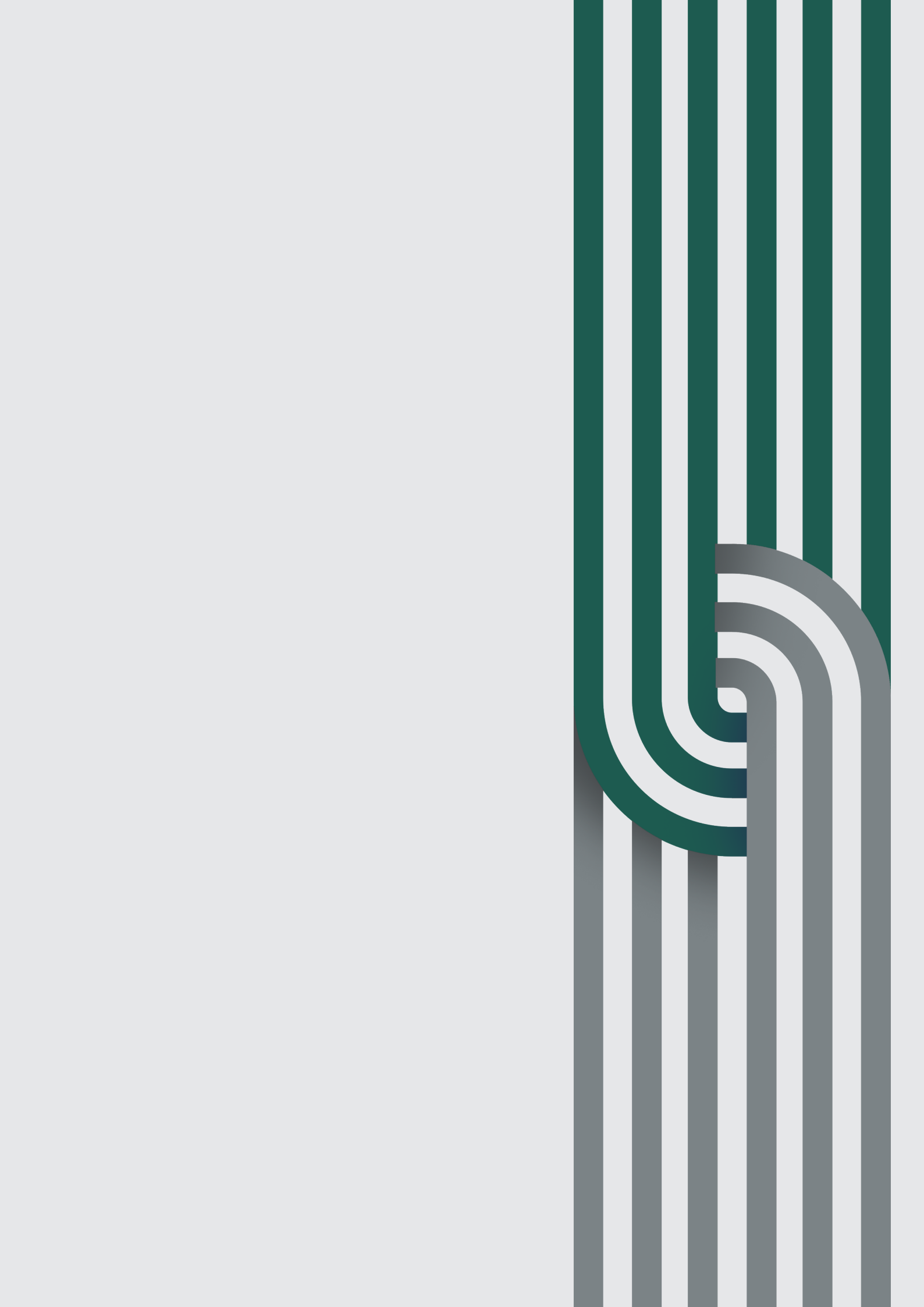




Annual Report & Financial Statements 2024





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Board of Directors





Mr. Ghazi Ahmed Al-Osaimi
Chairman



Mr. Mishal Naser Habib
Vice Chairman & CEO



Mr. Soud Abdulaziz Al-Mansour
Board Member



Mr. Jamal Abdullah Al-Saleem
Board Member



Mr. Bandar Abdullah Al-Ghemlas
Board Member



Mr. Mohamad Saad Al-Saad
Board Member



Mr. Fahad Sami Al-Rushaid
Board Member

**Agenda of the Annual Ordinary
General Assembly Meeting of KPFI
for the fiscal year ended 31/12/2024**



1- Discussing the Board of Directors report for the financial year ended 31/12/2024 and approving the same.

2- Reciting of both:

1. The governance report for the fiscal year ending on 31/12/2024 which includes a table of the total remuneration granted to Board of Directors members, executive management, and managers and approving the same.
2. The report of the Audit Committee for the fiscal year ending on 31/12/2024 and approving the same.

3- Reciting the penalties (financial or non-financial) that were imposed by the regulatory authorities during the financial year ended 31/12/2024 (if any).

4- Discussing the report of the auditor Deloitte & Touche (Al Wazzan & Co.) for the financial year ended 31/12/2024 and approving the same.

5- Discussing the annual financial statements for the financial year ended 31/12/2024.

6- Approving not to deduct the obligatory reserve.

7- Approving not to deduct the voluntary reserve.

8- Approving the Board of Directors' proposal not to distribute dividends for the financial year ending on 31/12/2024.

9- Approving the Board of Directors' recommendation of not to distribute remuneration to the Board of Directors for the financial year ended 31/12/2024.

10- Authorizing the Board of Directors to buy or sell the Company's shares by not more than 10% of the number of shares in accordance with the provisions of Law No. 7 of 2010 and its Executive Regulations and their amendments.

11- Listening to a report on transactions with related parties during the financial year ended 31/12/2024 and authorizing the Board of Directors to deal with the related parties until the date of the next General Assembly for the financial year ending on 31/12/2025.

12- Approving discharging the members of the Board of Directors in respect of their financial, administrative and legal actions for the financial year ended 31/12/2024.

13- Approving the authorization to grant loans or provide facilities to Board of Directors members during the fiscal year 2025 – in accordance with the same conditions and rules that the company applies to third parties, and in accordance with the instructions of the regulatory authorities in this regard.

14- Discussing the allocation of an amount of KD 2,500 (Two Thousand Five Hundred Kuwaiti Dinars only) for the social responsibility for the fiscal year ending on 31/12/2025 and the delegation of the Chief Executive Officer to determine the entity to be disbursed.

15- Approving appointment or re-appointment of Company's auditor within the list of accredited auditors of the Capital Market Authority - taking into consideration the period of mandatory change of auditor - for the financial year ending on 31/12/2025 and authorizing the Board of Directors to determine his fees.

16- Approving the appointment of a member of the Board of Directors to the board of directors membership of Kuwait Investment Company, approving the appointment of a member of the Board of Directors to the board of directors membership of Gulf Custody Company and to a position in The Kuwait Financial Centre Company & approving the appointment of a member of the Board of Directors to a position in The Kuwait Financial Centre Company pursuant to Article 197 of the Companies Law.

Chairman Message

Dear Valued Shareholders,

I am pleased to present to you, on behalf of my colleagues' board members, the annual report and financial statements of the company for the year ended 31 December 2024.

The global economy is holding steady, although the degree of grip varies widely across countries. Global growth is projected to reach 3.3% in 2025 and 2026, Which is below the historical average of 3.7% between 2000 and 2019. Global headline inflation is expected to decline to 4.2% in 2025 and 3.5% in 2026, as advanced economies returning to their target sooner than emerging market and developing economies.

At the company level, the company incurred losses amounting to 793,064 Kuwaiti dinars during the year 2024, compared to net profits of 2,458,489 Kuwaiti dinars in 2023, due to the decrease in the value of the investment in the associate company, which is the company's main investment, in addition to the unrealized losses resulting from the revaluation of some financial assets at fair value through profits and losses. The company's total assets amounted of KWD 44.312 million, while shareholders' equity amounted of KWD 37.472 million. The company's liabilities amounted of KWD 6.840 million by the end of 2024. The company's board of directors recommended not distributing dividends for the financial year ending December 31, 2024.

As every year, the company's Board of Directors and executive management coordinate to monitor and implement the company's investment and risk management strategy, particularly in times of uncertainty of policies and geopolitical tensions. They also keep abreast of the latest developments in the business environment to capture the best investment opportunities for the company and its shareholders.

At the associate company level during the year, Kuwait Financial Centre achieved a net profit attributable to owners of the parent company amounting to 4.456 million Kuwaiti Dinars, equivalent to 9 fils per share. The company's board of directors also proposed distributing cash dividends to the company's shareholders at a rate of 7%, or 7 fils per share, for the financial year ending 12/31/2024, and the general assembly approved this distribution.

On behalf of the members of the Board of Directors and on my own behalf, I would like to extend my sincere thanks and gratitude to H.H. Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah The Emir of Kuwait and H.H. Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah the Crown prince , H.H. Sheikh Ahmad Abdullah Al-Ahmad Al-Sabah the Prime Minister; and all the regulators, asking God, to safeguard them all and bless their continuous endeavors and support aimed at achieving prosperity and progress of our country's economy at all levels. I would also like to extend my thanks to our valued shareholders for their confidence and continuous support to the company management. In addition, I extend my thanks to the company's staff for their efforts to achieve the business plans.



Ghazi Al-Osaimi
Chairman

Executive Management Report

Dear Valued Shareholders,

KPFI's Management is pleased to present you the annual report and financial statements of the company for the financial year ended 31 December 2024.

Key Financial Highlights in 2024

Statement	2024	2023	Percentage Change%
Investments gains	601	3,800	-84%
Interests income Total assets	58	124	-53%
	44,312	45,750	-3%
Total liabilities	6,840	9,834	-30%
Shareholders' equity	37,472	35,915	4%
Retained earnings Net profit	4,342	4,816	-10%
	-793	2,458	-132%
Earnings per share	-2.6	8.2	-132%
(fils) Book value (fils)	125	120	4%

* Figures in thousands

Main Events in 2024

Praise be to God, the company has made a partial and early payment of its debts (banking facilities) and reduced them by 36% compared to the previous year 2023, as the financial leverage ratio (debt to equity) for the company reached 15% as of 31/12/2024. During the year, a provision for impairment was taken in the company's main investment (investment in an associate company – Kuwait Financial Center Company), in addition to re-evaluating some of financial investments at fair value through profit and loss and recording unrealized losses resulting from the re-evaluation, all for the purpose of Prudence (Conservatism) Principle. The company also exited some investments listed and unlisted on the Kuwait Stock Exchange and liquidated a small portion of the company's strategic (main) investment in order to reallocate the assets of the company's local investment portfolio. The company continues to move forward with its digital transformation journey in its financial and accounting systems, automating various financial and administrative reports in line with regulatory requirements and meeting the aspirations of clients and shareholders.

Sharjah Real Estate Project (Al-Mubarakiya Tower)



- The project was completed with a 100% of completion rate during the last quarter of 2021. And it was named "Al-Mubarakiya Tower" and the leasing process began during the first quarter of 2022.

- The occupancy rate reached 100% in Al-Mubarakiya Tower during 2022 and it continues for the third year in a row, thank God, and the annual return range between 10%14%. At the end of 2022, Bobian Real Estate Company (for Leasing and managing private properties) was established in United Arab Emirates to manage Al-Mubarakiya Tower.

Overview of the Kuwaiti Economy

The World Bank forecasts indicate that the Kuwaiti economy will grow by 2.6% during 2025-2026, supported by increased oil production, accelerated infrastructure projects, a recovery in the non-oil economy, and deceleration of the inflation.

The fiscal year 2024/2025 ended with expenditure allocations in the public budget estimated at about 24.555 billion Kuwaiti dinars, and total revenues estimated at about 18.919 billion Kuwaiti dinars, including oil and gas revenues estimated at about 16.234 billion Kuwaiti dinars. That is, approximately 85.8% of the total revenues, as oil revenues were estimated according to the following principles: the quota of crude oil production equal to 2.548 million barrels per day, the estimated price of a barrel of Kuwaiti oil amounted to 70 US dollars per barrel, and the approved exchange rate was 306 fils per US dollar. Kuwait is expected to have achieved oil revenues for the entire fiscal year 2024/2025 of approximately 18.242 billion Kuwaiti dinars, which is approximately 12.4% higher than the estimated oil revenues in the budget for the entire fiscal year, which amounted to approximately 16.234 billion Kuwaiti dinars. In addition of approximately 2.685 billion Kuwaiti dinars in non-oil revenues, the total expected revenues during the fiscal year will therefore amount to approximately 20.926 billion Kuwaiti dinars, compared to the expenditure allocations amounting to 24.555 billion Kuwaiti dinars. The general budget for the fiscal year 2024/2025 is likely to record a deficit of approximately KWD 3.629 billion unless a savings is achieved in total expenditures, according to the Al-Shall Weekly Economic Report (Issue No. 13 of 2025).

Fitch Ratings has affirmed Kuwait's sovereign credit rating at "AA-" with a stable outlook. This classification reflects the exceptionally strong domestic financial conditions and the strength of the external balance sheets, while also reflecting the heavy dependence on the oil sector and the huge size of the public sector, which may constitute a source of financial pressure in the long term. Although there are emerging signs of some progress on reforms, Prospects remain unclear for meaningful fiscal adjustment to address long-term challenges and legislation to allow debt issuance and the improve fiscal financing flexibility.

Financial Sector

The main indices of the Kuwait Stock Exchange (Kuwait Boursa) witnessed positive performance throughout 2024, amid a significant trading momentum and increased market value. The All share index also ranked second among its Gulf peers as the top performing market of the year, achieving an 8% annual increase. Other major stock exchange indices also achieved gains during the year, with the premier market index recording a 4.84% increase, along with the main market index, which achieved a 24.01% increase, and the main market 50 index, which rose by 24.04%. The market capitalization of the stock exchange increased by 8.24% annually at the end of 2024, equivalent to 3.32 billion Kuwaiti dinars. The market capitalization of the Kuwait Stock Exchange reached 43.58 billion Kuwaiti dinars at the end of the year, compared to 40.26 billion Kuwaiti dinars at the end of 2023.

Overview of the Global Economy

Global growth is expected to remain stable, with the International Monetary Fund projecting global real GDP growth to reach 3.3% in 2025, with these levels expected to continue into 2026. Current growth forecasts are below the historical average of 3.7% between 2000 and 2019. However, growth forecasts varied across countries, with growth expected to pick up in the United States while growth in other major economies declined. Advanced economies are also expected to see growth pick up, while growth in emerging market and developing economies is expected to stabilize.

According to the International Monetary Fund, global inflation is expected to decline from 4.2% in 2025 to 3.5% in 2026, consistent with the Central Bank's objectives and facilitating a gradual return of monetary policy to normal levels. This trend is expected to help mitigate the global turmoil of recent years, such as the pandemic and the Russia-Ukraine conflict, which have caused inflation rates to reach their highest levels in four decades.

The potential impact of US President Donald Trump's tariffs on the global economy

The US President's tariffs has escalated fears of a global trade war and created deep uncertainty in many industries and in many countries as well. From the moment the tariff decision was announced, global financial

markets plummeted. Over two days, Wall Street stock markets lost a massive \$6.6 trillion, the dollar and oil prices fell, and confidence plummeted.

April 3rd was not an ordinary day in global markets. The US President threw a heavy stone into the stagnant waters of the global economy; he imposed sweeping tariffs that did not even exempt close allies such as Canada, Germany, Japan, Jordan, Egypt, and Morocco. Just one move was enough to spark panic in the markets, and US stock indices recorded their worst one-day performance since March 2020. The US dollar index also fell by 2.1%, the largest daily decline since November 2022. In the bond market, the yield on 10-year Treasury notes fell 13 basis points, indicating a flee to safe assets by investors. US oil prices fell 6.6%, the worst since 2022. Together, these indicators reflect the extent of the anxiety the decision has sowed in the markets.

The head of the International Monetary Fund warned that the new tariffs announced by Trump pose a "significant risk" to the global economy. The director of the World Trade Organization also warned that the tariffs imposed by Trump could reduce global merchandise trade by 1% this year.

Positive performance for global markets in 2024

Global markets performed positively, including most global market indices, compared to the performance of markets in 2023. The Morgan Stanley Capital International (MSCI) World Index gained about 17%, and the Standard & Poor's 500 Index gained 23.3% by the end of 2024.

The rise included most continental indices, including the MSCI index for the United States of America, which rose by 23.7%. The weight of the American market and the degree of its influence on the rest of the global markets are very large. The comprehensive index for the Americas also rose by 22%. The MSCI Europe Index fell by 0.9%, while the MSCI Asia/Pacific Index rose by about 7.2%, and the Japanese index rose by about 7.3%. The global markets index achieved a rise of about 2%, excluding the United States of America, which reflects the weight of the American market in the composition of the index.

Gulf stock markets also rose by 2% in 2024, according to the S&P GCC Composite Index. Most GCC markets achieved positive performance in 2024, with the exception of Abu Dhabi and Qatar, which ended the year in decline. Dubai, however, was the best performer among its Gulf peers, rising 27.1%. This was due to strong economic prospects, supported by both the real estate and tourism sectors.

Company Performance

At the company level, the company incurred losses amounting to KWD 793,064 in 2024, compared to a net profit of KWD 2,458,489 in 2023. This was due to the decline in the value of the investment in the associate recognized as an impairment, Al Markaz, which is the company's main investment in addition to unrealized losses resulting from the revaluation of some financial assets at fair value through profits and loss.

Performance of the Associate

The company's principal investment, classified as an associate, remains its stake in Kuwait Financial Centre (Markaz). The company owns 139.961 million shares of Markaz, representing 28.56% of Markaz's shares (number of outstanding shares, i.e., after deducting Markaz's treasury shares). The associate company achieved net profits attributable to the shareholders of the parent company amounting to KWD 4.456 million in 2024, compared to net profits of KWD 4.147 million at the end of 2023. The associate company's general assembly also approved the distribution of cash dividends amounting to 7%, or 7 fils per share.

Thanks, and Gratitude

At the end, I would like to extend my sincere thanks and gratitude to our Emir, His Highness the Amir Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, His Highness the Prime Minister Sheikh Sabah Khaled Al-Hamad Al-Sabah, the prime minister Sheikh Ahmad Abdullah Al-Ahmad Al-Sabah and all the supervisory authorities for their efforts to achieve what is in the good and progress of our country at all levels. Thanks are due to our valued shareholders for their support, which we hope will continue further in the future, and to our esteemed clients for the trust they have placed in us. Also, I would like to thank the management team and all the company's employees for their efforts to implement current and future business plans.



Mishal Nasser Habib

Vice Chairman & CEO

Governance Report
Kuwait Pillars for Financial Investment
for the fiscal year ended 31 Dec 2024



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Board of Directors & Board Secretary



Mr. Ghazi Ahmed Al-Osaimi
Chairman



Mr. Mishal Naser Habib
Vice Chairman & CEO



Mr. Jamal Abdullah Al-Saleem
Board Member



Mr. Soud Abdulaziz Al-Mansour
Board Member



Mr. Mohamad Saad Al-Saad
Board Member



Mr. Bandar Abdullah Al-Ghemlas
Board Member



Mr. Fahad Sami Al-Rushaid
Board Member



Mr. Mohamad El-Sayed Taha
Board Secretary

Executive Management Members



Mr. Mishal Naser Habib
Vice Chairman & CEO



Mr. Abdulaziz Jassem Al-Jassem
Senior Vice President
Business Development & Private Equity



Mr. Essam Abdulrahman Al-Youssef
Executive Vice President
Compliance



Mr. Ahmed Mohamed Sobhy
Executive Vice President
Finance



Mr. Ahmed Azmi Saleh
Vice President
International Investments



Mr. Sohail Jaberi
Vice President
Risk Management



Mr. Fahed Mohamed Al-Osaimi
Vice President
Local & Regional Investments

Chairman Message

Dear KPFI shareholders,

I am pleased to present to you the annual corporate governance report for the year 2024.

Within the framework of the necessity of adherence to principles that help establish the concept of transparency, accountability, integrity and ethics and honesty in our business which form without a doubt the cornerstone of any successful organization. Precisely for this reason comes our promise to ourselves and our investors and all our stakeholders to uphold the highest standards of probity and integrity in the management of the company.

In the light of the growing concern of our shareholders, including potential shareholders and investors, Kuwait Pillars decided to strengthen its corporate governance system in line with the finest local and international practices in this area. In this regard, Kuwait Pillars planned to strengthen the role of independent Board members and adopted sophisticated and distinguished work ethics in its sector as well as creating new regulatory laws and applying the delegation of authority system and integrate the role of the board of directors and committees at the heart of our business.

The annual corporate governance report as a whole confirms our commitment to always providing the best value for our shareholders. This stems from our recognition as a closed joint stock company that the sustainability of good corporate governance practices has become an ethical and economic imperative in the modern world of business development.

We also are looking to achieve the desired objectives to improve existing practices and procedures in addition to implement developed governance framework for Kuwait Pillars and its affiliates so we can take a prestigious position in our business areas and thus achieve the vision of our shareholders.

Finally, we would like to take this opportunity to thank all the authorities and regulators that have contributed to better support the principles and practices of corporate governance and their implementation in State of Kuwait.



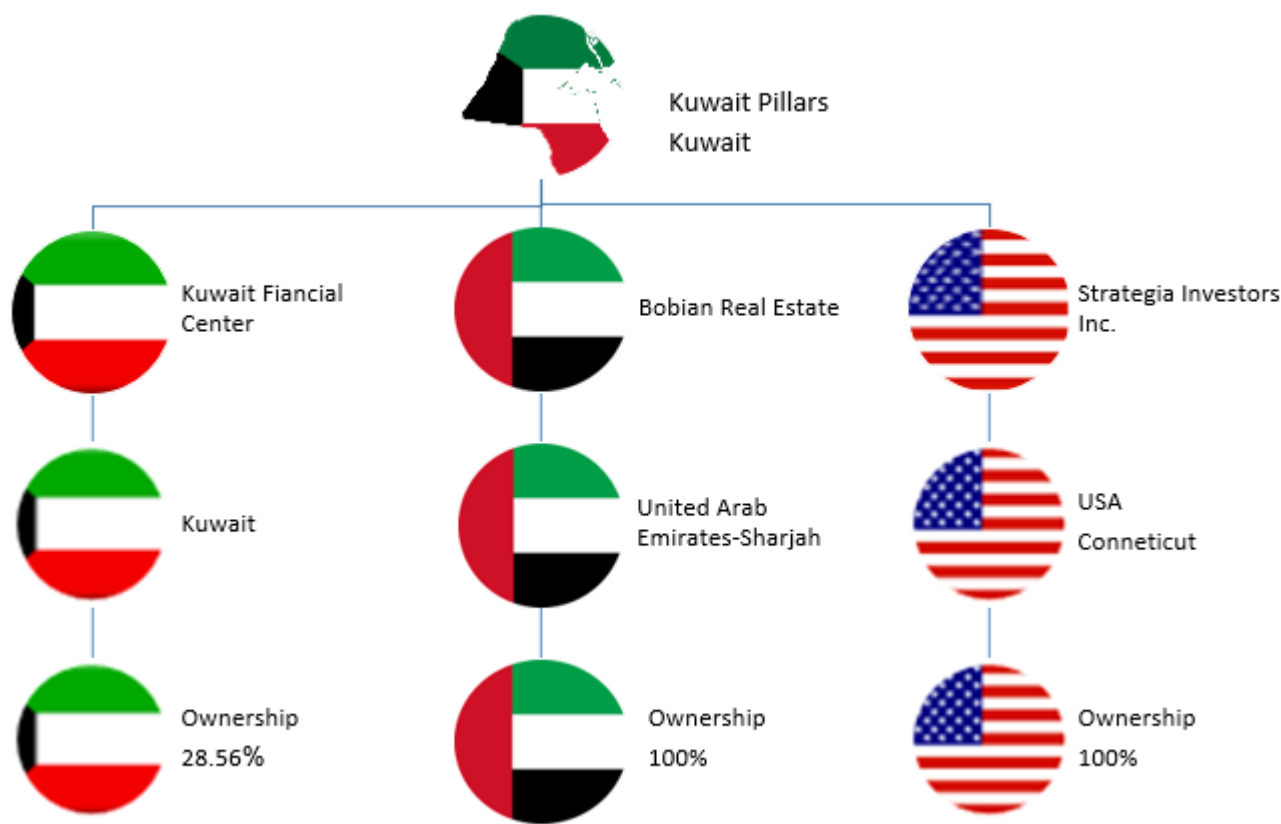
Ghazi Al-Osaimi

Chairman

Major Shareholders of Kuwait Pillars that own 5% and more as per KCC shareholders register as of end of December 2024

	Major Shareholders	Ownership Percentage
1	National Industries Group Holding	6.426%

KPFI and its subsidiaries & associates



Percentage referred to in the subsidiaries & associates companies according to statements of 31/12/2024

Rule 1: Construct a balanced board composition

Brief on the composition of the Board of Directors, as follows:

The Board of Directors consists of executive, non-executive and independent members who are elected through the General Assembly and the Board of Directors includes a sufficient number of members to form committees within the framework of corporate governance.

The Board of Directors consists of six elected members, and the election and renewal of the membership of Board of Directors members takes place every three years in accordance with the rules and regulations in force and the instructions issued by the Capital Markets Authority and other supervisory bodies.

Name	Member Classification (Executive, Non-Executive, Independent) Board Secretary	Qualifications & Professional Experience	Date of Election/ Appointment of Board Secretary
Ghazi Ahmed Al-Osaimi	Chairman Non-executive	BA in Business Administration - Finance / Gulf University for Science and Technology - Jan 2007	21 May 2023
Mishal Nasser Habib	Vice Chairman & CEO Executive	BA in Accounting / Kuwait University 1996 - Computer science Diploma / Commercial Institute "Public Authority for Applied Sciences" - 1992	21 May 2023
Soud Abdulaziz Al-Mansour	Board Member Independent	BA in General Administration & Finance-California - USA/ 2000	21 May 2023
Jamal Abdullah Al-Saleem	Board Member Non-executive	BA in Accounting - Kuwait University- Master's degree in accounting with first class honors - Oklahoma City University USA - 1987	21 May 2023
Bandar Abdullah Al-Ghemlas	Board Member Non-executive	Bachelor of Business Administration/ Finance & Financial Institutions - Kuwait University 2003 / Master's degree in Business Administration / Financial Management - American University of the Middle East - 2011	21 May 2023
Mohammad Saad Al-Saad	Board Member Non-executive	Bachelor of Business Administration/ Finance & Financial Institutions - Kuwait University 2005	21 May 2023
Fahad Sami Al-Rushaid	Board Member Independent	BA in Accounting, San Diego University, USA - 2010	21 May 2023
Mohamed El-Sayed Taha	Board Secretary	Bachelor of Arts - English Literature- Mansoura University- Egypt -1998	Appointed 11 March 2014

Brief on the Company's Board of Directors' meetings, through the following statement:

Meetings of the Board of Directors are held with a full quorum and the attendance by majority of the members. The members of the board of directors were keen to carry out the duties of leadership and responsibility through extensive meetings to supervise the management of the company in various fields and work on the proper utilization of the company's human and financial resources. The board held 9 meetings during the past year, while the articles of association states to meet at least 6 times. Details of the meetings are as follows:

Board of Directors Members									
Serial	Meeting Number	Date of Meeting	Ghazi Al-Osaimi Chairman	Mishal Habib Vice Chairman	Soud Al-Mansour Member	Jamal Al-Saleem Member	Bandar Al-Ghemlas Member	Mohammad Al-Saad Member	Fahad Al-Rushaid Member
1	205	23/01/2024	✓	✓	✓	✓	x	✓	✓
2	206	22/02/2024	✓	✓	✓	✓	✓	✓	✓
3	207	19/03/2024	✓	✓	✓	✓	✓	✓	✓
4	208	28/03/2024	✓	✓	✓	✓	✓	✓	✓
5	209	09/05/2024	✓	✓	✓	✓	✓	✓	✓
6	210	14/08/2024	✓	✓	x	✓	✓	✓	✓
7	211	22/08/2024	✓	✓	✓	✓	✓	x	✓
8	212	12/11/2024	✓	✓	✓	✓	✓	✓	✓
9	213	23/12/2024	✓	✓	✓	x	✓	✓	✓
Attendance Percentage			100%	100%	92%	92%	92%	92%	100%

A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company.

All meeting minutes are recorded through the Board Secretary, who in turn prepares all meeting related matters, communicates with all members, and coordinates with them for all meetings. It also provides board members with immediate and quick access to board meeting minutes, information's, documents and records that help them make the right decisions in a timely and appropriate format.

A declaration by the independent member that it fulfills the criteria for independence,

The independent member acknowledges that he has the controls for independence, which are as follows:

1. He is not a personal owner of a number of the company's shares representing more than 5% of the company's shares.
2. He is not a first-degree relative with any of the Board of Directors members or the Executive Management of KPFI or any company of its group or the main related parties.
3. He is not a member of any company of its group.
4. He is not an employee of legal persons who own controlling shares in the company.
5. He is not an employee of the company or of any company of its group or of stakeholders.

Rule 2: Establish appropriate roles & responsibilities

Brief on how the company defines the policy of the tasks, responsibilities, and duties of each of the Members of the Board of Directors and executive management members, as well as the powers and authorities delegated to the executive management.

The company has a policy to define the duties, responsibilities and powers of the board of directors, which defines the powers that members of the board of directors perform and the powers that have been granted or delegated to the executive management to carry out, where a matrix of financial and administrative authorities has been approved for all levels of the executive body and the board of directors and the separation between them in contradiction with the tasks of each person who has authority or authorization in the members of the executive body, as the system defines dual control over the powers and there is no absolute authority or authorization for any person of board of directors members or the executive body.

Achievements of the Board of Directors during year 2024

- Approving the board of directors and committees' meetings minutes.
- Discussing the renewal of credit facilities granted to the companies.
- Discussing and approving the quarterly and annual financial statements.
- Discussing the agenda of the ordinary general assembly meeting for the fiscal year ending on December 31, 2023.
- Reviewing the decisions of the Ordinary General Assembly held on May 07, 2024.
- Discussing and approving integrated reporting systems for the year 2023.
- Approving the periodic reports issued from the Risk Management, Regulatory Compliance Department, Anti-Money Laundering and Combating the Financing of Terrorism, Audit Department, Governance Report, Audit Committee, and Custodian Activity Report.
- Discussing and approving amendments to some of the company's policies and procedures.
- Evaluating employee performance and approving the bonuses disbursement to the Board of Directors members and executive management.
- Discussing the proposal to increase the company's issued and paid-up capital
- Discussing the lawyer cases report by/against Kuwait Pillars Financial Investment Company.

Brief about the application of the formation requirements of independent specialized committees by the Board of Directors.

The Board of Directors has approved the formation of its committees in order to enhance the effective supervision and control of all its operations and the activities of the company to ensure best practices. The following is an overview of those committees:

Audit Committee

The Audit Committee consists of (3) members, including at least one independent member, and its membership is not occupied by the Chairman or the Executive Board members. It was formed on 28/05/2023 for a period of three years. The audit committee shall also hold periodic meetings with the external auditors and at least four meetings annually with the internal auditor.

The tasks and achievements of the audit committee during the year 2024

- Discuss the appointment of Grant Thornton to carry the internal audit during the year 2024.
- Discuss the internal audit plan and program for 2024.
- Discuss the appointment of an audit firm to carry out the evaluation and review of internal control systems (ICR) for the fiscal year ending December 31, 2023.
- Discuss the assignment of an auditor registered with Capital Markets Authority to ensure the company's compliance with the rules stipulated in Book Seven, "Customers' Funds and Assets" of the Executive Regulations of the Capital Markets Authority.
- Discuss the assignment of an external auditor to prepare a report that includes an assessment of the extent of compliance with all legislative determinants and requirements contained in the Anti-Money Laundering and Combating

the Financing of Terrorism Law, as well as the instructions issued by Capital Markets Authority in this regard, in addition to the extent of compliance with regulations, policies, work procedures, and internal control systems.

- Discuss and approve the annual evaluation of the audit department officer.
 1. Discuss and approve the reports prepared by internal auditor Grant Thornton related to all company departments (Compliance, Anti-Money Laundering, Corporate Governance, Complaints Unit, Finance, Asset management, Human Resources and Administrative Affairs, Information technology, Risk management and Credit management for the third and fourth quarters of 2023 and the first and second quarters of 2024.
- Recommend to the Board of Directors to approve the annual and quarterly financial statements.
- Recommend the appointment of the external auditor for the year 2024.
- Discuss the ICR Report for the year 2023.
- Discuss and approve the internal audit report on the procedures and internal control systems for the year 2023.

Members of the Audit Committee

Name	Position within the Committee	Membership
Mr. / Jamal Abdullah Al-Saleem	Chairman	Non-Executive
Mr. / Fahad Sami Al-Rushaid	Member	Independent
Mr. / Bandar Abdullah Al-Ghemlas	Member	Non-Executive

The number of meetings held by the audit committee during the year 2024

During the year 2024, the committee held (6) meetings.

Risk Management Committee

The Risk Committee consists of (3) members, and its chairman shall be non-executive board members. The Chairman of the Board of Directors may not be a member of the Risk Committee. It was formed on 28/05/2023 for a period of three years. The Risk Committee shall meet periodically during the year (4) times.

The tasks and achievements of the risk management committee during the year 2023

- Review and discuss the risk management action plan for the year 2024.
- Discuss and approve the annual evaluation of the risk department officer.
- Discuss the risk register for the second half of year 2023 and the first half of year 2024.
- Discuss the risk management reports for Q4 of year 2023 and Q1, Q2 and Q3 of year 2024 related to the company's investments.
- Discuss the risk appetite report as of 31 December 2023 and Q1 of year 2024.
- Discuss risk management recommendations regarding the capital adequacy ratio.
- Discuss the capital adequacy ratio as of the fourth quarter of 2023, Q1 and Q2 of year 2024.

Members of the Risk Management Committee

Name	Position within the Committee	Membership
Mr. / Soud Abdulaziz Al-Mansour	Chairman	Independent
Mr. / Jamal Abdullah Al-Saleem	Member	Non-Executive
Mr. / Bandar Abdullah Al-Ghemlas	Member	Non-Executive

The number of meetings held by the risk management committee during the year 2024

During the year 2024, the committee held (4) meetings.

Remuneration & Nomination Committee

The Remuneration and Nomination Committee consists of (3) members, including an independent member, and it is chaired by a non-executive member. It was formed on 28/05/2023 for a period of three years. The Remuneration and Nomination Committee holds at least one meeting annually.

The tasks and achievements of the remuneration & nomination committee during the year 2024

- Discuss the self-performance evaluation of the Board of Directors.
- Discuss the results of the annual evaluation of the company's employees for the year 2023.
- Discuss the annual evaluation of the company's employees for independent positions for the year 2023.
- Discuss the company's employees' rewards, and the remuneration of the members of the committees and the secretary of the committees emanating from the Board of Directors for the year 2023.
- Prepare a detailed annual report on all remunerations granted to members of the Board of Directors and the Executive Management, whether they are sums, benefits or benefits of whatever nature or name.

Members of Remuneration & Nomination Committee

Name	Position within the Committee	Membership
Mr. / Soud Abdulaziz Al-Mansour	Chairman	Independent
Mr. / Ghazi Ahmed Al-Oseimi	Member	Non-Executive
Mr./ Mohammad Saad Al-Saad	Member	Non-Executive

The number of meetings held by the remuneration & nomination committee during the year 2024

During the year 2024, the committee held (1) meeting.

Investment Committee

The Investment Committee consists of (3) members and was formed on 28/05/2023 for a period of three years. The Investment Committee holds its meetings when necessary.

The tasks and achievements of the investment committee during the year 2023

- Discuss the performance of company portfolio as of 31 December 2021.
- Discuss the purchase of Amar Finance & Leasing Company shares.
- Discuss the performance of the company's portfolio as of the end of Q4 of year 2023, Q1, Q2 and Q3 of year 2024.

Members of Investment Committee

Name	Position within the Committee	Membership
Mr. / Mishal Nasser Habib	Chairman	Executive
Mr. / Mohammad Saad Al-Saad	Member	Non-Executive
Mr. / Fahad Sami Al-Rushaid	Member	Independent

The number of meetings held by the investment committee during the year 2024

During the year 2024, the committee held (3) meetings.

A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company.

The Board members are provided with all information and data by hand or through e-mail and by sending them comprehensive reports for viewing. Communication is done via e-mail and all ways of communication. Through board secretary all documents, minutes of board meetings, and minutes of committees' meetings are kept in files that are easy for the board members to request and to have access to.

Rule 3: Recruit highly qualified candidates for members of a board of directors and the Executive Management

Brief about the application of the formation requirements of the nominations and remunerations committee.

The Remuneration and Nominations Committee is made up of three members, including an independent member, and none of the executive members occupy its membership. According to the remuneration and nomination committee approved by the company, among the committee's tasks are:

1. Establishing a clear policy for the remuneration of members of the Board of Directors and the Executive Management.
2. Determine the different categories of rewards that will be granted to employees, such as the fixed bonus segment and the variable bonus segment.
3. Reviewing the bonus policy and assessing its effectiveness in achieving its desired goals.
4. Prepare a detailed annual report on all remunerations granted to members of the Board of Directors and the executive management.
5. Recommending the nomination or re-nomination for membership of the Board of Directors and the Executive Management.

Report on the remunerations to the Members of the Board of Directors and Executive Management

1. Summary of the company's remuneration and incentives policy, in particular what is related to the Board of Directors members, executive management and managers

a. Board remuneration policy:

The remuneration policy for directors states the following:

- The total remuneration must not exceed 10% of the net profit of the company after deducting depreciation, reserves and shareholder profits that are not less than 5% of the company's capital.
- Board members' remuneration must be approved by the General Assembly at its annual meeting, based on the recommendation of the Remuneration and Nominations Committee.
- Based on the approval of the general assembly, an independent member of the board of directors can be exempted from the maximum remuneration limit.

According to the company's financial statements for the fiscal year ending on December 31, 2024, the Board of Directors recommended not to distribute bonuses for the board of directors' members for the fiscal year ending on December 31, 2024.

- Members of the committees emanating from the Board of Directors are granted a committee attendance allowance based on the recommendation of the Remuneration and Nomination Committee, the recommendation of the Board of Directors, and the approval of the General Assembly of the company's shareholders.

b. Remuneration and incentives policy for the executive management members and company employees:

Kuwait Pillars grants several bonuses and incentives to its working employees in accordance with the annual evaluation of the employee, which is carried out according to specific technical and professional standards. These bonuses are allocated in amounts that suit the employee's performance and provide the required motivation and encouragement to continue and raise the level of job performance. The company, through the Nominations and Remuneration Committee, in cooperation with the Administrative Affairs, created and developed plans for short and long-term remuneration that seek to create an attractive business environment and focus on encouraging workers at various job levels in the company.

2. According to the company's financial statements for the year 2023, the remunerations and benefits for the members of the board of directors and senior executives who received the highest remunerations, in addition to the CEO and the financial manager

Remunerations and benefits for board of directors' members								
Total number of board members	Remunerations & benefits from the parent company				Remunerations & benefits from the subsidiaries companies			
	Fixed remunerations & rewards (K.D)		Variable remunerations & rewards (K.D)		Fixed remunerations & rewards (K.D)		Variable remunerations & rewards (K.D)	
	Medical Insurance	Others	Yearly Bonuses	Committees allowances	Medical Insurance	Total Monthly Salaries during the year	Yearly Bonuses	Committees allowances
7	0	0	98,000	0	0	0	0	0

The total remunerations and benefits granted to five senior executives who received the highest remunerations, in addition to the CEO and the financial manager

Total number of executive position	Remunerations & benefits from the parent company								Remunerations & benefits from the subsidiaries companies			
	Fixed remunerations & rewards (K.D)							Variable remunerations & rewards (K.D)	Fixed remunerations & rewards (K.D)		Variable remunerations & rewards (K.D)	
	Total Monthly Salaries during the year	Medical Insurance	Annual Tickets	Housing Allowance	Phone Allowance	Children' s Education Allowance	Vacations & end of service		Total Monthly Salaries during the year	Others	Bonuses	Committees Bonus
7	282,156	6,800	7,000	6,000	3,000	14,272	54,003	82,038	7,528	0	0	0

3. Fundamental deviations from the remuneration policy approved by the Board of Directors

There are no fundamental deviations from the remuneration policy.

Rule 4: Safeguard the Integrity of Financial Reporting

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

- The executive management of Kuwait Pillars for Financial Investment undertakes to the Board of Directors of the company that the financial reports are presented in a sound and fair manner, and that they review all the financial aspects of the company in terms of operational data and results, and that they have been prepared in accordance with international accounting standards approved by the Authority.
- The Board of Directors undertakes the integrity of all financial statements as well as reports related to the company's activity and confirms that there are no material issues or events that may affect the continuation of the company's operations during the next financial year.

Brief about the application of the formation requirements of the audit committee.

The Audit Committee is formed of three members and one of its members is independent. Its membership does not include the chairman or executive board members. The members of the audit committee have academic qualifications and practical experience in the accounting and financial fields.

Conflicts between the recommendations of the audit committee and the decisions of the board of directors

No discrepancy has been identified between the audit committee and the decisions of the Board of Directors during the year 2023.

Verification of the independence of the external Auditor.

Deloitte & Touche Al-Wazzan & Co

- The board of directors submits its recommendations to choose the external auditor to be reviewed with the general assembly to appoint the company's external auditor
- The company's auditor is registered in the auditors' register at the Capital Markets Authority.
- The external auditor is not a partner or a party to any agreement or an agent of one of the founders of the company or a member of the board of directors or any of their relatives up to the fourth degree.
- Selection of the external auditor depends on competence, reputation and experience.

Rule 5: Apply Sound Systems of Risk Management and Internal Audit

A brief statement on the application of the formation requirements of a department/ an office/ an independent unit of risk management

An independent risk management department has been established, and those in charge of it have complete independence through their direct subordination to the Risk Management Committee in addition to having a large amount of powers in order to carry out their duties to the fullest extent without granting them financial powers and authorities or any authorities that lead to a conflict with their supervisory role. The Risk Management Department reviews the deals and transactions proposed to be carried out by the company with related parties, and makes appropriate recommendations regarding them to the Board of Directors.

A brief overview of the requirements for forming a risk management committee

The Board of Directors has formed a Risk Management Committee of 3 members. It is chaired by a non-executive board member, including an independent member. The committee holds 4 periodic meetings during the year as a minimum. Among the tasks of the risk committee are the following:

- Reviewing risk management systems and internal controls at least once a year to ensure that all risks that may face achieving business objectives are mitigated by applying appropriate and effective controls. The audit should include financial statement controls, operations, risk management, and internal control systems.
- The audit procedures followed by the company's management to identify, assess and manage significant risks.
- Changes that have occurred since the last review in the nature and extent of major risks and the ability of the company to adapt to changes in operations and the external environment. The scope and nature of risk control activities, internal control systems, external audits, reviewing weaknesses and defects of the control system or unexpected emergencies that have affected or may significantly affect the performance of the company's financial position and the procedures followed by the company to address the core issues of control and review the company's compliance with the approved laws and regulations Related to the company.

Summary clarifying the control and internal audit systems

Internal control system

The company's board of directors is responsible for managing risks and internal control systems and reviewing their effectiveness, through preserving assets, keeping correct financial statements, and detecting errors and irregularities. The Board of Directors is obligated to review the report of the Risk Committee on the results of internal control activities and the periodic reports on control activities.

- Internal control includes defining a clear organizational structure, writing down policies and guidelines, defining the powers, authorities, mandates, and performance control mechanisms that have been put in place to effectively and regularly monitor the company's operations and ensure compliance with governance laws issued by all regulatory authorities.

Our Internal Control System is comprised of a group of procedures applied by the board of directors, the executive management, as well as the company's employees. Such procedures are designed to provide reasonable, not ultimate, guarantee for achieving the following objectives:

- **Risk management:** ensure identifying the risks and controls required for achieving the company's objectives.
- **Operations' effectiveness and efficiency:** To conduct operations in a precise way with pre-approved procedures to ensure expected accuracy and smooth customer's service.
- **Authenticity of Financial Reports:** ensure presenting authentic financial statements and information to the board, shareholders and Top Management.
- **Internal audit reports:** Review the internal reporting procedures and determine the integrity of financial position of the company.
- **Audit of internal control systems:** A report is prepared by an independent auditor annually on internal control systems.
- **Adherence to applicable laws and legislations:** adhere to the laws and regulations governing the company, to avoid harming the company's image or receiving penalties.

A brief statement on the application of the formation requirements the internal audit department/ office/ unit

The company has an internal audit department and the department uses an independent professional audit office to carry out the internal audit work. The internal audit officer coordinates and supervises the internal audit processes with the external entity, ensures compliance with policies and procedures, and the adequacy of internal control systems, and coordinates with heads of departments and divisions of the company regarding the audit process and issues reports of exceptions to the management, with recommendations and follow-up with the management.

Rule 6: Promote code of conduct & ethical standards

A summary of the business charter including standards and determinants of code of conduct and ethical standards.

The Board of Directors, through the code of professional conduct rules and ethics, defines good practices for governance and its work. This includes the means to ensure that these practices are followed, reviewed and regularly updated with a view to improving them.

The Board of Directors takes the lead in defining professional standards and corporate values that enhance the integrity of the company, senior management and employees.

The code of professional conduct and ethics shall be circulated to all employees of the company and to the board of directors' members to obtain their signatures with the instructions stated therein.

Summary of the policies and mechanisms on reducing the conflicts of interest

Our company has written conflict of interest policies covering all issues related to the subject of conflict of interest and its prospects, including but not limited to:

- Avoid a member of the board of directors from engaging in activities likely to lead to conflicts of interest.
- Board of director's approval of any activity by a member of the board may result in a conflict of interest.

Rule 7: Ensure Timely and High-Quality Disclosure and Transparency

Summary of the application of mechanisms for presentation and accurate and transparent disclosure that define aspects, areas and characteristics of disclosure:

The company has set a policy for disclosure and transparency and has been approved by the Board of Directors, and has set standards for disclosure of essential information specified by the executive regulations of the Capital Markets Authority Law, and defined the elements of disclosure and information to be disclosed and the departments responsible for communicating the information. Disclosure thereof in addition to other means represented on the company's website.

Brief about the disclosure record requirements of Board Members, Executive Management & Managers:

A register of disclosures for members of the Board of Directors, Executive Management and Managers has been prepared at the Compliance Dep. and circulate it to the members of the Board of Directors and the Executive Management to inform the Director of the Department of any transactions for them or their minor children on the shares of the company, the parent company, the subsidiary companies, or the companies that the KPFI is considered as a corporate insider.

The transactions of the members of the Board of Directors and their first-degree relatives in the shares of the company in 2024 were as follows:

Description	Number	Relation	Total sale (of shares)	Total purchase (of shares)	Date of Operation	Remarks
Board Member	1	Personal	-	72017	25 Jan 2024	Disclosure to the Compliance Department
Executive Management	-	-	-	-	-	-
Managers	-	-	-	-	-	-
Employees	-	-	-	-	-	-

Board members and their first-degree relatives did not conduct any dealings in the company's shares during 2024. Thus, we continue our efforts in developing the performance of our services and following a more transparent principle in all aspects of dealing with shareholders and investors.

A brief statement on the application of the formation requirements of a unit of investor's affairs.

The Investor Affairs Unit has been established to provide the largest amount of information regarding current and potential future investors, and this unit is responsible for establishing and providing the necessary data, information and reports to investors, as the Investor Affairs Unit has the appropriate independence that helps it to provide timely and accurate data and reports.

Disclosure through IT systems

Through the development of its electronic portal, our company strives to present and disclose all information and data and utilize the means of information technology to communicate with the general public. The company is also aware that the disclosure system is an effective tool to influence the company's behavior and protect the shareholders and enhance their confidence in the company. The company provides its shareholders and investors with accurate, comprehensive, detailed and timely information through the company's website, which reflects transparently all data, organizational structure and control procedures and policies through dissemination of information of annual reports, quarterly reports through the website (www.kuwaitpillars.com.kw) in Arabic and English.

The company also maintains a complete record of disclosure and is internally documented and can be accessed sequentially through the company's website.

Rule 8: Respect the rights of shareholders

A summary of the application of the requirements for the identification and protection of the general rights of shareholders, in order to ensure fairness and equality amongst all shareholders.

The shareholders have the right to review and participate in the decisions that may affect the future of the company or its activities. The company provides all necessary information to the shareholders in a timely and appropriate manner through advertising in newspapers or through the company official website to allow them to exercise all their rights to the fullest.

A summary of the creation of a special record at the Clearing Agency as part of the requirements for on-going monitoring of shareholders' data.

The Company has established a register of shareholders deposited with (Kuwait Clearing Company) through which the data relating to shareholders and their ownership is continuously monitored through continuous follow-up in the change of ownership and what arises from it.

Brief on how to encourage shareholders to participate and vote in the company's general assembly meetings.

The management of the company is keen to publish within enough time about the annual general meeting and invites all its shareholders to attend and vote the meetings through the advertising means and announces at sufficient intervals by means of another announcement to remind shareholders to attend the meetings.

Rule 9: Recognizing the roles of stakeholders

Brief about conditions and policies that ensure protection and recognition of the rights of stakeholders.

The company is committed to protecting the rights of all stakeholders and providing stability and sustainability through its good financial performance. The Stakeholder Protection Policy has been formulated and adopted to set guidelines on how to protect these rights. Appropriate mechanisms have also been put in place to facilitate the stakeholders' reporting to the company's board of directors of any improper practices they are exposed to by the company, while providing appropriate protection to the parties who report.

Brief on how to encourage stakeholders to keep track of the company's various activities

Stakeholders have an important and influential role in the success of the company's business. The Board realizes that the ultimate success of the company is the result of the joint efforts of many parties including shareholders, lenders and employees. The company's procedures, approved policies and practices emphasize the importance of respecting the rights of stakeholders in accordance with the relevant laws and regulations and systems. The company is working to encourage stakeholders to participate to follow up on the various activities of the company and has set up mechanisms and frameworks to ensure maximum benefit from the contributions of stakeholders and urge them to participate in the follow-up of its activities, in a manner consistent with achieving its interests to the fullest with providing stakeholders the right to get the information and data related to their activities.

Rule 10: Encourage and Enhance Performance

A summary of the application of the requirements for the development of mechanisms that allow Members of the Board of Directors and Executive Management to attend the training programs and courses regularly.

The company has set induction programs for newly appointed members and employees in order to ensure that they have an appropriate understanding of the company's workflow and operations, provided that these programs include the company's strategy, objectives, financial and operational aspects of all the company's activities, the legal and supervisory

obligations of the members of the Board of Directors and the company, responsibilities and tasks assigned to them, as well as the powers and rights available to them, and the role of the committees emanating from the Board of Directors. The company also provides training programs and suitable workshops for both the current members of the board of directors and the executive management, related to the company's work, in order to develop their skills and experience and keep abreast of developments in a way that helps them to perform the tasks assigned to them.

Brief on how to evaluate the performance of the Board as a whole, and the performance of each Member of the Board of Directors and the Executive Management.

Each member submits his self-evaluation to the Board of Directors, and the Nomination and Remuneration Committee is responsible for managing the evaluation process, discussing the results of the performance evaluation, and identifying the strengths or weaknesses that have been identified. The members' needs for training and development are determined in order to increase awareness of the main technical, financial and administrative aspects related to the company's activity.

An overview of the Board of Director's efforts in asserting the importance of corporate value creation with the employees at the company through achieving the company's strategic goals and improving key performance indicators

The board of directors is making efforts to create institutional values (value creation) for the company's employees by achieving strategic objectives and improving performance rates.

1. The executive management shall hold regular meetings with all employees, managers and heads of departments in the company to find new ideas and to encourage all employees to communicate with the executive management and the board of directors.
2. The human resources department develops an annual plan to train all employees on an annual basis in order to prepare them for executive and leadership positions in the future.
3. In addition to the technical training programs selected by the departments for their employees.

Rule 11: Focus on the Importance of Corporate Social Responsibility

A summary of the development of a policy to ensure a balance between each of the company goals and society goals.

Kuwait Pillars Company continues to focus its attention on sustainable development, based on its responsibility towards society and its continued commitment to perform the ethical role in accordance with what is required by laws and public customs and the importance implied by the broad concept of this responsibility and the impact that it can reflect on the entire society. The Board of Directors has adopted a policy of social responsibility whereby Kuwait Pillars is keen that the company's social responsibility is integrated into the company's daily operations. It seeks coordination and communication between the company and all its functional units, as the commitment towards social responsibility is translated into specific goals and included in the companies' policies and procedures and it seeks to have an effective role in community development through initiatives and participations that contribute to the interest of different segments of society.

Brief about the programs and mechanisms helping to highlight the company's efforts exerted in the field of social work.

Our Human Resources

The human element is the most important resource of the company, so it is important to keep all the social responsibilities towards it and to develop and apply a strong relationship between the company and its employees. Some of social practices adopted by the company in this frame are:

- Support national workforce.
- Provide an opportunity for fresh graduates to raise their abilities and contribution in society.
- Rewards and incentives for personnel in accordance with the principle of efficiency and trustworthy.
- Raise the morale of employees and spread the spirit of cooperation, motivation and encouragement among them.
- Training and development: the company has launched several courses and training programs aimed to develop the skills of its staff and to expand their knowledge.
- Safety and sound lifestyle.
- Staff members' commitment to work.
- Business diversification.
- Integrity and credibility of business.
- Recruitment and retention.
- The company's commitment to apply the related laws and regulations and executing them fairly with its employees.

Social Initiatives

In pursuit of company's management on social responsibility and contributing to charitable initiatives that benefit segments of society in need of support and care, and in an effort to continue and commit to performing the ethical role in accordance with the requirements of laws and public norms, KPFI contributed to supporting the Kuwaiti Association for Down Syndrome which is one of the public benefit associations registered by Ministerial Resolution No. (51) of 2006 by the Ministry of Social Affairs and Labor, which concerned with people with intellectual disabilities, especially the Down syndrome category and one of its goals is to take care of this group of both sexes and from all age groups to qualify them and develop their mental capabilities by providing the best scientific and educational methods as well as their individual and collective skills to be effective elements in the society in which they live, by contributing to sponsoring one of the events organized by the association in 2023, which had a positive impact on them.

Support of National Workforce

One of the most important pillars of social responsibility for Kuwait Pillars is the concern for human development, especially for national cadres. During the year 2023, some employees were registered to attend the online course "Anti-Money Laundering and the Financial of Terrorism" organized by Union of Investment Companies and Tadawul Academy. Some employees were also registered to attend training at Union of Investment Companies and Kuwait Financial Markets Association, to increase their practical experience to advance to the advanced professional level, which contributes to promote the national economy.

The External Auditor's Confirmation of the Adequacy of the ICR Systems

Kuwait Pillars has contracted with an external audit office (independent of the company's external auditor) to ensure the integrity of the accounting records and other records and the company's internal control systems.

Which reported the integrity of the internal control and oversight systems for the fiscal year ending on December 31, 2024. The following is the certificate of the External Audit Office on reviewing the internal control systems:



مكتب الواحة لتدقيق الحسابات
محاسبون قانونيون وخبراء ومحققون وحراس قضاة
عضو في نكسيا انترناشيونال - إنجلترا
منذ ١٩٨٨

التاريخ: 2024/3/21

المحترمين

السادة/ هيئة اسواق المال

دولة الكويت

تقرير تقييم ومراجعة نظم الرقابة الداخلية (ICR)

لشركة كويت بيلارز للاستثمار المالي - ش.م.ك مغلقة

للسنة المالية المنتهية في 31 ديسمبر 2023

لقد قمنا بتقييم ومراجعة نظم الرقابة الداخلية لشركة كويت بيلارز للاستثمار المالي - ش.م.ك مغلقة للسنة المالية المنتهية في 31 ديسمبر 2023 ، وقد غطى الفحص البيئة الرقابية العامة للشركة والمطابقة والالتزام بقواعد حوكمة الشركات الصادر من هيئة اسواق المال ، ونظراً لجوانب القصور التي تكمن في أي نظام رقابة داخلية ، فقد تقع اخطاء او مخالفات قد لا يتم اكتشافها او تعقبها. كذلك فان صعوبة تقييم هذه الانظمة لفترات مستقبلية يخضع لمخاطر نظراً لأن معلومات الإدارة وإجراءات الرقابة قد تصبح غير كافية بسبب تغيرات في الظروف او نتيجة تدني درجة الالتزام بتلك الاجراءات.

تتضمن إجراءات التدقيق الاستفسار من العميل وإختبار على اساس العينة للأدلة والمستندات التي تؤيد انظمة الرقابة الداخلية الموضوعية والمطبقة من قبل الإدارة والمطابقة والالتزام بقواعد حوكمة الشركات.

بناء على فحصنا لأنظمة الرقابة الداخلية لشركة كويت بيلارز للاستثمار المالي - ش.م.ك مغلقة ، نرى أن أنظمة الرقابة الداخلية الأساسية والمطبقة والالتزام بقواعد حوكمة الشركات بالشركة قد تم تطبيقها وفقاً لقواعد هيئة اسواق المال والسياسات والإجراءات الخاصة بالشركة ، باستثناء الأمور التي تم توضيحها في هذا التقرير.

د. علي عويد رخيص
مراقب حسابات - 72
عضو في نكسيا الدولية - (إنجلترا)



مكتب الواحة لتدقيق الحسابات

Board of director's confirmation on the adequacy of internal audit control systems

The Board of Directors of Kuwait Pillars confirms that the company's internal control systems are continuously verified and efficient and that they are comprehensive, monitored and reviewed in a timely manner, within the framework of an organizational structure characterized by transparency and clarity and the limits of responsibility and accountability are monitored. The implementation of approved policies and procedures is monitored through the work the internal audit Dep. that reviews internal controls, duties and responsibilities in addition to the correct use of the powers granted with an emphasis on risk-based audit.

Audit Committee's annual report on internal audit procedures for accounts and other records and internal control systems

We have reviewed the internal auditors' reports for the year ending in 2024, which included auditing procedures, checking accounts and internal control systems for Kuwait Pillars for Financial Investment (KSCC) during the year ending December 31, 2024, under which they covered the examination and audit procedures as follows:

1. Corporate Governance (Board of Directors - Board Committees).
2. Asset Management (Local and Regional Investment - International Investment - Development and Private Equity - Anti Money Laundering).
3. Information Technology Department - Anti Money Laundering.
4. Human Resources and Administration - Anti Money Laundering.
5. Finance and Accounts - Anti Money Laundering.
6. Compliance - Anti Money Laundering - Customer Complaints Unit.
7. Risk Management - Internal Audit.
8. Credit Management - Anti Money Laundering.

We have reviewed the reports of the Internal Audit Department on the examination and audit procedures to ensure that Kuwait Pillars complies with the regulatory requirements issued by the Capital Markets Authority and general guidelines issued by Central Bank of Kuwait regarding internal audit and internal control systems.

We would like to refer to our role as members of the audit committee and members of the board of directors, which includes designing, implementing and maintaining audit procedures and internal control systems. Taking into consideration the proportionality of the cost of the elements of these systems with the benefits expected from their application. And that the aim of this clarification is to provide appropriate and reasonable assurances of the adequacy of audit procedures, followed systems, risk management procedures, and compliance procedures to protect the assets and assets of the company that may result from irresponsible actions or uses, that risks are monitored and evaluated and that operations are carried out in accordance with approved and followed procedures of powers and authorizations. And it is recorded correctly.

In our opinion - taking into account - the nature and size of operations during the year ending on December 31, 2024, the accounting records, other records, audit procedures, internal control systems, the level of performance of risk tendency and the supervisory compliance procedures that we have reviewed, reviewed and examined, as well as measures to combat money laundering and terrorist financing, have been completed. Establishing and maintaining them in accordance with the requirements of the Capital Markets Authority regarding audit procedures, internal control systems, risk management, regulatory compliance procedures, in addition to the governance system, which are properly recorded and implemented.

**Consolidated Financial
Statements & Independent
Auditor's Report for the year
ended 31 December 2024**



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Independent Auditor's Report

To the Shareholders of Kuwait Pillars for Financial Investment (K.S.C.C)

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Pillars For Investment – K.S.C.C (the "Parent Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 adopted for use by 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.

Independent Auditor's Report to the Shareholders (continued)

Kuwait Pillars for Financial Investment (K.S.C.C)

State of Kuwait

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

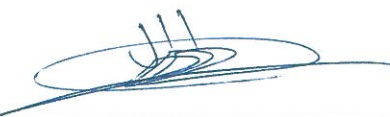
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts 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 the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all the 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 No. 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2024 that might have had a material effect on the business of the Parent Company or on its financial position.

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 organization of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the financial year ended 31 December 2024, that might have had a material effect on the business of the Parent Company or on its financial position.



Talal Yousef Al-Muzaini

Licence No. 209 A

Deloitte & Touche – Al-Wazzan & Co.

Kuwait, 19 March 2025

Consolidated Statement of Financial Position as at 31 December 2024

(all amounts are in Kuwaiti Dinar)

	Note	2024	2023
Assets			
Cash and cash equivalents	5	567,503	600,817
Financial assets at fair value through profit or loss	6	11,399,613	10,761,361
Financial assets at fair value through OCI	6	7,284,103	5,554,738
Investments at amortized cost	7	648,628	648,628
Receivables and other debit balances		324,563	155,479
Investment in an associate	8	20,475,889	23,269,386
Investment properties	9	3,531,350	3,492,866
Finance receivables	10	14,371	1,190,185
Other assets		66,432	77,084
Total assets		44,312,452	45,750,544
Liabilities and equity			
Liabilities			
Payables and other credit balances	11	1,250,519	1,144,691
Due to banks	12	5,590,000	8,690,000
		6,840,519	9,834,691
Equity			
Share capital	13.1	30,000,000	30,000,000
Share premium		697,235	697,235
Statutory reserve	13.2	1,435,040	1,435,040
Voluntary reserve	13.3	365,418	365,418
Foreign currency translation reserve		5,450	7,934
Change in fair value reserve		2,188,984	459,619
Group's share of an associate's reserve		(1,699,948)	(2,011,043)
Treasury shares	14	(8,950)	(640)
Gain on sale of treasury shares		146,663	146,663
Retained earnings		4,342,041	4,815,627
Total equity		37,471,933	35,915,853
Total liabilities and equity		44,312,452	45,750,544

The accompanying notes form an integral part of these consolidated financial statements.



Ghazi Ahmed Al Osaimi
Chairman

Mishal Nasser Habib
Vice chairman & CEO

Consolidated Statement of Income for the year ended 31 December 2024*(all amounts are in Kuwaiti Dinar)*

	Note	2024	2023
Revenues			
Management fees		31,419	28,996
Investment income	15	1,447,549	2,463,109
Net (loss)/ gain from associate	16	(973,808)	1,246,199
Interest income		57,765	123,940
Rental income from investment properties		308,359	319,372
Reversal of Impairment on investment properties	9	127,618	90,999
Other income	17	181,987	3,506
		<u>1,180,889</u>	<u>4,276,121</u>
Expenses			
Staff costs		937,476	833,942
General and administrative expenses		489,166	399,578
Depreciation		104,037	104,028
Interest expense		443,274	472,815
Provisions		-	24
		<u>1,973,953</u>	<u>1,810,387</u>
(Loss)/ Profit for the year before deductions		(793,064)	2,465,734
KFAS		-	2,082
Zakat		-	5,163
Net (loss)/ profit for the year		<u><u>(793,064)</u></u>	<u><u>2,458,489</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2024*(all amounts are in Kuwaiti Dinar)*

	2024	2023
Net (Loss)/ profit for the year	(793,064)	2,458,489
Other comprehensive income items		
<i><u>Items that are or may be reclassified subsequently to the consolidated statement of income</u></i>		
Foreign currency translation differences	(2,484)	(347)
Group's share of an associate's reserve	250,920	250,534
Group's share of an associate's reserve reclassified to the consolidated statement of income on disposal of an associate	122,731	-
	371,167	250,187
<i><u>Items that may be not reclassified subsequently to the consolidated statement of income</u></i>		
Change in fair value of investments at FVOCI	1,859,166	692,336
Group's share of an associate's reserve	(62,556)	-
Total other comprehensive income items	2,167,777	942,523
Total comprehensive income for the year	1,374,713	3,401,012

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2024

(all amounts are in Kuwaiti Dinar)

	Share Capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change in fair value reserve	Group's share of an associate reserve	Treasury shares	Gain from sale of treasury shares	Retained earnings	Total
Balance as at 1 January 2023	30,000,000	697,235	1,188,467	118,845	8,281	(232,717)	(2,261,577)	(640)	146,663	4,014,967	33,679,524
Net profit for the year	-	-	-	-	-	-	-	-	-	2,458,489	2,458,489
Other comprehensive (loss) / income items	-	-	-	-	(347)	692,336	250,534	-	-	-	942,523
Total comprehensive (loss) / income	-	-	-	-	(347)	692,336	250,534	-	-	2,458,489	3,401,012
Effect of change in ownership percentage of subsidiaries in associate company	-	-	-	-	-	-	-	-	-	107,847	107,847
Effect of change in equity in associate company	-	-	-	-	-	-	-	-	-	227,336	227,336
Dividends paid	-	-	-	-	-	-	-	-	-	(1,499,866)	(1,499,866)
Transfer to reserves	-	-	246,573	246,573	-	-	-	-	-	(493,146)	-
Balance as at 31 December 2023	30,000,000	697,235	1,435,040	365,418	7,934	459,619	(2,011,043)	(640)	146,663	4,815,627	35,915,853
Balance as at 1 January 2024	30,000,000	697,235	1,435,040	365,418	7,934	459,619	(2,011,043)	(640)	146,663	4,815,627	35,915,853
Net loss for the year	-	-	-	-	-	-	-	-	-	(793,064)	(793,064)
Other comprehensive (loss) / income items	-	-	-	-	(2,484)	1,859,166	311,095	-	-	-	2,167,777
Total comprehensive (loss) / income	-	-	-	-	(2,484)	1,859,166	311,095	-	-	(793,064)	1,374,713
Transfers on disposal of investments	-	-	-	-	-	(129,801)	-	-	-	129,801	-
Effect of change in ownership percentage of subsidiaries in associate company	-	-	-	-	-	-	-	-	-	189,677	189,677
Purchase of Treasury shares	-	-	-	-	-	-	-	(8,310)	-	-	(8,310)
Balance as at 31 December 2024	30,000,000	697,235	1,435,040	365,418	5,450	2,188,984	(1,699,948)	(8,950)	146,663	4,342,041	37,471,933

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2024*(all amounts are in Kuwaiti Dinar)*

	Note	2024	2023
Cash flow from operating activities			
Net (loss)/ profit for the year		(793,064)	2,458,489
<i>Adjustments:</i>			
Depreciation		104,037	103,753
Investment income	15	(1,447,549)	(2,463,109)
Net loss/ (gain) from associate	16	973,808	(1,246,199)
Interest income		(57,765)	(123,940)
Interest expense		443,274	472,815
Reversal of impairment on investment properties	9	(127,618)	(90,999)
Provision		-	24
Operating losses before changes in working capital		(904,877)	(889,166)
Financial assets at fair value through profit or loss		284,154	-
Receivables and other debit balances		(169,084)	(33,604)
Finance receivables		1,175,814	1,008,571
Payables and other credit balances		104,604	26,310
Net cash generated from operating activities		<u>490,611</u>	<u>112,111</u>
Cash flow from investing activities			
Proceeds from sale of associate		1,420,987	-
Proceeds from sale of financial assets at fair value through OCI		129,801	-
Dividends received from an associate		899,474	749,560
Paid for addition to investment properties		-	(74,989)
Paid for purchase of property and equipment		(549)	(129,869)
Dividends received from Investment in securities		525,143	764,741
Interest income received		57,765	123,940
Purchase of treasury shares		(8,310)	-
Net cash generated from investing activities		<u>3,024,311</u>	<u>1,433,383</u>
Cash flow from financing activities			
(Payment)/ proceed of due to banks		(3,100,000)	390,000
Interest expense paid		(443,274)	(472,815)
Dividends paid		(4,962)	(1,470,866)
Net cash used in financing activities		<u>(3,548,236)</u>	<u>(1,553,681)</u>
Net changes in cash and cash equivalents		(33,314)	(8,187)
Cash and cash equivalents at the beginning of the year		600,817	609,004
Cash and cash equivalents at the end of the year	5	<u><u>567,503</u></u>	<u><u>600,817</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Pillars for Financial Investment-KSCC, the “Parent Company” is a Kuwaiti Shareholding Company incorporated in Kuwait in 1998 and is regulated by the Central Bank of Kuwait and Capital Markets Authority. The Parent Company was listed in the Kuwait Stock Exchange on 3 December 2008. On 8 July 2016 based on the shareholders extraordinary General Assembly meeting, the Company has voluntarily elected to delist from Kuwait stock exchange effective from 1 March 2016. The Company has obtained the approval from CMA to delist on 31 August 2015.

On 15 March 2023 based on the shareholders extraordinary General Assembly meeting, the Parent Company has amended activities. The activities of the parent company are:

Financial investment operations in all economic sectors by all legal means deemed appropriate by the parent company to achieve its objectives inside and outside Kuwait for its benefit or others, including:

- Investing its funds in trading in stocks, bonds, and other securities
- Financing services.
- Investment consulting
- Activities of investing money and securities (Shares and bonds).
- Investment portfolio manager
- Buying and selling shares and bonds for the company.
- Managing its subsidiaries or participating in the management of other companies in which it contributes and providing them with the necessary support.
- Manager of the collective investment system.
- Subscription Agent
- Investment supervision
- Custodianship

The Parent Company may have an interest or participate in any way in any entity that conducts similar business or which may assist it to achieve its objectives inside and outside Kuwait and it may also purchase such entities or affiliate thereof to it.

The Parent Company’s registered office is at Al Qibla Square Tower, Fahed Al Salem Street, P.O Box 1346, Kuwait.

The consolidated financial statements for the year ended 31 December 2024 were authorized for issue by the Parent Company’s Board of Directors on 19 March 2025. The General Assembly for the shareholders has the authority to amend the consolidated financial statements after issuance.

The consolidated financial statements include the financial statement of the Parent Company and its subsidiaries, which are fully owned and mentioned below together referred to as “the Group”.

Company Name	Country of incorporation	Principal activity	Equity interest (%)	Equity interest (%)
			2024	2023
Strategia Investors Inc.	United States	Investment manager and advisor	100	100
Bobian Real estate	United Arab Emirates	Real estate management	100	100

For the purposes of consolidation, it had been relied on the audited financial statements of the subsidiaries. The total assets of these subsidiaries amounted to KD 977,783 as at 31 December 2024 (KD 993,525 - 31 December 2023), and net loss amounted to KD 34,381 for the year ended 31 December 2024 (KD 53,980 for the year ended 31 December 2023).

2. Basis of preparation and Material accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require financial institutions regulated by CBK to adopt the International Financial Reporting Standards (“IFRS Accounting Standards”) with an amendment for measuring the expected credit loss (“ECL”) on credit facilities

at the higher of ECL computed under IFRS 9 – ‘Financial Instruments’ in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures. The above framework is hereinafter referred to as ‘IFRS Accounting Standards as adopted for use by the State of Kuwait’.

The consolidated financial statements have been prepared under the historical cost basis except for measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

2.2 New and revised accounting standards

2.2.1 Effective for the current year

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements*

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows.

- *Amendments to IAS 1 Classification of Liabilities as Current or Non-current*

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- *Amendments to IAS 1 Non-current Liabilities with Covenants*

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity’s financial position at the reporting date that is assessed for compliance only after the reporting date)

- *Amendments to IFRS 16 Leases—Lease Liability in a Sale and Leaseback*

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

2.2.2 Standards issued but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS accounting standards that have been issued but are not yet effective:

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.	1 January 2025

Standard, interpretation, amendments	Description	Effective date
titled Lack of Exchangeability	The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique.	
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements	IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share. IFRS 18 introduces new requirements to: - present specified categories and defined subtotals in the statement of profit or loss - provide disclosures on management-defined performance measures (MPMs) in the notes to the consolidated financial statements improve aggregation and disaggregation.	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.	1 January 2027

Standard, interpretation, amendments	Description	Effective date
	An entity is only permitted to apply IFRS 19 if, at the end of the reporting period: it is a subsidiary (this includes an intermediate parent) it does not have public accountability, and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	

Management anticipates that these new standards, interpretations and amendments will be adopted in the consolidated financial statements in the period of its initial application.

2.3 Material Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Group gains control until the date when Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts 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 non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

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, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations taken in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted in order to recognise the changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the investment's carrying amount and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of results of an associate and a joint venture is shown on top of the consolidated statement of income off the operating profit and also represents the profit or loss after deducting tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the associate or joint venture. At each reporting date, the Group determines whether there is an objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Impairment of an associate or a joint venture' in the consolidated statement of income.

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

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through consolidated statement of income are recognised immediately in consolidated statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Classification and measurement of financial assets

The Group classifies its financial assets as follows

- Financial assets at amortised cost
- Financial assets fair value through other comprehensive income ("FVTOCI")
- Financial assets fair value through profit or loss ("FVTPL").

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and profit (SPPP test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPP test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Profit is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of profit rates.

Contractual terms that introduce a more than minimize exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payment of principal and profit. In such cases, the financial asset is measured at fair value through profit or loss.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in statement of income.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in the statement of income to the extent they are not part of a designated hedging relationship.

Equity instruments designated as at FVTOCI

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 to which IFRS 3 applies.

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.

Investments in equity instruments designated as 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 investment's revaluation reserve. The cumulative gain or loss will not be reclassified to statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment's revaluation reserve.

Impairment of financial assets

The Group applies the general approach to the creation of provisions against expected credit losses in accordance with IFRS 9 related to the financial instruments within cash and cash equivalents. The Group uses credit rating by external rating agencies to assess the credit risk exposure to these financial assets. These ratings are continuously monitored and updated.

Credit facilities - (Finance Receivables)

The CBK regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions.

Provisions for credit losses in accordance with CBK instructions

accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% of all receivables net of certain restricted categories of collateral and not subject to specific provision. The specific provisions are recorded based on the duration of the past due of the Credit Facility as below, net of eligible collaterals:

<u>Category</u>	<u>Criteria</u>	<u>Specific provisions</u>
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

ECL provision under IFRS 9 according to the CBK guideline

The ECL provision is based on the credit losses expected to arise over the life of the asset (the Lifetime Expected Credit Loss or LT ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Loss (12m ECL).

The 12m ECL is the portion of LT ECLs that represent the ECLs that result from default events on a Credit Facilities that are possible within the 12 months after the reporting date.

Both LT ECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of Credit Facilities.

The Group has established policy to perform an assessment, at the end of each reporting period, of whether a Credit Facilities' credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the Credit Facility.

The Group classifies its Credit Facilities into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: 12-month ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally recognised definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure value of collaterals determined in accordance with CBK guideline.

Significant increase in credit risk

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are more than 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Credit Impaired

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are more than 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as default or past due event
- The lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty
- The disappearance of an active market for a security because of financial difficulties
- Purchase of a financial asset at a deep discount that reflects the incurred credit loss

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage 1.

Calculation of ECL

The Group calculates ECL based on highest probable scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Profit Rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio. The Group uses point in time PD (PITPD) for each rating to calculate the ECL. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade financing facilities except for financing facilities granted to Government and banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing financing.
- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per CBK requirements, the Group applies 100% Credit Conversion Factor (CCF) on utilized cash.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Other than the above LGD estimation mechanics, the Group also complies with the guidelines mentioned in the CBK Instruction, as follows:

- The Group applies minimum 50% LGD on unsecured Credit Facility and minimum 75% LGD for unsecured subordinated financing receivable.
- The Group applies a minimum haircut to the collateral values as per CBK instructions.

As per Central Bank of Kuwait's (CBK) instructions, the Group measures loss provisions at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure to identified collaterals including 100% of loss given default of irregular payment (non-performing) cases as per CBK's instructions concerning rules and bases of classifying the credit facilities, investment and funding operations mentioned above as of the date of meeting the conditions of irregularity and/or based on the customer's financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of income.

Financial liabilities and equity instruments***Classification as debt or equity***

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognized in the consolidated statement of income.

2.3.3 Investment properties

Investment properties held by the Group are the properties held for capital appreciation or to earn rental income. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried out at historical cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on the building is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life of 39 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

2.3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

2.3.5 Impairment of non-monetary assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.6 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.7 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of

all employees on the financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.8 Revenue recognition

Gain on sale of investments is recognised at the completion of the transaction. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis based on the maturity dates of the related assets by using the effective yield method. Management and subscription fees are recognized when the services are provided.

2.3.9 Leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short-term leases and low-value assets are recognized on a straight-line basis as an expense in statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of income, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

2.3.10 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Parent Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the consolidated statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that financial position.
- Income and expenses for each consolidated statement of income are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of other comprehensive income items.

2.3.11 Dividends

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.3.12 Fiduciary assets

Assets which are kept by the Group as an agency or under a fiduciary capacity are not considered as Group's assets.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies.

(a) Market risk

Foreign currency risks

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US Dollar. The risk of foreign exchange is resulting from future transactions on financial instruments in foreign currency recorded in the consolidated financial statements of the Group.

The Group has set policies for managing foreign exchange risk through careful monitoring of changes in currency rates and its respective impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advisory in case of any significant change in foreign currencies' rates.

In case of a change in the US Dollar against the Kuwaiti Dinar by 5% as at 31 December, the Group's profit would have changed by KD 65,536 and equity would have changed by KD 18,848 (profit KD 64,860 and equity KD 17,502 - 2023).

Following is the net position of the foreign currencies as at 31 December:

	2024	2023
US\$ Surplus	967,111	992,958

Price risk

Price risk is the risk arising from fluctuation of financial instrument value resulting from changes in market price. For managing this risk, the Group is monitoring market prices of these investments, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for these investments.

The following sensitivity analysis shows the impact of the change in the index of the stock market on the Group's equity. This analysis is based on the index change by 5% with all other variables held constant.

	Impact on equity	
	2024	2023
Kuwait Stock Exchange	289,976	247,137

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from bonds. The bonds placed at variable rates expose the Company to cash flow interest rate risk.

The Group manages interest rate risk by diversification of interest rates between fixed and variable and borrowing funds at market linked floating interest rates and placing time deposits at the best available rates.

At 31 December 2024, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, profit for the year would have been lower/higher by KD 13,975 (KD 18,729 - 2023).

The Group is managing this risk by locking the deposits for a short-term period relatively. The Group is periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to mitigate such impact.

(b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

Credit risk is managed by the Group by monitoring credit policy on regular basis taking into account to maintain non-concentration of credit risk.

Credit risk is highly concentrated in cash and cash equivalents, bonds, receivables and finance receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation and invests in bonds which have been issued from financial companies and institutions with high credit reputation. The Group grants credit only within the limits of the requirements and the normal course of business taking into consideration its financial position, past experience and reputation.

Maximum exposure to credit risk

An analysis of the Groups financial assets before taking into account other credit enhancements is as follows:

	2024	2023
Cash at banks	567,003	599,795
Receivables	274,264	96,994
Finance receivables	14,371	1,190,185
Investments at amortized cost	648,628	648,628
	<u>1,504,266</u>	<u>2,535,602</u>

Note 10 shows aging analysis of finance receivables and movement of provision.

Credit risk measurement

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. One of the main activities of the group that generates revenue is lending to customers. Credit risk is therefore a principal risk. Credit risk arises mainly from financing receivables. The Group considers all elements of credit risk exposure, such as default risk, geographic risk and sector risk for risk management purposes.

The finance receivable balances as at the end of the year of KD Nil (2023: KD 1,198,450) is due from NIG, the group's related party with a good credit rating. Apart from that the group does not have other exposures.

Also, the Group manages the credit risk by setting credit policies focus on careful assessment of creditworthiness of borrowers, in addition to the identification of the necessary guarantees received from the customers as well as setting a credit approval limit.

The Group utilizes collaterals in reducing balances that are exposed to credit risk to an acceptable level. The credit policy identifies the type of collateral required for each type of transaction. The bases for assessment of those collaterals and the frequency of such assessment are also determined.

The Group measures the credit risks in terms of the asset's credit quality using two main methods, namely provisions proportion and non-performing finance receivables proportion. The non-performing finance receivables proportion is the ratio of non-performing finance receivables to the total finance receivables.

The Group's current credit risk grading framework comprise the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12- Months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write – off	There is evidence indicating that the debtor is in severe financial difficulty and the Group have no realistic prospect of recovery	Amount is written off

However, the ECL provision on these balances are not material to the Group's consolidated financial statements. The credit risk for bank balances and trade receivable is considered negligible, since the counterparties are reputable financial institution with high credit quality and no history of default, as well as the trade receivable is a minor amount, which majorly comprise of staff receivable. Based on the management assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly.

Moreover, as per the CBK guidance, the company is supposed to report the higher of ECL or provision as per CBK regulations (note 2.3.2).

Assessment of expected credit losses

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- borrower is considered as credit impaired based on qualitative assessment for internal credit risk management purposes.

Any credit impaired or stressed facility that has been restructured would also be considered as in default.

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

31 Dec 2024	Note	External Credit Rating	Internal Credit Rating	12-month or lifetime ECL	Stage	Gross Carrying amount	Loss allowance	CBK Provision	Net carrying amount
Finance receivable	10	BBB-	BBB-	12 Month ECL	1	14,895	-	(524)	14,371
Investment held to maturity	7	A3-Baa3	A3-Baa3	12 Month ECL	1	650,000	1,372	-	648,628

31 Dec 2023	Note	External Credit Rating	Internal Credit Rating	12-month or lifetime ECL	Stage	Gross Carrying amount	Loss allowance	CBK Provision	Net carrying amount
Finance receivable	10	BBB-	BBB-	12 Month ECL	1	1,222,601	368	32,416	1,190,185
Investment held to maturity	7	A3-Baa3	A3-Baa3	12 Month ECL	1	650,000	1,372	-	648,628

The Group do not hold any financial guarantee contracts as of 31 December 2024

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria's do not indicate a significant increase in credit risk.

The potential for default is that the obligor may fail to meet its obligations in the future. IFRS 9 requires the use of probability of default separately for a period of 12 months or over the life of the instruments based on the stage distribution for the obligor. The probability of default used in IFRS 9 should reflect the Group's estimate of the quality of the asset in the future.

The calculation is based on statistical models. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

Exposure at default

Exposure at default ("EAD") represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off-balance sheet values. EAD is estimated taking into consideration the contractual terms such as rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, usage given default, etc.

Loss given default

Loss given default ("LGD") is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For all unsecured credit facilities, the Group considers a minimum of 50% LGD for senior debt and 75% LGD for subordinated debt.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

(c) Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining Group of highly liquid financial investments. This facilitates the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All outstanding liabilities as at 31 December 2024 and 2023 mature within one year from the consolidated financial statements date.

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the equity balance.

The capital structure of the Group consists of equity of the Group comprising issued capital, reserves and retained earnings. The Parent Company's current strategy is to rely on the self-finance for the Group's activities instead of depending on debts, and to maintain the external finance at minimum.

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical financial instruments.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

The table below gives information about how the fair values of the financial assets are determined:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/24	31/12/23				
Equity instruments designated as FVTPL						
Quoted local shares	6,612,441	4,990,524	1	Last bid price	-	-
Unquoted local shares	4,787,172	5,770,838	3	Adjusted Net book value and market multiplies	Book value adjusted with market risk	The higher market risk the lower the fair value
Equity instruments designated as FVTOCI						
Quoted local shares	6,615,819	4,942,738	1	Last bid price	-	-
Unquoted local shares	668,284	612,000	3	Adjusted Net book value	Book value adjusted with market risk	The higher market risk the lower the fair value

Reconciliation of Level 3 fair value measurements is as follows:

	Unquoted investments	
	2024	2023
Balance as at beginning year	6,382,838	5,162,439
Change in fair value	(927,382)	1,220,399
Balance as at ending year	5,455,456	6,382,838

4. Critical accounting estimates and judgments

In the application of the Group's accounting policies, the management are required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects future periods.

Judgements

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

Classification of investments in equity instruments

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

The Group has designated all investments in equity instruments as at FVTOCI as these investments are strategic investments and are not held for trading.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in (notes 3.3 and 6).

Impairment ECL of financial assets

The Group estimates ECL for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments.

Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purpose of measuring ECL.

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each statement of financial position date based on existence of any objective evidence that the investment in 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 it is carrying value and recognises the impairment loss in the consolidated statement of profit or loss.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets (Note 8).

Impairment of investment properties

The Group reviews the carrying amounts of its investment properties to determine whether there is an indication that those assets have suffered an impairment loss if the fair values are below than the carrying values. The Group management determines the appropriate techniques and inputs required for measuring the fair value using observable market data and as appropriate, the Group uses reputed valuers qualified to do the valuation.

5. Cash and cash equivalents

	2024	2023
Cash at banks	566,976	599,352
Cash on hand	527	1,022
Cash in investment portfolios	-	443
	567,503	600,817

6. Financial Investments
Financial assets at fair value through profit or loss

	2024	2023
Quoted local shares	6,612,441	4,990,523
Unquoted local shares	4,787,172	5,770,838
	<u>11,399,613</u>	<u>10,761,361</u>

Financial assets at fair value through other comprehensive income

	2024	2023
Quoted local shares	6,615,819	4,942,738
Unquoted local shares	668,284	612,000
	<u>7,284,103</u>	<u>5,554,738</u>

The fair value has been determined based on valuation basis mentioned in (note 3.3).

The Group has pledged quoted Shares classified at fair value through profit and loss and at fair value through other comprehensive income with fair market value amounting to KD 4,721,343 and KD 5,146,033 respectively as of 31 December 2024 (KD 3,165,146 and KD 3,449,855 - 31 December 2023) against the credit facilities (Note 12).

7. Investments at amortized cost

The effective interest rates on these bonds is 5.4% per annum (5.4% - 2023). The bonds have maturity dates ranging between 1 to 4 years from the end of the reporting period. The balance includes an amount of KD 298,875 (KD 298,808 - 2023) represented in bonds which have been issued by related parties (Note 19).

8. Investment in an associate

The mainly associate of the Group as follow:

Company's name	Country of Incorporation	Principal Activities	Proportion of ownership interest (%)	
			2024	2023
Kuwait Financial Centre	Kuwait	Investment management and financial advisory	28.56	30.10

The Group's share in the associate's result and reserve are calculated using equity method based on the audited financial statements for the year ended 31 December 2024. Summarized financial information of the associate as at 31 December is as follows:

	2024	2023
Total assets	174,127,453	157,394,453
Total liabilities	68,734,000	57,448,000
Non-controlling interest	10,947,000	6,769,000
Revenues	20,309,000	18,305,000
Profit for the year	4,456,000	4,147,000
Total other comprehensive income	4,515,000	4,982,000
Dividend received from the associate during the year	899,474	764,560

Movement on investments balance in the associate during the year are as follows:

	2024	2023
Balance as at 1 January	23,269,386	22,187,031
Cash dividends	(899,474)	(749,560)
Group's share in associate's results	1,339,377	1,246,199
Group's share in associate's reserve	188,364	250,534
Disposal of associate	(1,562,530)	-
Impairment on associate	(2,048,911)	-
Effect of change in ownership percentage of subsidiaries of associate	189,677	107,846
Group's share in change in associate's equity	-	227,336
	<u>20,475,889</u>	<u>23,269,386</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

(all amounts are in Kuwaiti Dinar unless otherwise stated)

Following is the reconciliation of the above summarized financial information to the carrying amount of Group's interest recognized in the consolidated financial statements:

	2024	2023
Net assets of the associate	94,446,453	93,177,453
Group ownership percentage (%)	28.56	30.10
	26,977,939	28,042,110
Impairment	(6,502,050)	(4,772,724)
	20,475,889	23,269,386

The fair value of investment in an associate amounted to KD 21,134,092 (KD 15,740,799 – 2023) based on quoted price on Kuwait stock exchange which is Level 1 as at the consolidated financial position date.

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that an associate may be impaired or there is any indication that impairment loss recognized in prior periods may no longer exist or may have decrease. Kuwait financial centre (Markaz) is engaged in the business of financial services under a license from the CMA.

Investments in associates is tested for impairment/ reverse of impairment as a single asset, by comparing its recoverable amount with its carrying amount. The recoverable amount is determined based on the higher of value-in-use calculations and fair value less cost to sell.

In order to assess the impairment in associate management have used multiple techniques relevant to the nature and operations of the associate to determine the fair value less cost to sell in addition to the discounted cash flows method to determine the value in use.

Following are the key assumption used in determining the value in use calculation.

Key assumption Basis used to determine value to be assigned to key assumption

Growth rate	2% per annum, considering the pandemic effects on GDP (Gross Domestic Product)
Period of Cash flow	Period of cash flow is 5 years
Discount rate	Discount rates used was kept at 8.07%

The management has used the market approach and net asset value (NAV) approach to estimate the fair value of its investment in the associate using the current year's financial data with applying discount factors of 20% to all assets (except for cash and bank balances) held by the associate while applying the NAV.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in the aggregate carrying amount.

Based on the above analysis, the Group recognized impairment loss of KD 2,048,911 during the current year.

The Group has pledged 102,900,000 shares (102,900,000 - 2023) of its associate as of 31 December 2024 with carrying amount of KD 15,023,400 (KD 15,972,130 - 2023) against the credit facilities. (Note 12).

9. Investment properties

The movement for the investment properties is as follows:

	Buildings	Land	Total
Cost			
Balance at 1 January 2023	4,830,617	687,351	5,517,968
Additions	73,552	-	73,552
Foreign currency translation	74	-	74
Balance at 31 December 2023	4,904,243	687,351	5,591,594
Foreign currency translation	1,557	-	1,557
Balance at 31 December 2024	4,905,800	687,351	5,593,151
Accumulated depreciation and impairment			
Balance at 1 January 2023	(1,814,723)	(287,188)	(2,101,911)
Charge for the year	(88,163)	-	(88,163)
Reversal of impairment	78,438	12,561	90,999
Foreign currency translation	347	-	347
Balance at 31 December 2023	(1,824,101)	(274,627)	(2,098,728)
Charge for the year	(92,975)	-	(92,975)
Reversal of impairment	115,878	11,740	127,618
Foreign currency translation	2,284	-	2,284
Balance at 31 December 2024	(1,798,914)	(262,887)	(2,061,801)

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(all amounts are in Kuwaiti Dinar unless otherwise stated)

At 31 December 2024	<u>3,106,886</u>	<u>424,464</u>	<u>3,531,350</u>
At 31 December 2023	<u>3,080,142</u>	<u>412,724</u>	<u>3,492,866</u>
Rate of depreciation years	<u>39</u>		

The fair value of investment properties amounted to KD 3,881,126 as at 31 December 2024 (KD 4,007,442–2023) has been determined based on valuations prepared by independent valuers, the independent valuers are licensed from relevant regulating bodies, and are industry specialised in valuing such type of investment properties.

The fair value of investments properties was determined based on market comparable approach (Level 2 of fair value hierarchy) and income capitalization approach (Level 3 of fair value hierarchy), where the market rental of all rentable units of the properties are assessed by reference to the rental achieved and letting of similar properties in neighbourhood.

In estimating the fair value of the properties, the highest and best use of the property is its current use.

During the year, the Group has recorded reversal of impairment for its investment properties located in Sharjah and Dubai of KD 127,618 (reversal of impairment KD 90,999 - 2023).

10. Finance receivables

The effective interest rate on these finance receivables is 6.38%.

The fair value of the collaterals held against certain finance receivables agreements is KD Nil as at 31 December 2024 (KD 2,568,191 – 31 December 2023).

The following is an analysis of outstanding balances and related provision.

	2024	2023
Gross Loans balance	14,895	1,228,149
Less: deferred revenue	-	(5,548)
	14,895	1,222,601
Less: Provision for credit losses – CBK general provision	(524)	(32,416)
Balance as at 31 December	<u>14,371</u>	<u>1,190,185</u>

The finance receivables (gross) amounted to KD 264 as at 31 December 2024 mature within one year and KD 14,631 mature after one year (KD 19,547 matured after one year - 2023).

The balances of receivables as at 31 December 2024 and 2023 do not include matured past due, or impaired balances, and the entire balance is under stage 1 for the purpose of the ECL measurement.

The general provision for credit losses is calculated in accordance with the instructions of the Central Bank of Kuwait. The movements on the general provision for credit losses is as follows:

	2024	2023
Balance at 1 January	32,416	32,392
Addition	-	24
Reversal	(31,892)	-
Balance at 31 December	<u>524</u>	<u>32,416</u>

The ECL for finance receivables to customers as at 31 December 2024 is KD 524 (365 - 2023) Which is lower than the provision for impairment of finance receivables to customers required by CBK.

11. Payables and other credit balances

	2024	2023
Accrued expenses	182,868	207,400
Staff leave and other benefits	884,307	776,557
Others	183,344	153,489
Payable to KFAS	-	2,082
Payable to Zakat	-	5,163
	<u>1,250,519</u>	<u>1,144,691</u>

12. Due to banks

	2024	2023
Bank facilities	<u>5,590,000</u>	<u>8,690,000</u>

The average interest rate on the credit facilities is 4% (4% - 2023) and the maturity date is 31 October 2025. The following assets are pledged against bank facilities as at 31 December 2024:

- Quoted investments (Note 6).
- Unquoted investments (Note 6).
- Investment in associate (Note 8).

Notes to the Consolidated Financial Statements for the year ended 31 December 2024*(all amounts are in Kuwaiti Dinar unless otherwise stated)***13. Share capital and reserves****13.1 Share capital**

As of 31 December 2024, the parent company's authorized share capital amounted is KD 50 million distributed over 500 million shares with a nominal value of 100 fils per share (50 million Kuwaiti dinars distributed over 500 million shares with a nominal value of 100 fils per share - as at 31 December 2023) and all shares are in cash.

As of 31 December 2024, the issued and paid-up share capital is KD 30 million distributed over 300 million shares with a nominal value of 100 fils each (30 million distributed over 300 million shares with a nominal value of 100 fils each – as at 31 December 2023), and all shares are in cash.

13.2 Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit before Board of Directors' remuneration, National Labour Support Tax, Zakat expense and KFAS are transferred to statutory reserve. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to discontinue this transfer. The reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends.

13.3 Voluntary reserve

On 15 March 2023 based on the shareholders extraordinary General Assembly meeting, the Parent Company agreed to increase the percentage of voluntary reserve from 1% to 10% of net profit before Board of Directors' remuneration, National Labour Support Tax, Zakat expense and KFAS as proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

14. Treasury shares

	2024	2023
Number of shares	262,816	26,576
Percentage of issued shares (%)	0.088	0.008

The Parent Company is required to retain reserves and retained earnings equivalent to the cost of treasury shares throughout the period in which they are held by the Parent Company, in accordance with the instructions of the relevant regulatory authorities. These shares are not pledged.

15. Investment income**Investment income from financial assets at FVTPL**

	2024	2023
Cash dividends	322,333	510,591
Change in fair value of investments	834,332	1,698,369
Realized gain from disposal	88,074	-
	<u>1,244,739</u>	<u>2,208,960</u>

Investment income from financial assets at FVOCI

	2024	2023
Cash dividends	202,810	254,149
Total Investment income	<u>1,447,549</u>	<u>2,463,109</u>

16. Net (loss)/ gain from associate

	2024	2023
Group share of result from associate (note 8)	1,339,377	1,246,199
Impairment losses from investment in associate (note 8)	(2,048,911)	-
Loss on sale of investment in associate	(264,274)	-
	<u>(973,808)</u>	<u>1,246,199</u>

17. Other income

	2024	2023
VAT refund from investment property	144,654	-
Reversal of expected credit loss	31,892	-
Other income	5,441	3,506
	<u>181,987</u>	<u>3,506</u>

18. General Assembly decision/ Board of Directors' approvals

On 28 March 2024, the Board of Directors approved:

- To provide remunerations and bonus for executives and employees amounted to KD 110,000.
- To provide remunerations to committees' members (risks, investments, audit and remunerations), committees' representatives and secretary amounted to KD 98,000, KD 3,000 and KD 4,000 respectively.

On 7 May 2024, the Ordinary General Assembly approved the consolidated financial statements for the year ended 31 December 2023 and approved the followings:

- Not to distribute dividends to the shareholders of the Parent Company for the year ended 31 December 2023.
- Board of Directors' remunerations amounting to Nil for year 2023 (Nil for year 2022).

On 19 March 2025, the Board of Directors propose not to distribute dividends to the shareholders and propose board of Directors remuneration of KD nil for the year ended 31 December 2024. This proposal is subject to the approval of the shareholders in the General Assembly of the Parent Company and other regulatory parties.

19. Related party transactions

Related parties are the shareholders of Parent Company who are represented in Board of Directors as well as major shareholders and the companies in which any of its members is at the same time a board member in the Parent Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried out some transactions during the year with related parties. Transactions and balances are included in the consolidated financial statements are as follows:

	2024	2023
Transactions		
Remuneration of Key management personal		
Salaries and other short-term benefits	501,679	439,478
End of service indemnity	52,811	38,099
Committees' members remuneration	98,000	84,000
 Interest income – Shareholders	 37,998	 102,206
Balances		
Investments at amortized cost (Note 7)	298,875	298,808
Finance receivable (Note 10) – Shareholders	-	1,166,758
Payables and other credit balances	624,172	585,821
Related parties' transactions are subject to approval of shareholders' general assembly.		

20. Segment information

In the purpose of management, the Group organizes its operations in two main sectors of business. The following are the main activities and services that are underlined in such two sectors.

Investment activities: Investing in securities, funds, properties lending to corporate and individual customers and managing the Group's liquidity requirements.

Asset management and advisory services: Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related financial services.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

(all amounts are in Kuwaiti Dinar unless otherwise stated)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the return on investments. The Group does not have any significant inter-segment transactions.

The following table presents segment revenues, profits, assets, and liabilities related to the Group's business segments:

	2024		
	Investment activities	Asset management and advisory services	Total
Segment revenues	1,149,469	31,420	1,180,889
Net (loss)/ profit	(824,484)	31,420	(793,064)
Segment assets	44,263,171	49,281	44,312,452
Segment liabilities	6,807,141	33,378	6,840,519

	2023		
	Investment activities	Asset management and advisory services	Total
Segment revenues	4,247,124	28,997	4,276,121
Net profit	2,429,493	28,996	2,458,489
Segment assets	45,704,060	46,484	45,750,544
Segment liabilities	9,799,401	35,290	9,834,691

Geographical distribution of segments' revenues, profits, assets and liabilities is set out below:

	2024			
	Middle East	USA	Europe	Total
Segment revenues	1,101,482	79,407	-	1,180,889
Net loss	(780,674)	(7,184)	(5,206)	(793,064)
Assets	43,326,973	985,479	-	44,312,452
Liabilities	6,816,076	24,443	-	6,840,519

	2023			
	Middle East	USA	Europe	Total
Segment revenues	4,182,950	93,171	-	4,276,121
Net profit	2,478,859	(9,053)	(11,317)	2,458,489
Assets	44,733,917	1,014,506	2,121	45,750,544
Liabilities	9,806,649	28,042	-	9,834,691

21. Fiduciary Assets

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected on the Group's consolidated financial statements. The aggregate net asset value held in a fiduciary capacity by the Group is KD 4,731,864 as at 31 December 2024 (KD 4,085,749 as at 31 December 2023).