



## 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 derecognized 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. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- Two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- The classification of all income and expenses within the statement of profit or loss in one of five categories
- Disclosures of management-defined performance measures (MPM).
- An improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed 'Basis of Preparation of Financial Statements'. The publication of IFRS 18 also results in consequential amendments to other IFRS Accounting Standards, including IAS 7.

Management is currently working to identify all of the impacts that IFRS 18 will have on the primary consolidated financial statements and notes to the 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 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.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

##### **Annual Improvements to IFRS Accounting Standards – volume 11**

The annual improvement project updates a number of standards primarily providing clarifications and removing inconsistencies.

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

### 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 FVTPL and at FVTOCI 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.2 Basis of consolidation (continued)

All transactions and balances between Group companies are eliminated, including unrealized gains and losses on transactions between Group companies. Where unrealized 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 recognized 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 recognized 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 recognized directly in equity and attributed to the owners of the Company.

#### 4.3 Business combinations

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

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

The Group recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.3 Business combinations (continued)

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 recognized 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 recognized 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 recognized 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 4.24 for a description of impairment testing procedures.

#### 4.5 Revenues from contracts with customers

The Group recognizes 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 recognizes 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. Recognizing revenue when/ as performance obligation (s) are satisfied.

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

Revenue is recognized 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 recognizes 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 recognizes 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.5 Revenues from contracts with customers (continued)

##### 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 recognized 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 Realized 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 recognized when the right to receive payment is established.

#### 4.10 Operating expenses

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

#### 4.11 Finance costs

Finance costs are recognized 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 capitalized as part of the cost of that asset. Capitalization 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 recognized 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 Labor 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 realization, provided they are enacted or substantively enacted at the reporting date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.13 Financial instruments

##### 4.13.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized 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 derecognized when:

- Rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
  - (a) the Group has transferred substantially all the risks and rewards of the asset or
  - (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of 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 amortized cost
- financial assets at fair value through other comprehensive income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial assets
- the contractual cash flow characteristics of the financial asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.13 Financial instruments (continued)

##### 4.13.2 Classification of financial assets (continued)

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortized 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 amortized cost

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

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

After initial recognition, these are measured at amortized 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 amortized 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 amortized 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.



## 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 amortized cost (continued)**

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

##### *Equity investment at fair value through other comprehensive income*

On initial recognition, the Group may make an irrevocable election (on an instrument - by - instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized 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 recognized in other comprehensive income and accumulated in the fair value reserve.

## 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 (continued)*

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 recognized in the consolidated statement of profit or loss.

- **Financial assets at FVTPL**

Financial assets that do not meet the criteria for measurement at amortized cost or FVTOCI are categorized 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 recognized 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.

The Group recognizes a loss allowance for expected credit losses ("ECL") on financial assets at amortized 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.



## 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's policy is to recognize 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 recognizes 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 recognizes 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 recognized 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.

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

- **Financial liabilities at amortized 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 amortized cost using the effective interest rate method. Profits and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

## 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)

- **Financial liabilities at amortized cost (continued)**

###### *Accounts payable and other liabilities*

Payable and other liabilities are recognized 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.

###### *Murabaha 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 Amortized 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### 4.17 Fair value of financial instruments

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 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 realizable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realizable 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 recognized at the date of acquisition is recognized 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 recognized 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 recognized 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 recognize 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 recognized in prior years no longer exist.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.19 Investments in associates (continued)

Upon loss of significant influence over the associate, the Group measures and recognizes 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 recognized 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 in joint ventures

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities required unanimous consent of parties sharing control. A joint venture is a joint arrangement which by the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures as an investment and accounts for it using the equity method.

#### 4.21 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.22 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 capitalized 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 capitalized using the actual interest rate incurred during construction.

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

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

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

#### 4.23 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.23 Leased assets (continued)

##### *The Group as a lessee (continued)*

Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized 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 recognizes 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.

##### *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 recognized 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 recognized on a straight-line basis over the lease term.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.23 Leased assets (continued)

*The Group as a lessor (continued)*

Amounts due under finance leases are recognized 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.

#### 4.24 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.

An impairment loss is recognized 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 recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

#### 4.25 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.26 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.

#### 4.27 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 realized 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.

#### 4.28 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.28 Share-based payments (continued)

##### *Equity-settled transactions (continued)*

That cost is recognized, 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 recognized 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 recognized is the expenses had the terms had not been modified, if the original terms of the awards are met. An additional expense is recognized 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.

#### 4.29 Segment reporting

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

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

#### 4.30 Provisions, contingent assets and contingent liabilities

Provisions are recognized 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 recognized in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 4.31 Foreign currency translation

##### 4.31.1 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.

##### 4.31.2 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 recognized 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.

##### 4.31.3 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 recognized in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to consolidated statement of profit or loss and are recognized as part of the gain or loss on disposal.

#### 4.32 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.

#### 4.33 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Material accounting policies (continued)

#### 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.

#### 4.35 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.

### 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 recognized 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 criterial 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 recognize 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 recognizes the amount in the consolidated statement of profit of 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. 2025	31 Dec. 2024			
International Finance Company – S.A.L (6.1.1)	100%	100%	Lebanon	Finance services including financing, management and brokerage.	30 September 2025
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 2025
Kuwait Invest Real Estate Co.– W.L.L	51%	51%	Kuwait	General Trading and Contracting and real estate services	31 December 2025
Arzan Securities Brokerage Co. SAE	84.55%	84.55%	Egypt	Brokerage services	30 September 2025
International Financial Advisers Company – WLL	65.20%	65.20%	Jordan	Brokerage services	30 September 2025
Saudi Invest Real Estate Co. – WLL	100%	100%	Saudi Arabia	Real estate services	31 December 2025
Arzan VC I Ltd.	100%	100%	United Arab Emirates	Projects management	31 December 2025
HI Equity Company Ltd.	99.18%	99.18%	Cayman Islands	Real estate	30 September 2025
HI Debt Company Ltd.	99.35%	99.35%	Cayman Islands	Real estate	30 September 2025
Arzan Capital (Holding) Limited	71.62%	63.14%	United Arab Emirates	Holding Company	30 September 2025
Arzan AM Limited (Note18.2d)	-	100%	United Arab Emirates	Investment Holding	31 December 2024
Arzan Real Estate Co. – SAE	80%	80%	Egypt	Real estate	30 September 2025
Blender Company for Rent and Lease Lands and Properties – SPC	100%	100%	Kuwait	Real estate	31 December 2025
Easy Buy Company – SPC	100%	100%	Kuwait	Credit facilities services	31 December 2025
Joint venture	51%	51%	Kuwait	Investment	31 December 2025
Arzan ESS for General Trading Company – WLL	100%	100%	Kuwait	General trading	31 December 2025
Fairway Kuwaiti Limited Company W.L.L.	51%	51%	Kuwait	Consulting services	30 September 2025
Dahyat Al Khalidya Real Estate Company W.L.L. (Note 6.1.2)	100%	100%	Kuwait	Real Estate activities	31 December 2025
Revenya Inc. (Note 6.1.3)	100%	-	USA	Investments	31 December 2025



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Subsidiaries (continued)

#### 6.1 Composition of the group (continued)

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

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

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

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 increase in provision, amounting to KD1,848 was recognized as "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 2024: a reversal of provision of KD318,238) (Note 12.2). The Group also reversed a provision for instalment credit debtors of KD66,493 (31 December 2024: reversal of a provision of KD96,396) (Note 13).

Furthermore, 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 loss of KD76,329 recognized in the consolidated statement of profit or loss for the year (31 December 2024: a foreign currency exchange gain of KD1,101,577).

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 recognized.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Subsidiaries (continued)

#### 6.1 Composition of the group (continued)

Summarized intra-group financial information of IFC Lebanon as at 31 December 2025 and 2024 is set out below:

	31 Dec. 2025 KD	31 Dec. 2024 KD
Trading properties		
Other assets	456,705	456,705
Total assets	<b>52,910</b>	41,111
	<b>509,615</b>	497,816
Accounts payable and other liabilities	<b>271,364</b>	256,958
Total liabilities	<b>271,364</b>	256,958
	<b>Year ended 31 Dec 2025 KD</b>	<b>Year ended 31 Dec 2024 KD</b>
Income from instalment credit	<b>22,247</b>	21,145
(Loss)/profit for the year	<b>(37,447)</b>	1,494,009

6.1.2 During the year, the Group increased the share capital of the subsidiary, i.e. Dahyat Al Khalidya Real Estate Company W.L.L, in the State of Kuwait from KD20,000 to KD6,270,000 in which the Group holds 100% stake.

6.1.3 During the year, the Group acquired a 100% equity interest in Revenya Inc., a company incorporated in the USA, with an authorised share capital of USD2,000,000. The Group paid USD620,000 from the share capital till 31 December 2025.

#### 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. 2025 %	31 Dec. 2024 %	31 Dec. 2025 KD	31 Dec. 2024 KD	31 Dec. 2025 KD	31 Dec. 2024 KD
Kuwait Invest Real Estate Co.– WLL	49	49	247,010	125,921	4,988,481	4,738,855
Arzan Capital (Holding) Limited	28.38	36.86	(548,984)	271,777	9,145,929	9,314,222
Joint Venture	49.26	49.26	1,759,784	1,532,021	60,110,284	37,267,414
Others	-	-	63,221	(3,961)	3,592,055	3,603,251



## 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. 2025 KD	31 Dec. 2024 KD
Non-current assets	10,137,630	9,626,142
Current assets	43,890	45,591
<b>Total asset</b>	<b>10,181,520</b>	<b>9,671,733</b>
Current liabilities	946	599
<b>Total liabilities</b>	<b>946</b>	<b>599</b>
Equity attributable to the shareholders of the Parent Company	5,192,093	4,932,279
Non-controlling interests	4,988,481	4,738,855
<b>Total equity</b>	<b>10,180,574</b>	<b>9,671,134</b>
	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
Income	506,149	258,440
Expenses and other charges	(2,047)	(1,459)
Profit for the year attributable to the shareholders of the Parent Company	257,092	131,060
Profit for the year attributable to non-controlling interests	247,010	125,921
<b>Profit for the year</b>	<b>504,102</b>	<b>256,981</b>
Total comprehensive income for the year attributable to the shareholders of the Parent Company	259,815	135,425
Total comprehensive income for the year attributable to non-controlling interests	249,626	130,114
<b>Total comprehensive income for the year</b>	<b>509,441</b>	<b>265,539</b>
Net cash flow used in operating activities	(1,627)	(1,594)
<b>Net cash flows</b>	<b>(1,627)</b>	<b>(1,594)</b>

## 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. 2025 KD	Year ended 31 Dec. 2024 KD
Non-current assets	28,334,891	29,741,630
Current assets	7,802,819	4,393,983
<b>Total assets</b>	<b>36,137,710</b>	<b>34,135,613</b>
Non-current liabilities	248,676	145,137
Current liabilities	1,966,804	6,274,678
<b>Total liabilities</b>	<b>2,215,480</b>	<b>6,419,815</b>
Equity attributable to the shareholders of the Parent Company	24,776,301	18,401,576
Non-controlling interests	9,145,929	9,314,222
<b>Total equity</b>	<b>33,922,230</b>	<b>27,715,798</b>

	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
Revenues	2,621,317	3,237,573
Expenses and other charges	(4,442,378)	(2,460,979)
(Loss)/profit for the year attributable to the shareholders of the Parent Company	(1,272,076)	504,817
(Loss)/profit for the year attributable to non-controlling interests	(548,985)	271,777
<b>(Loss)/profit for the year</b>	<b>(1,821,061)</b>	<b>776,594</b>
Total comprehensive (loss)/income for the year attributable to the shareholders of the Parent Company	(1,083,710)	251,951
Total comprehensive (loss)/income for the year attributable to non-controlling interests	(467,631)	124,159
<b>Total comprehensive (loss)/income for the year</b>	<b>(1,551,341)</b>	<b>376,110</b>
Net cash flow from/(used in) operating activities	889,588	(764,127)
<b>Net cash flows</b>	<b>889,588</b>	<b>(764,127)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Subsidiaries (continued)

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

##### c) Joint Venture

	<b>31 Dec. 2025 KD</b>	31 Dec. 2024 KD
Non-current assets	<b>124,291,394</b>	77,042,749
Current assets	<b>506,040</b>	1,379,420
<b>Total assets</b>	<b>124,797,434</b>	78,422,169
<b>Total liabilities</b>	<b>-</b>	-
Equity attributable to the shareholders of the Parent Company	<b>64,687,151</b>	41,154,755
Non-controlling interests	<b>60,110,283</b>	37,267,414
<b>Total equity</b>	<b>124,797,434</b>	78,422,169
	<b>Year ended 31 Dec. 2025 KD</b>	Year ended 31 Dec. 2024 KD
Income	<b>3,572,686</b>	3,110,288
Profit for the year attributable to the shareholders of the Parent Company	<b>1,812,903</b>	1,578,267
Profit for the year attributable to non-controlling interests	<b>1,759,783</b>	1,532,021
<b>Profit for the year</b>	<b>3,572,686</b>	3,110,288
Total comprehensive income for the year attributable to the shareholders of the Parent Company	<b>23,532,396</b>	14,847,814
Total comprehensive income for the year attributable to non-controlling interests	<b>22,843,869</b>	14,412,756
<b>Total comprehensive incomes for the year</b>	<b>46,376,265</b>	29,260,570

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7 Income from instalment credit debtors

	Year ended 31 Dec. 2025	Year ended 31 Dec. 2024
	KD	KD
Interest income from instalment credit	94,839	100,425
Discount, commission and fees	7,314	11,378
Recovery of written off balances	123,871	291,279
	<b>226,024</b>	<b>403,082</b>

### 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. 2025	Year ended 31 Dec. 2024
	KD	KD
Assets management	434,567	287,327
Custodian and other fees	217,039	250,138
Advisory services	1,962,954	1,381,030
	<b>2,614,560</b>	<b>1,918,495</b>

Revenue from contracts with customers include revenues from related parties of KD201,559 (31 December 2024: KD180,920) (Note 33).

### 9 Finance costs

	Year ended 31 Dec. 2025	Year ended 31 Dec. 2024
	KD	KD
<b><i>On financial liabilities at amortised cost:</i></b>		
Term loans	222,716	523,592
Murabaha payables	2,814,916	1,275,379
Others	305,436	270,197
	<b>3,343,068</b>	<b>2,069,168</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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:

	<b>Year ended 31 Dec. 2025</b>	Year ended 31 Dec. 2024
Profit for the year attributable to the shareholders of the Parent Company - KD	<b>23,241,415</b>	14,096,643
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	<b>906,473,600</b>	894,093,620
Shares to be issued for no consideration under share-based payments (Note 28)	<b>1,051,508</b>	1,373,837
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	<b>907,525,108</b>	895,467,457
<b>Basic earnings per share attributable to the Parent Company's shareholders – Fils</b>	<b>25.639</b>	15.766
<b>Diluted earnings per share attributable to the Parent Company's shareholders – Fils</b>	<b>25.610</b>	15.742

The basic and diluted earnings per share reported during the previous year were 16.567 Fils and 16.540 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. 2025 KD	Year ended 31 Dec. 2024 KD
<b><i>At amortised cost:</i></b>		
Interest income	381,248	237,733
Instalments credit debtors	232,553	501,661
Profit on financial assets at amortised cost	<b>613,801</b>	739,394
	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b><i>Financial assets at fair value through profit or loss:</i></b>		
Interest income	-	33,069
Changed in fair value	1,218,480	9,134,821
Gain on disposal	1,476,875	258,911
Dividend income	1,009,305	492,122
Gain on financial assets at FVTPL	<b>3,704,660</b>	9,918,923
<b><i>Financial assets at fair value through other comprehensive income:</i></b>		
Interest income	571,935	296,427
Dividend income	4,127,549	4,300,282
Gain included in consolidated statement of profit or loss	<b>4,699,484</b>	4,596,709
Change in fair value	<b>20,920,615</b>	31,953,340
Gain on disposals and transfers	<b>28,685,699</b>	6,176,907
Profit included in other comprehensive income	<b>49,606,314</b>	38,130,247
Total gain on financial assets at fair value through other comprehensive income	<b>54,305,798</b>	42,726,956
Net gain on financial assets	<b>58,010,458</b>	52,645,879

Income from instalment credit debtors' includes the reversal of provision of KD66,493 (31 December 2024: the reversal of provision KD96,396) related to IFC Lebanon (Note 13).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12 Cash and cash equivalents

#### 12.1 Cash and cash equivalents

	<b>31 Dec. 2025</b>	31 Dec. 2024
	<b>KD</b>	KD
Cash on hand and at banks	<b>4,752,428</b>	3,579,706
Cash balance held in managed portfolios	<b>466,407</b>	209,479
<b>Total cash and bank balances</b>	<b>5,218,835</b>	3,789,185
Term deposits with contractual maturity not exceeding three months	<b>732,271</b>	21,716
Term deposits with contractual maturity exceeding three months	<b>172,299</b>	434,311
<b>Total term deposits</b>	<b>904,570</b>	456,027
	<b>6,123,405</b>	4,245,212
Less: Term deposits with contractual maturity exceeding three months	<b>(172,299)</b>	(434,311)
Cash and cash equivalent as per the consolidated statement of cash flows	<b>5,951,106</b>	3,810,901

Cash in managed portfolios includes an amount of KD400,550 (31 December 2024: KD31,645) pledged against term loans (Note 23) and Murabaha payable (Note 24).

#### 12.2 Restricted cash and cash equivalents

	<b>31 Dec. 2025</b>	31 Dec. 2024
	<b>KD</b>	KD
Cash and bank balances	<b>156,314</b>	154,388
Term deposits with contractual maturity ranging from 1 to 3 months	<b>2,951,480</b>	2,951,557
	<b>3,107,794</b>	3,105,945
Provision for credit losses	<b>(3,107,794)</b>	(3,105,945)
<b>Restricted cash and cash equivalents</b>	<b>-</b>	-

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 increased, and in return, the Group recognized a provision for credit losses of KD1,848 (31 December 2024: the Group recognized reversal of a provision of KD318,238) 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 2.25% to 5.5% (31 December 2024: 3.25% to 6.6%) per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13 Instalment credit debtors

	31 Dec. 2025 KD	31 Dec. 2024 KD
Gross instalment credit debtors	3,229,441	3,224,827
Deferred income	(237,475)	(248,623)
	<b>2,991,966</b>	2,976,204
Specific provision for credit losses	(1,776,346)	(2,196,264)
General provision for credit losses	(74,768)	(22,159)
	<b>1,140,852</b>	757,781

Gross instalment credit debtors are due as follows:

	31 Dec. 2025 KD	31 Dec. 2024 KD
Within one year	2,349,805	2,696,426
More than a year	879,636	528,401
	<b>3,229,441</b>	3,224,827

The effective interest rate earned on instalment credit ranging from 5% to 10% (31 December 2024: 5% to 10%) per annum.

Movement in provisions for credit losses is as follows:

	31 December 2025			31 December 2024		
	Specific provision KD	General provision KD	Total KD	Specific provision KD	General provision KD	Total KD
Opening balance	2,196,264	22,070	2,218,334	2,500,781	41,868	2,542,649
Charge for the year	39,593	89,233	128,826	92,453	17,086	109,539
Write-back of provision during the year	(98,473)	(36,793)	(135,266)	(172,005)	(36,113)	(208,118)
Write-off of provision during the year	(361,001)	-	(361,001)	(189,214)	-	(189,214)
Foreign currencies translation adjustments	(37)	258	221	(35,751)	(682)	(36,433)
<b>Closing balance</b>	<b>1,776,346</b>	<b>74,768</b>	<b>1,851,114</b>	2,196,264	22,159	2,218,423

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 recognized a net reversal of provision of KD66,493 (31 December 2024: reversal of a provision of KD96,396) 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. 2025	31 Dec. 2024
	KD	KD
Local quoted shares	490,826	14,409,542
Foreign quoted shares	619,247	647,199
Foreign unquoted shares	5,765,819	7,531,543
Investments in managed portfolios	17,530,572	15,148,051
Investment in managed fund	2,652,173	3,296,358
	<b>27,058,637</b>	<b>41,032,693</b>

Investments in managed portfolios, include an investment portfolio with fair value of KD17,087,382 (31 December 2024: KD13,933,807) including cash balances, which are pledged against borrowings (Notes 23 and 24).

During the year, the Group disposed of financial assets at FVTPL with a carrying value of KD21,802,701 (31 December 2024: KD5,739,564) for consideration of KD23,279,576 (31 December 2024: KD5,998,475) resulting in a profit of KD1,476,875 (31 December 2024: KD258,911).

During the current year, the Parent Company classified an investment with a fair value of KD16,489,971 from financial assets at fair value through profit or loss to investment in associates upon gaining the significant influence of the investee (Note 18.2b).

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

### 15 Accounts receivable and other assets

	31 Dec. 2025	31 Dec. 2024
	KD	KD
<b>Financial assets</b>		
Trade receivables	4,100,542	3,610,303
Instalments sales receivable	7,797,856	5,113,474
Receivable from margin finance clients	4,158,229	2,498,189
Due from related parties	1,108,929	1,365,922
	<b>17,165,556</b>	<b>12,587,888</b>
Provision for doubtful debts	<b>(5,010,774)</b>	<b>(4,041,171)</b>
	<b>12,154,782</b>	<b>8,546,717</b>
<b>Non-financial assets:</b>		
Advance payments	30,634	31,057
Other assets	3,538,101	863,255
	<b>3,568,735</b>	<b>894,312</b>
	<b>15,723,517</b>	<b>9,441,029</b>

The receivable from margin finance clients includes an amount of KD1,640,893 (31 December 2024: KD838,472) 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. 2025 KD	31 Dec. 2024 KD
<b>Balance at the beginning of the year</b>	<b>4,041,171</b>	2,572,087
Charged during the year	1,027,371	1,531,720
Reversal during the year	(47,607)	(51,072)
Foreign currency adjustments	(10,161)	(11,564)
<b>Balance at end of the year</b>	<b>5,010,774</b>	4,041,171

The above-mentioned provision includes a provision of KD88,685 (31 December 2024: of KD99,111) 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. 2025 KD	31 Dec. 2024 KD
<b>Balance at 1 January</b>	<b>1,911,617</b>	1,869,449
Transferred from real estate under development (Note 19)	-	545,890
Disposals	(47,935)	(500,509)
Foreign currency translation	2,553	(3,213)
<b>Balance at 31 December</b>	<b>1,866,235</b>	1,911,617

During the year, the Group disposed properties held for trading with a carrying value of KD47,935 (31 December 2024: KD500,509) for consideration of KD101,127 (31 December 2024: KD829,973), resulting in a gain of KD53,192 (31 December KD329,464).

Based on impairment tests of the carrying value of properties held for trading, the Group reversed a provision for impairment of KD 449,874 for the year ended 31 December 2024.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17 Financial assets at fair value through other comprehensive income

	<b>31 Dec. 2025</b>	31 Dec. 2024
	<b>KD</b>	KD
Local quoted shares	<b>77,872,964</b>	56,631,636
Local unquoted shares	<b>9,478,151</b>	7,974,201
Foreign quoted shares	<b>1,142,387</b>	-
Foreign unquoted shares	<b>36,986,120</b>	51,175,521
Investments in managed portfolios	<b>52,807,193</b>	38,701,053
Debt instruments	<b>4,743,943</b>	4,698,634
Investment funds	<b>10,044</b>	9,468
	<b>183,040,802</b>	159,190,513

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 recognizing 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 realizing their performance potential in the long run.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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
<b>31 December 2025:</b>					
Local quoted shares	63,794,475	13,952,134	-	126,355	77,872,964
Local unquoted shares	7,123,809	31,429	2,322,163	749	9,478,150
Foreign quoted shares	1,142,387	-	-	-	1,142,387
Foreign unquoted shares	8,590,339	25,259,740	2,825,671	310,370	36,986,120
Investments in managed portfolios	50,542,334	2,264,860	-	-	52,807,194
Debt instruments	382,063	3,593,755	-	768,125	4,743,943
Investment funds	10,044	-	-	-	10,044
	<b>131,585,451</b>	<b>45,101,918</b>	<b>5,147,834</b>	<b>1,205,599</b>	<b>183,040,802</b>

#### 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
	<b>105,676,127</b>	<b>37,220,965</b>	<b>14,969,283</b>	<b>1,324,138</b>	<b>159,190,513</b>

- 17.1 Debt instruments amounting to KD 4,743,943 (31 December 2024: KD4,698,634) carry interest rate ranging from 8% to 15% (31 December 2024: 8% - 15%) per annum.
- 17.2 Local quoted shares and investments in managed portfolios with an aggregate carrying value of KD 59,481,865 (31 December 2024: KD43,329,813) are pledged against borrowings (Notes 23 and 24).
- 17.3 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.
- 17.4 During the current year, the Parent Company re-classified an investment with a fair value of KD18,579,318 from financial assets at fair value through other comprehensive income to investments in associates upon gaining significant influence over the investee. The reclassification led to the fair value adjustment previously recorded in other comprehensive income amounting to KD16,786,492, with regard to this investment being transferred to retained earnings, within equity, during current period (Note 18.2.b).
- 17.5 During the current year, the Parent Company transferred an investment with a fair value of KD19,042,860 to another existing subsidiary and consequently it became a joint venture. The previously recognised changes in fair values, amounting to KD11,893,454 and recorded in other comprehensive income, have been reclassified to retained earnings upon de-recognition (Note 18.2d).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Investment in associates and joint venture

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

Name of the associates and joint venture	Country of incorporation	Ownership Percentage		Activity
		31 Dec. 2025 %	31 Dec. 2024 %	
<b>Associates</b>				
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	10.18	Real Estate
International Financial Advisors Holding – K.P.S.C (b)	Kuwait	18.87	-	Investment Holding
National Medical Consumable Industries Company – K.S.C.C (c)	Kuwait	51.00	-	Packing and Retails
Bantry SP	UK	15.00	15.00	Hotels Services Management
<b>Joint Venture</b>				
Arzan AM Ltd (d)	UAE	78.66	-	Investment Holding

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

	31 Dec. 2025 KD	31 Dec. 2024 KD
<b>At 1 January</b>	<b>55,213,376</b>	31,229,754
Transfer from financial assets at FVTPL & FVTOCI to investment in associates (b)	35,069,289	19,207,709
Transfer from financial assets at FVTOCI to investment in joint venture (d)	19,042,860	-
Additions (b)	6,668,179	1,063,000
Net share of results (b)	23,688,463	3,987,576
Dividend received	(1,357,241)	(1,342,795)
Foreign currency translation	(119,032)	6,699
Shares of other comprehensive income	3,065,478	1,061,433
<b>At 31 December</b>	<b>141,271,372</b>	55,213,376

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Investment in associates and joint venture (continued)

18.2 The movement in the carrying amount of the investment in associates and joint venture during the year is as follows: (continued)

- a) During the previous year, the Group obtained the significant influence over IFA Hotels & Resorts Co. - KPSC ("IFAHR"), which was originally classified as financial assets at FVTOCI. During the previous 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 FVTOCI to investment in associate at its fair value of KD19,207,709 on the reclassification date. At the reclassification date, the Group provisionally allocated the fair value of the identifiable assets and liabilities of the associate, and a provisional amount of KD16,947,220 was recognised as goodwill and included in the carrying value of the investment.

During the current reporting year, and within the one-year measurement period from the reclassification date, the Group finalised the purchase price allocation. The updated assessment resulted in adjustments to the fair values of identifiable net assets, and consequently a decline in the amount of goodwill initially recognised (and included in the carrying value of the investment) from KD16,947,220 to KD11,649,504.

There was no impact on the Group's previously reported profit, other comprehensive income, or earnings per share for the year ended 31 December 2025 or the carrying value of the investments in associates as at 31 December 2024.

- b) The Group owns 18.68% of International Financial Advisors Holding – KPSC ("IFA Holding"), which was originally classified as financial assets at FVTPL and financial assets at FVTOCI (Note 14 & 17.4). During the current year, following the appointment of the Parent Company's representations in the board of directors of IFA Holding, the Parent Company has gained significant influence over IFA Holding, as defined under IAS 28. Consequently, the Parent Company has reclassified its investment in IFA Holding from financial assets at FVTPL and financial assets at FVTOCI to investment in associate at its fair value of KD35,069,289 on the reclassification date

The associate is accounted using the equity method in these consolidated financial statements based on the consolidated financial statements as of 31 December 2025 (after incorporating the impact of the purchase price allocation).

During the current year, and within the one-year measurement period from the reclassification date, the Group finalised the purchase price allocation. The updated assessment resulted in adjustments to the fair values of identifiable net assets, and consequently recognized a bargain purchase gain amounting to KD 14,081,283 recorded in consolidated statement of profit or loss instead the initially recognised goodwill of KD13,263,579.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Investment in associates and joint venture (continued)

	IFA Holding KD
Total assets	289,557,519
Total liabilities	22,266,936
Equity	267,290,583
Non-controlling interests	(4,946,424)
Equity attributable to the owners of the associate	(262,344,159)
Fair value of investment at the reclassification date	35,473,822
Share of net assets	(49,555,105)
<b>Gain on bargain purchase (Included within share of results)</b>	<b>14,081,283</b>

As of the reporting date, the Group has recognised an adjustment of KD6,323,387 in the consolidated statement of profit or loss for the current year based on the results of the impairment assessment carried out for an associate and the management has decided to net off this against the bargain purchase which is included within share of results as it is related.

- c) During the current year, the Group effectively acquired a 51% equity interest in National Medical Consumable Industries Company – KSCC (“NATMED”). However, as per the management of the Group, although the Group owns a majority of the voting shares, it does not have control over NATMED because, under the terms of the shareholders’ agreement, key strategic and operating decisions require consent of all significant shareholders. Accordingly, the Group does not have the power to direct the relevant activities of NATMED and therefore does not control the investee as defined in IFRS 10 Consolidated Financial Statements.

However, the management of the Group believes that the Group exercises significant influence over the above investee and accordingly has been classified as an associate as of 31 December 2025. The associate is accounted using the equity method in these consolidated financial statements based on the consolidated financial statements as of 30 September 2025 (after incorporating the impact of the purchase price allocation).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Investment in associates and joint venture (continued)

	NATMED KD
Total assets	14,441,054
Total liabilities	4,272,308
Equity (net assets)	10,168,746
Purchase consideration at the acquisition date	6,263,647
Share of net assets	(5,182,387)
<b>Goodwill included in the carrying value of the associate</b>	<b>1,081,260</b>

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.

- d) During the current year, the Group entered into a joint venture arrangement with Kuwait Holding Company KSCC ("KHC"), a related party, to jointly control the financial and operating policies of one of the Group's existing subsidiaries, Arzan AM Ltd. ("AML"), a company incorporated in the United Arab Emirates. The joint arrangement provides that decisions regarding the relevant activities of AML require the unanimous consent of both parties, thereby establishing joint control in accordance with IFRS 11 Joint Arrangements.

Under the terms of the joint control agreement, the Group contributed financial assets with a fair value of KD19,042,860 (equivalent to USD62,028,859) (Note 17.5), while KHC contributed its corresponding interest in the same investment with a fair value of KD5,166,249 (equivalent to USD16,828,172). Following this transaction, the Group holds a 78.66% ownership interest in AML and KHC holds 21.34%.

AML's assets include an investment in Miami International Holdings Inc. ("MIAX"), which are listed on the New York Stock Exchange ("NYSE"). The quoted bid price has been discounted by 30% to reflect restrictions on the sale of this investment until 31 December 2025. Upon the lifting of these restrictions on 9 February 2026, the investment will be marked to market without any discount and the change in fair value will be recognized accordingly.

No dilution gain or loss was recognized on this transaction, as the former subsidiary (AML) did not have any assets, liabilities, or operations at the date of the transaction.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Investment in associates and joint venture (continued)

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

	NATMED Co. K.S.C.C (associate)		IFA Holding Co. K.P.S.C (associate)		IFA Hotels and Resorts Co. K.P.S.C (associate)	
	31 Dec. 2025	31 Dec. 2024	31 Dec. 2025	31 Dec. 2024	31 Dec. 2025	31 Dec. 2024
	KD	KD	KD	KD	KD	KD
<b>Assets</b>						
Current	9,765,847	-	27,370,791	-	49,712,271	41,376,381
Non-current	3,793,764	-	287,780,891	-	135,948,315	158,099,625
	13,559,611	-	315,151,682	-	185,660,586	199,476,006
<b>Liabilities</b>						
Current	1,238,138	-	3,468,101	-	88,220,969	63,520,804
Non-current	1,072,383	-	22,197,428	-	19,876,479	22,213,548
	2,310,521	-	25,665,529	-	108,097,448	85,734,352
Total equity	11,249,090	-	289,486,153	-	77,563,138	113,741,654
Non-controlling interests	-	-	(4,533,931)	-	(26,276,945)	(23,061,538)
Equity attributable to the owners of the associates	11,249,090	-	284,952,222	-	51,286,193	90,680,116
Group share of net assets	5,733,365	-	53,814,316	-	10,516,907	8,552,095
Impairment loss	-	-	(6,323,387)	-	-	-
Goodwill	1,081,260	-	-	-	11,649,504	11,649,504
Carrying amount	6,814,625	-	47,490,929	-	22,166,411	20,201,599
Income	6,814,625	-	16,496,325	-	39,620,835	59,612,633
Profit	1,080,344	-	11,601,274	-	21,869,868	16,748,341
Total comprehensive income	1,080,344	-	22,196,245	-	22,522,575	17,510,962
Dividend received	-	-	-	-	-	-
Market value	-	-	47,490,929	-	30,225,539	43,166,011

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Investment in associates and joint venture (continued)

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

	Offset Holding Co. K.S.C.C (associate)		Al Wafir Marketing Services Co. K.S.C.C (associate)		Arzan AM Ltd. (Joint Venture)	
	31 Dec. 2025 KD	31 Dec. 2024 KD	31 Dec. 2025 KD	31 Dec. 2024 KD	31 Dec. 2025 KD	31 Dec. 2024 KD
<b>Assets</b>						
Current	10,772,608	8,892,202	35,409,955	40,871,789	33,058,606	-
Non-current	17,647,555	17,689,384	92,848,371	63,790,596	-	-
	28,420,163	26,581,586	128,258,326	104,662,385	33,058,606	-
<b>Liabilities</b>						
Current	788,337	748,803	23,091,416	18,933,460	-	-
Non-current	1,122,594	1,131,879	42,303,666	34,030,547	-	-
	1,910,931	1,880,682	65,395,082	52,964,007	-	-
Total equity	26,509,232	24,700,904	62,863,244	51,698,378	33,058,606	-
Non-controlling interests	(6,233,973)	(5,448,620)	(7,870,644)	(7,303,684)	-	-
Equity attributable to the owners of the associates/ joint venture	20,275,259	19,252,284	54,992,600	44,394,694	33,058,606	-
Group share of net assets	10,137,630	9,626,142	18,696,714	15,093,574	26,003,865	-
Goodwill	-	-	6,970,856	7,104,406	-	-
Carrying amount	10,137,630	9,626,142	25,667,570	22,197,980	26,003,865	-
Income	5,280,065	1,569,525	30,094,220	13,292,079	8,960,609	-
Profit	1,012,297	516,879	11,285,470	6,913,264	8,960,609	-
Total comprehensive income	1,022,975	516,879	13,942,208	9,832,761	8,960,609	-
Dividend received	-	-	1,270,565	1,270,565	-	-
Market value	-	-	-	-	-	-

The remaining associates are considered as immaterial to the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Investment in associates and joint venture (continued)

18.4 Set out below is the aggregate information for the other associates and joint venture.

	31 Dec. 2025	31 Dec. 2024
	KD	KD
Assets	17,185,131	16,208,619
Liabilities	1,123,376	1,227,737
<b>Net assets</b>	<b>16,061,755</b>	<b>14,980,882</b>
Group's share of net assets	3,543,157	3,187,656
<b>Carrying amount</b>	<b>3,543,157</b>	<b>3,187,656</b>
Revenue	1,056,761	2,158,702
Profit for the year	1,591,658	1,892,247
Total comprehensive income	1,591,658	1,892,247
Dividends received	86,676	72,230

Investments in associates with a carrying amount of KD34,237,009 (31 December 2024: KD12,019,983) are pledged against borrowings (Notes 23 and 24).

### 19 Real estates under development

	31 Dec. 2025	31 Dec. 2024
	KD	KD
<b>Cost</b>		
Balance at the beginning of the year	1,589,939	2,208,564
Transfer to properties held for trading (Note 16)	-	(545,890)
Development costs and additions	207,493	392,958
Foreign exchange differences	23,415	(497,056)
<b>Total Cost</b>	<b>1,820,847</b>	<b>1,558,576</b>
(Impairment)/reversal of impairment	(8,417)	31,363
<b>Net book value at the year end</b>	<b>1,812,430</b>	<b>1,589,939</b>

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
<b>Cost</b>			
1 January 2025	1,023,750	1,484,989	2,508,739
31 December 2025	1,023,750	1,484,989	2,508,739
<b>Accumulated depreciation</b>			
1 January 2025	-	1,205,974	1,205,974
Charge for the year	-	58,740	58,740
31 December 2025	-	1,264,714	1,264,714
<b>Net book value</b>			
<b>At 31 December 2025</b>	<b>1,023,750</b>	<b>220,275</b>	<b>1,244,025</b>
<b>Fair value as at 31 December 2025</b>	<b>2,731,017</b>	<b>593,983</b>	<b>3,325,000</b>
<b>Cost</b>			
1 January 2024	1,023,750	1,484,989	2,508,739
31 December 2024	1,023,750	1,484,989	2,508,739
<b>Accumulated depreciation</b>			
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
<b>Net book value</b>			
<b>At 31 December 2024</b>	<b>1,023,750</b>	<b>279,015</b>	<b>1,302,765</b>
<b>Fair value as at 31 December 2024</b>	<b>2,555,382</b>	<b>703,993</b>	<b>3,259,375</b>

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21 Assets held for sale

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

	<b>31 Dec. 2025</b>	31 Dec. 2024
	<b>KD</b>	KD
Bantry SP	<b>2,239,230</b>	2,249,268
Riparian Housing Investors I, LLC	<b>1,577,672</b>	927,000
Hill Top UK 7 Ltd (a)	-	3,417,861
	<b>3,816,902</b>	6,594,129

### 22 Accounts payable and other liabilities

	<b>31 Dec. 2025</b>	31 Dec. 2024
	<b>KD</b>	KD
Trade payables	<b>290,720</b>	145,370
Due to related parties (Note 33)	<b>1,546,682</b>	2,856,747
Other payables	<b>4,686,563</b>	2,938,860
Lease liability	<b>37,680</b>	63,817
Accrued interest	<b>319,253</b>	232,644
Provision for employees leave	<b>377,264</b>	340,364
KFAS payable	<b>250,964</b>	290,499
NLST and Zakat payable	<b>3,953,199</b>	3,083,266
Due to shareholders (Note 33)	<b>475,448</b>	466,367
	<b>11,937,773</b>	10,417,934

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23 Term loans

	Interest	31 Dec. 2025 KD	31 Dec. 2024 KD
Kuwaiti Dinar facilities	(1.75% + CBK)	<b>7,996,000</b>	2,196,000
		<b>7,996,000</b>	2,196,000
Due within one year		<b>2,996,000</b>	2,196,000
Due more than one year		<b>5,000,000</b>	-

The details of the outstanding term loans are as follows:

During previous years, the Parent Company has signed two agreements with a Kuwaiti bank to obtain Kuwaiti Dinar facilities in the form of revolving loans, whereby the maximum loan limits totaled to KD3,000,000. The Parent Company withdrew an amount of KD2,996,000 from these facilities as at 31 December 2025 (31 December 2024: KD2,196,000). Further, the Parent Company has secured an additional loan facility of KD 5,000,000 from a Kuwaiti bank.

Kuwaiti Dinar facilities are payable on 31 July 2028.

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 and joint venture (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 4.7 % to 5.2% (31 December 2024: 5.2% to 5.50%) per annum. These financings are secured against pledge of cash in managed portfolio (Note 12), certain financial assets at FVTPL (Note 14), financial assets at FVTOCI (Note 17), investment in associates and joint venture (Note 18), investment properties (Note 20) and property and equipment, which are payable in various instalments ending by November 2029.

Murabaha payables are due as follows:

	31 Dec. 2025 KD	31 Dec. 2024 KD
Within one year	<b>31,646,283</b>	21,504,330
After one year	<b>29,526,250</b>	19,977,800
	<b>61,172,533</b>	41,482,130



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25 Share capital and share premium

The authorized, issued and paid-up share capital of the Parent Company consists of 907,433,921 shares of 100 fils each (31 December 2024: 864,222,782 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 5% bonus shares (Note 30). It was registered in the commercial register on 18 May 2025.

The share premium is non-distributable.

### 26 Treasury shares

	<b>31 Dec. 2025</b>	31 Dec. 2024
	<b>KD</b>	KD
Number of treasury shares	<b>1,109,556</b>	1,094,422
Percentage of ownership (%)	<b>0.122%</b>	0.127%
Market value (KD)	<b>393,892</b>	287,833
Cost (KD)	<b>325,476</b>	243,811

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 reserves.

### 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 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 327,133 shares for the year ended 31 December 2024 (31 December 2023: 478,724 shares). The fair value of the shares on the grant date was KD0.306 each (31 December 2023: KD0.194 each). Therefore, the Group recognized an expense of KD91,083 (31 December 2024: KD78,336) in the consolidated statement of profit or loss.

During the year, from the shares granted to staff as share-based payments 1,194,996 shares were issued out of treasury shares (cost of KD271,998 and market value of shares on issue date KD365,669). This led to a reduction in the balance of the share-based payment reserve by an amount of KD78,557 and a reduction in the balance of retained earnings by an amount of KD293,113 as stated in the consolidated statement of changes in equity.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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
<b>Balance at 1 January 2025</b>	<b>2,196,000</b>	<b>41,482,130</b>	<b>43,678,130</b>
Cash flows:			
• Repayment	-	<b>(1,188,796)</b>	<b>(1,188,796)</b>
• Proceeds	<b>5,800,000</b>	<b>20,879,199</b>	<b>26,679,199</b>
<b>31 December 2025</b>	<b>7,996,000</b>	<b>61,172,533</b>	<b>69,168,533</b>
<b>Balance at 1 January 2024</b>	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
<b>31 December 2024</b>	<b>2,196,000</b>	<b>41,482,130</b>	<b>43,678,130</b>

### 30 Proposed dividends and annual general assembly

Subject to the requisite consents of the relevant authorities and approval of the shareholders' general assembly, the directors of the Parent Company propose to distribute cash dividends of 2 Fils each for the year ended 31 December 2025 (31 December 2024: 3 Fils each) and bonus shares at 6% for the shareholders of the Parent Company through increase in share capital (31 December 2024: bonus share at 5%)

The annual ordinary general assembly of the shareholders of Parent Company held on 11 May 2025 approved the consolidated financial statements for the year ended 31 December 2024. It also approved the board of directors' proposal to distribute a cash dividend of 3 Fils per share (31 December 2023: 2 Fils per share).

It approved 5% bonus shares through increase of the share capital for the financial year ended 31 December 2024 (31 December 2023: 4% of bonus shares). Further, the Annual General Assembly approved the board of directors' and committees' remuneration of KD77,850 for the year ended 31 December 2024 (31 December 2023: KD68,050), which has been recorded under expenses in the consolidated statement of profit or loss of the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 KD 112,175,926 (31 December 2024: KD84,609,051), which include related parties' assets under management amounted to KD79,330,998 (31 December 2024: KD58,826,263) (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
<b>Year ended 31 December 2025</b>					
Total revenue	3,316,736	33,773,021	1,236,347	291,862	38,617,966
Profit for the year	2,454,736	21,389,361	825,309	93,040	24,762,446
<b>As at 31 December 2025</b>					
Total assets	1,323,051	365,503,208	12,383,810	5,645,376	384,855,445
Total liabilities	(386,682)	(81,783,341)	(699,309)	(425,802)	(83,295,134)
Net assets	936,369	283,719,867	11,684,501	5,219,574	301,560,311
<b>Year ended 31 December 2024</b>					
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
<b>As at 31 December 2024</b>					
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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33 Related party balances and transactions

Related parties represent associates and joint venture, 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:

	<b>31 Dec. 2025 KD</b>	31 Dec. 2024 KD
<b>Balances included in the consolidated statement of financial position</b>		
Margin finance receivable (Note 15)	<b>1,640,893</b>	838,472
Due from related parties - net (net of provision amounting to KD 88,685 in 2025 and KD 99,111 in 2024) (Note 15)	<b>1,020,244</b>	1,266,811
Due to related parties (Note 22)	<b>1,546,682</b>	2,856,747
Due to shareholders (Note 22)	<b>475,448</b>	466,367

	<b>Year ended 31 Dec. 2025 KD</b>	Year ended 31 Dec. 2024 KD
<b>Transactions included in the consolidated statement of profit or loss</b>		
Revenue from contracts with customers (Note 8)	<b>201,559</b>	180,920
Rental income	<b>119,004</b>	119,998
Interest income	<b>225,086</b>	128,557
General and administrative expenses	<b>156,925</b>	123,928
Finance costs	<b>276,513</b>	233,111
<b>Key management compensation:</b>		
Salaries and other short-term benefits	<b>893,136</b>	913,793
Board of directors' remuneration and other committees' remunerations (included in general and administrative expenses)	<b>77,850</b>	68,050
End of service benefits	<b>63,281</b>	67,249
Share based compensation	<b>79,075</b>	70,495
Fiduciary assets of related parties managed by the Group (Note 31)	<b>79,330,998</b>	58,826,263

During the previous year, one of the subsidiaries received an amount of USD3,000,000 (equivalent to KD916,200) 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 under due to related parties stated above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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. 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, recognized 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. 2025	31 Dec. 2024
	Equivalent	Equivalent
	KD	KD
US Dollar (USD)	38,999,114	53,846,070
Lebanese Pound (LBP)	508,442	485,366
Great Britain Pound (GBP)	10,014,051	12,928,613
Egyptian Pound (EGP)	1,122,065	1,117,566
UAE Dirham (AED)	27,413,395	1,409,530
Saudi Riyal (SAR)	59,866	59,570
Euro	1,108,750	1,076,141
Omani Riyal	45,990	46,427
Jordanian Dinar (JOD)	830,626	669,421
Norway Kron	349,705	289,243
	<b>80,452,004</b>	<b>71,927,947</b>

The following table details the Group's sensitivity to a 2% (31 December 2024: 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. 2025		31 Dec. 2024	
	+2%	-2%	+2%	-2%
	KD	KD	KD	KD
Profit for the year	931,152	(931,152)	502,718	(502,718)
Equity	677,888	(677,888)	935,841	(935,841)



## 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.

The Group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2025 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 %
<b>Assets</b>								
Cash and cash equivalents	-	732,271	-	732,271	-	5,218,835	5,951,106	2.25%-5.5%
Term deposits	-	172,299	-	172,299	-	-	172,299	5.5%
Instalment credit debtors	-	-	306,914	306,914	833,938	-	1,140,852	5%-10%
Financial assets at FVTPL	-	-	-	-	-	27,058,637	27,058,637	-
Accounts receivable and other assets	-	2,912,000	1,182,500	4,094,500	-	11,629,017	15,723,517	7.5%-8%
Financial assets at FVTOCI	-	-	-	-	4,743,943	178,296,859	183,040,802	8%-15%
	-	3,816,570	1,489,414	5,305,984	5,577,881	222,203,348	233,087,213	-
<b>Liabilities</b>								
Accounts payable and other liabilities	-	916,200	-	916,200	-	11,021,573	11,937,773	-
Term loans	-	-	2,996,000	2,996,000	5,000,000	-	7,996,000	5.25%-5.75%
Murabaha payables	-	9,089,728	22,556,555	31,646,283	29,526,250	-	61,172,533	4.7%-5.5%
Provision for employees' end of service benefits	-	-	-	-	-	2,188,828	2,188,828	-
	-	10,005,928	25,552,555	35,558,483	34,526,250	13,210,401	83,295,134	-

## 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 %
<b>Assets</b>								
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	-
<b>Liabilities</b>								
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 benefits	-	-	-	-	-	1,892,415	1,892,415	-
	-	436,730	25,728,400	26,165,130	19,977,800	9,845,549	55,988,479	-

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in interest rates of 1% and -1% (2024: +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. 2025		31 Dec. 2024	
	+ 1% KD	-1% KD	+ 1% KD	- 1% KD
Results for the year	592,009	(592,009)	377,323	(377,323)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34 Risk management objectives and policies (continued)

#### 34.1 Market risk (continued)

##### c) Price risk

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

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

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

If prices of investments had been 10% higher/lower, the effect on the profit for the year and equity for the years ended 31 December 2025 and 2024 would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2025	31 Dec. 2024	31 Dec. 2025	31 Dec. 2024
	KD	KD	KD	KD
Financial assets at fair value through profit or loss	± 2,705,864	±3,350,115	-	-
Financial assets at fair value through other comprehensive income	-	-	± 18,304,080	±9,534,216

#### 34.2 Credit risk

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

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

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

	31 Dec. 2025	31 Dec. 2024
	KD	KD
Cash and cash equivalents	5,951,106	3,810,901
Term deposits	172,299	434,311
Instalment credit debtors	1,140,852	757,781
Financial assets at FVTPL	20,182,744	18,444,410
Accounts receivable and other assets	15,723,517	9,441,029
Financial assets at FVTOCI (Note 17)	57,561,180	43,409,155
<b>Total</b>	<b>100,731,698</b>	<b>76,297,587</b>

## 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 KD	Gulf Cooperation Council Countries KD	Other Middle Eastern countries KD	Europe and other countries KD	USA KD	Total KD
<b>At 31 December 2025</b>						
Cash and cash equivalents	2,565,022	1,857,294	1,440,339	-	88,451	5,951,106
Term deposits	-	-	172,299	-	-	172,299
Instalment credit debtors	1,140,852	-	-	-	-	1,140,852
Financial assets at FVTPL	13,331,088	6,250,901	2,519,928	-	4,956,720	27,058,637
Accounts receivable and other assets	10,021,652	4,543,862	955,300	53,842	148,861	15,723,517
Properties held for trading	-	1,409,530	456,705	-	-	1,866,235
Financial assets at fair value through other comprehensive income	132,680,227	7,798,492	3	13,598,966	28,963,114	183,040,802
Investment in associates and joint venture	114,259,215	26,003,865	-	1,008,292	-	141,271,372
Real estates under development	1,174,469	-	637,961	-	-	1,812,430
Investment Properties	1,244,025	-	-	-	-	1,244,025
Assets held for sale	-	-	-	2,239,230	1,577,672	3,816,902
Property and equipment	1,704,089	32,667	20,512	-	-	1,757,268
<b>Total</b>	<b>278,120,639</b>	<b>47,896,611</b>	<b>6,203,047</b>	<b>16,900,330</b>	<b>35,734,818</b>	<b>384,855,445</b>

#### 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 and joint venture	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	-	-	-	5,669,829	924,300	6,594,129
Property and equipment	1,833,065	59,779	26,854	-	-	1,919,698
<b>Total</b>	<b>200,139,245</b>	<b>6,948,040</b>	<b>6,214,828</b>	<b>19,810,634</b>	<b>50,086,005</b>	<b>283,198,752</b>



## 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 summarizes 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 financial assets 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 2025:

	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
<b>ASSETS</b>						
Cash and cash equivalents	5,218,835	732,271	-	5,951,106	-	5,951,106
Term deposits	-	-	172,299	172,299	-	172,299
Instalment credit debtors	-	-	306,914	306,914	833,938	1,140,852
Financial assets at FVTPL	21,292,817	-	5,765,820	27,058,637	-	27,058,637
Accounts receivable and other assets	1,200,149	5,784,728	7,037,627	14,022,504	1,701,013	15,723,517
Properties held for trading	-	-	1,866,235	1,866,235	-	1,866,235
Financial assets at FVTOCI	-	-	-	-	183,040,802	183,040,802
Investment in associates and joint venture	-	-	-	-	141,271,372	141,271,372
Real estates under development	-	-	-	-	1,812,430	1,812,430
Investment properties	-	-	-	-	1,244,025	1,244,025
Assets held for sale	-	954,226	2,862,676	3,816,902	-	3,816,902
Property and equipment	-	-	-	-	1,757,268	1,757,268
<b>Total assets</b>	<b>27,711,801</b>	<b>7,471,225</b>	<b>18,011,571</b>	<b>53,194,597</b>	<b>331,660,848</b>	<b>384,855,445</b>
<b>Liabilities</b>						
Accounts payable and other liabilities	1,684,241	3,124,586	3,533,468	8,342,295	3,595,478	11,937,773
Term loans	-	-	2,996,000	2,996,000	5,000,000	7,996,000
Murabaha payables	-	9,089,728	22,556,555	31,646,283	29,526,250	61,172,533
Provision for employees' end of service benefits	-	-	-	-	2,188,828	2,188,828
<b>Total liabilities</b>	<b>1,684,241</b>	<b>12,214,314</b>	<b>29,086,023</b>	<b>42,984,578</b>	<b>40,310,556</b>	<b>83,295,134</b>

## 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 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
<b>ASSETS</b>						
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 and joint venture	-	-	-	-	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
<b>Total assets</b>	<b>38,704,873</b>	<b>3,232,949</b>	<b>19,661,275</b>	<b>61,599,097</b>	<b>221,599,655</b>	<b>283,198,752</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>1,329,730</b>	<b>1,191,455</b>	<b>28,512,173</b>	<b>31,033,358</b>	<b>24,955,121</b>	<b>55,988,479</b>



## 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	1-3 months	3-12 months	Sub-total Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
<b>31 December 2025</b>						
<b>Financial liabilities</b>						
Accounts payable and other liabilities	1,684,241	3,211,638	3,532,896	8,428,775	3,609,189	12,037,964
Term loans	-	-	3,153,290	3,153,290	10,612,500	13,765,790
Murabaha payable	-	9,522,146	23,623,503	33,145,649	30,928,747	64,074,396
Provision for employees' end of service benefits	-	-	-	-	2,188,828	2,188,828
	<b>1,684,241</b>	<b>12,733,784</b>	<b>30,309,689</b>	<b>44,727,714</b>	<b>47,339,264</b>	<b>92,066,978</b>
<b>31 December 2024</b>						
<b>Financial liabilities</b>						
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
	<b>1,329,730</b>	<b>1,214,918</b>	<b>29,974,148</b>	<b>32,518,796</b>	<b>26,003,956</b>	<b>58,522,752</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35 Fair value measurement

#### 35.1 Fair value hierarchy

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

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

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

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

#### 35.2 Fair value measurement of financial instruments

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

	31 Dec. 2025 KD	31 Dec. 2024 KD
<b>Financial assets:</b>		
<b>At amortised cost:</b>		
Cash and cash equivalents	5,951,106	3,810,901
Term deposits	172,299	434,311
Instalment credit debtors	1,140,852	757,781
Accounts receivable and other assets	15,723,517	9,441,029
<b>Carried at fair value:</b>		
Financial assets at FVTPL	27,058,637	41,032,693
Financial assets at FVTOCI	183,040,802	159,190,513
<b>Total</b>	<b>233,087,213</b>	<b>214,667,228</b>
<b>Financial liabilities:</b>		
<b>Carried at amortized cost:</b>		
Accounts payable and other liabilities	11,937,773	10,417,934
Term loans	7,996,000	2,196,000
Murabaha payable	61,172,533	41,482,130
Provision for employees' end of service benefits	2,188,828	1,892,415
<b>Total</b>	<b>83,295,134</b>	<b>55,988,479</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35 Fair value measurement (continued)

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

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2025</b>				
<b>Financial assets at FVTPL:</b>				
Local quoted shares	490,826	-	-	490,826
Foreign quoted shares	619,247	-	-	619,247
Foreign unquoted shares	-	-	5,765,819	5,765,819
Investments in managed portfolios	17,530,572	-	-	17,530,572
Investment in managed fund	-	2,652,173	-	2,652,173
<b>Financial assets at fair value through other comprehensive income:</b>				
Local quoted shares	77,872,964	-	-	77,872,964
Local unquoted shares	-	-	9,478,151	9,478,151
Foreign quoted shares	1,142,387	-	-	1,142,387
Foreign unquoted shares	-	-	36,986,120	36,986,120
Investments in managed portfolios	52,807,193	-	-	52,807,193
Debit instruments	-	-	4,743,943	4,743,943
Investment funds	-	10,044	-	10,044
	<b>150,463,189</b>	<b>2,662,217</b>	<b>56,974,033</b>	<b>210,099,439</b>
<b>31 December 2024</b>				
<b>Financial assets at FVTPL:</b>				
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
<b>Financial assets at fair value through other comprehensive income:</b>				
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
	<b>125,537,481</b>	<b>3,305,826</b>	<b>71,379,899</b>	<b>200,223,206</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35 Fair value measurement (continued)

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

##### **Financial assets in level 3:**

The Group's finance team performs valuations of financial 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. 2025	31 Dec. 2024
	KD	KD
Opening balance	71,379,899	63,757,182
Change in fair value	401,063	1,509,973
Additions	2,827,741	9,280,402
Disposals and transfers	(17,634,670)	(3,167,658)
Closing balance	<u>56,974,033</u>	<u>71,379,899</u>

##### **Non-financial assets**

Investment properties were fair valued for the impairment assessment at 31 December 2025 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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:

	<b>31 Dec. 2025</b>	31 Dec. 2024
	<b>KD</b>	KD
Term loans (Note 23)	<b>7,996,000</b>	2,196,000
Murabaha payables (Note 24)	<b>61,172,533</b>	41,482,130
Less:		
Cash and cash equivalents (Note 12.1)	<b>(5,951,106)</b>	(3,810,901)
Term deposits	<b>(172,299)</b>	(434,311)
<b>Net debt</b>	<b>63,045,128</b>	39,432,918
<b>Equity</b>	<b>301,560,311</b>	227,210,273
<b>Net debt to equity ratio</b>	<b>20.91%</b>	17.36%

### 37 Capital commitments

At the date of the consolidated statement of financial position, the Group had capital commitments of KD 7,306 (31 December 2024: KD29,785) for the investments in managed funds.

### 38 Subsequent events

Subsequent to the reporting date, geopolitical developments in the Middle East have continued to evolve, resulting in increased uncertainty and potential impacts on economic conditions and financial markets. These events are considered non-adjusting as they do not relate to conditions existing at the reporting date.

The Group holds investments measured using discounted cash flow techniques. These developments may affect future cash flow assumptions and discount rates; however, as at the date of approval of these consolidated financial statements, the financial impact cannot be reliably estimated. The Group continues to monitor the situation.