Kamco Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

Building a better working world

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Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20 Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Kamco Investment Company K.S.C.P. (the "Company") and subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the Central Bank of Kuwait for use by the State of Kuwait.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International 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 basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

a) Valuation of investment securities

The Group’s policies on valuation of investments securities are presented in Note 3 and investment securities are disclosed in Note 24 to the consolidated financial statements which comprise of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The valuation of the Group’s investment securities involves the exercise of judgment by management and the use of assumptions and estimates, most predominantly for the instruments classified under level 2 and level 3. Key judgments applied by management in valuation of the Group’s investment securities carried at fair value include determination of price to book and price to earnings multiples from comparable companies, identification of recent sales transactions, calculated net asset value (NAV) and application of illiquidity discounts in certain cases. Due to these estimations, this is considered a key audit matter.

As part of our audit procedures, we have tested the level 1 fair valuations by comparing the fair values applied by the Group with publicly available market data. For level 2 and 3 valuations we evaluated the models and the assumptions used by management and tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data’s relevance, completeness and accuracy. We further assessed that the main assumptions and related uncertainties are appropriately reflected in the disclosure in Note 24 of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

b) Impact of IFRS 10 on the Group's ownership in funds
The Group has direct investments in various funds which are managed by the Group in the capacity of a Fund manager. The complexity of structure, servicing and ownership in these funds requires the Group to continuously determine control under IFRS 10. This impact assessment is critical for the overall accounting and presentation of Group financial statements therefore we considered this to be a key audit matter.

The Group's policy on control assessment over its managed funds is given in the accounting policies section of the consolidated financial statements.

Our audit procedures included, amongst others, assessment of Group's policies and procedures in identifying the control over investees. We have challenged the Group's assessment of control over the funds managed by the Group and considered the guidance included in IFRS 10. We evaluated the power of the Group through reviewing the contractual and legal agreements including articles and memorandum of incorporation of these funds. We also compared the right to variable returns of the Group from these funds by the industry average. Furthermore, we considered the right of other unitholders for the removal of the Group as fund manager and also the ability of the Group to use its powers over these funds.

Other information included in the Group's 2023 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the Central Bank of Kuwait 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the 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, as amended, and its executive regulations, as amended, or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023, that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any 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 establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended, during the year ended 31 December 2023 that might have had a material effect on the business of the Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

7 March 2024
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	*2023 KD*	*2022 KD*
ASSETS			
Cash and cash equivalents	5	**26,480,979**	37,298,164
Loans and advances	6	**4,757,485**	4,808,113
Financial assets at fair value through profit or loss	24	**38,973,574**	26,937,241
Financial assets at fair value through other comprehensive income	24	**6,390,725**	6,723,230
Assets held for sale	20	**-**	706,275
Investment in associates	7	**22,432,557**	23,157,164
Other assets	8	**12,749,341**	12,706,036
Investment properties	24	**12,313,527**	12,000,925
Property and equipment	9	**1,462,000**	1,459,661
Intangible assets	10	**3,284,467**	3,649,950
TOTAL ASSETS		**128,844,655**	129,446,759
LIABILITIES AND EQUITY			
Liabilities			
Loans	11	**48,750,000**	5,000,000
Bonds	12	**-**	40,000,000
Other liabilities	13	**15,492,205**	18,383,027
TOTAL LIABILITIES		**64,242,205**	63,383,027
Equity			
Share capital	14	**34,233,263**	34,233,263
Share premium	14	**9,089,045**	9,089,045
Statutory reserve	14	**7,493,838**	7,413,826
Voluntary reserve	14	**2,092,619**	2,012,607
Revaluation reserve		**934,057**	934,057
Cumulative changes in fair values		**(6,707,611)**	(6,688,775)
Foreign currency translation reserve		**881,756**	852,462
Retained earnings		**11,647,732**	14,661,312
Equity attributable to equity holders of the Company		**59,664,699**	62,507,797
Non-controlling interests		**4,937,751**	3,555,935
TOTAL EQUITY		**64,602,450**	66,063,732
TOTAL LIABILITIES AND EQUITY		**128,844,655**	129,446,759

Abdullah Naser Sabah Al-Ahmad Al-Sabah
Vice Chairman

Faisal Mansour Sarkhou
Chief Executive Officer

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2023

	Notes	***2023*** ***KD***	*2022* *KD*
INCOME			
Fee income	15	**14,679,374**	20,726,415
Net gain on financial assets at fair value through profit or loss	16	**361,544**	550,100
Share of results of associates	7	**(469,020)**	736,246
Dividend income from non-current assets exclusively acquired for sale		**-**	15,175
Dividend income		**548,497**	533,426
Interest income		**1,325,732**	1,122,091
Foreign exchange gain (loss)		**150,756**	(200,197)
Net gain on fair valuation of investment properties		**311,662**	171,636
Rental income		**931,538**	729,887
Other income		**150,114**	115,539
		17,990,197	24,500,318
EXPENSES			
General and administrative expenses	17	**14,031,445**	16,161,692
Finance costs		**2,929,400**	2,292,957
Provision for expected credit losses on financial assets	8	**122,937**	354,219
Reversal of provision for expected credit losses on loans and advances, net	6	**(14,722)**	(112,956)
		17,069,060	18,695,912
PROFIT BEFORE TAXATION AND DIRECTORS' REMUNERATION		**921,137**	5,804,406
Contribution to KFAS		**(7,201)**	(64,913)
Zakat		**(11,860)**	(68,098)
NLST		**(32,939)**	(171,431)
Directors' remuneration		**-**	(100,000)
PROFIT FOR THE YEAR		**869,137**	5,399,964
Attributable to:			
Equity holders of the Company		**748,118**	5,505,501
Non-controlling interests		**121,019**	(105,537)
		869,137	5,399,964
BASIC AND DILUTED EARNINGS PER SHARE – Attributable to equity holders of the Company	18	**2.19 fils**	16.08 fils

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	***2023 KD***	*2022 KD*
Profit for the year		**869,137**	5,399,964
Other comprehensive income			
Items that are or may be reclassified to consolidated statement of income in subsequent periods:			
Foreign currency translation adjustments		**35,995**	417,494
Items that will not be reclassified to consolidated statement of income in subsequent periods:			
Share of other comprehensive (loss) income of associates	7	**(57,396)**	179,525
Net loss on equity instruments at fair value through other comprehensive income		**(163,396)**	(690,569)
		(220,792)	(511,044)
Total other comprehensive loss for the year		**(184,797)**	(93,550)
Total comprehensive income for the year		**684,340**	5,306,414
Attributable to:			
Equity holders of the Company		**580,228**	5,494,641
Non-controlling interests		**104,112**	(188,227)
		684,340	5,306,414

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Company										
	Share capital	*Share premium*	*Statutory reserve*	*Voluntary reserve*	*Revaluation reserve*	*Cumulative changes in fair values*	*Foreign currency translation reserve*	*Retained earnings*	*Sub-total*	*Non-controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
As at 1 January 2023	**34,233,263**	**9,089,045**	**7,413,826**	**2,012,607**	**934,057**	**(6,688,775)**	**852,462**	**14,661,312**	**62,507,797**	**3,555,935**	**66,063,732**
Profit for the year	-	-	-	-	-	-	-	**748,118**	**748,118**	**121,019**	**869,137**
Other comprehensive (loss) income	-	-	-	-	-	**(197,184)**	**29,294**	-	**(167,890)**	**(16,907)**	**(184,797)**
Total comprehensive (loss) income for the year	-	-	-	-	-	**(197,184)**	**29,294**	**748,118**	**580,228**	**104,112**	**684,340**
Transfer to reserves	-	-	**80,012**	**80,012**	-	-	-	**(160,024)**	-	-	-
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	**178,348**	-	**(178,348)**	-	-	-
Ownership changes in subsidiary without loss of control (Note 19)	-	-	-	-	-	-	-	-	-	**1,493,036**	**1,493,036**
Dividends (Note 14)	-	-	-	-	-	-	-	**(3,423,326)**	**(3,423,326)**	-	**(3,423,326)**
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	**(215,332)**	**(215,332)**
As at 31 December 2023	**34,233,263**	**9,089,045**	**7,493,838**	**2,092,619**	**934,057**	**(6,707,611)**	**881,756**	**11,647,732**	**59,664,699**	**4,937,751**	**64,602,450**

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	Attributable to equity holders of the Company										
	Share capital *KD*	*Share premium* *KD*	*Statutory reserve* *KD*	*Voluntary reserve* *KD*	*Revaluation reserve* *KD*	*Cumulative changes in fair values* *KD*	*Foreign currency translation reserve* *KD*	*Retained earnings* *KD*	*Sub-total* *KD*	*Non-controlling interests* *KD*	*Total equity* *KD*
As at 1 January 2022	34,233,263	9,089,045	6,822,832	1,421,613	934,057	(7,493,568)	469,625	14,959,615	60,436,482	3,758,775	64,195,257
Profit for the year	-	-	-	-	-	-	-	5,505,501	5,505,501	(105,537)	5,399,964
Other comprehensive (loss) income	-	-	-	-	-	(393,697)	382,837	-	(10,860)	(82,690)	(93,550)
Total comprehensive income (loss) for the year	-	-	-	-	-	(393,697)	382,837	5,505,501	5,494,641	(188,227)	5,306,414
Transfer to reserves	-	-	590,994	590,994	-	-	-	(1,181,988)	-	-	-
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	1,219,328	-	(1,219,328)	-	-	-
Ownership changes in subsidiary without loss of control (Note 19)	-	-	-	-	-	-	-	-	-	97,183	97,183
Disposal of subsidiaries (Note 19)	-	-	-	-	-	(20,838)	-	20,838	-	(19,918)	(19,918)
Dividends (Note 14)	-	-	-	-	-	-	-	(3,423,326)	(3,423,326)	-	(3,423,326)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(91,878)	(91,878)
As at 31 December 2022	34,233,263	9,089,045	7,413,826	2,012,607	934,057	(6,688,775)	852,462	14,661,312	62,507,797	3,555,935	66,063,732

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	**2023 KD**	2022 KD
OPERATING ACTIVITIES			
Profit for the year before taxation and directors' remuneration		**921,137**	5,804,406
Adjustments for:			
Unrealized loss (gain) on financial assets at fair value through profit or loss	16	**(404,336)**	68,023
Share of results of associates	7	**469,020**	(736,246)
Dividend income		**(548,497)**	(533,426)
Interest income		**(1,325,732)**	(1,122,091)
Foreign exchange (gain) loss		**(150,756)**	200,197
Net gain on fair valuation of investment properties		**(311,662)**	(171,636)
Finance costs		**2,915,770**	2,282,696
Interest on lease liabilities		**13,630**	10,261
Depreciation on property and equipment	9	**94,001**	88,893
Depreciation on right of use assets	9	**78,342**	47,078
Amortization	10	**520,162**	477,965
Provision for expected losses on financial assets	8	**122,937**	354,219
Reversal of provision for expected credit losses on loans and advances, net	6	**(14,722)**	(112,956)
Provision for employees' end of service benefits		**912,317**	1,161,058
		3,291,611	7,818,441
Change in operating assets and liabilities:			
Loans and advances		**74,478**	1,572,985
Financial assets at fair value through profit or loss		**(9,684,171)**	668,083
Other assets		**(199,387)**	735,609
Other liabilities		**(2,765,624)**	(3,416,685)
Cash (used in) from operations		**(9,283,093)**	7,378,433
Dividend received		**548,497**	533,426
Employees' end of service benefits paid		**(375,037)**	(280,892)
Taxes paid		**(247,298)**	(493,061)
Net cash flows (used in) from operating activities		**(9,356,931)**	7,137,906
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income		**-**	(1,279,735)
Proceeds from sale of financial assets at fair value through other comprehensive income		**169,109**	1,311,959
Net (purchase) withdrawal of deposits		**(1,794,236)**	2,235,850
Purchase of property and equipment	9	**(172,914)**	(219,699)
Purchase of intangibles	10	**(153,438)**	(255,734)
Capital expenditure on investment properties		**-**	(25,350)
Acquisition of non-current asset classified as held for sale		**-**	(4,163,613)
Proceeds from disposal of non-current asset classified as held for sale		**-**	3,460,461
Acquisition of investment in associate		**(4,961,837)**	-
Proceeds from disposal of investment in associate		**3,720,282**	-
Proceeds from disposal of subsidiaries		**-**	89,181
Dividend/capital distribution received from investment in associates	7	**198,317**	662,417
Interest income received		**1,358,877**	1,086,064
Net cash flows (used in) from investing activities		**(1,635,840)**	2,901,801

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2023

	Notes	***2023 KD***	*2022 KD*
FINANCING ACTIVITIES			
Loans availed		**44,000,000**	-
Loans repaid		**(250,000)**	-
Settlement of bond		**(40,000,000)**	-
Dividend paid to equity holders of the Parent Company		**(3,386,683)**	(3,378,019)
Payment of principal portion of lease liabilities		**(91,868)**	(45,867)
Finance costs paid		**(3,341,355)**	(2,223,932)
Distribution to non-controlling interest on disposal/liquidation of subsidiary		**-**	(19,918)
Proceeds from non-controlling interest due to ownership changes in subsidiary without loss of control		**1,493,036**	97,183
Distribution to non-controlling interest		**(215,332)**	(91,878)
Net cash flows used in financing activities		**(1,792,202)**	(5,662,431)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(12,784,973)**	4,377,276
Foreign currency translation adjustments		**173,552**	(3,583)
Cash and cash equivalents at 1 January		**33,744,706**	29,371,013
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**21,133,285**	33,744,706
NON-CASH TRANSACTIONS			
Right of use assets		**-**	410,223
Lease liability		**-**	(410,223)
		-	-

The attached notes 1 to 27 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Kamco Investment Company K.S.C.P. (the "Company") and Subsidiaries (collectively the "Group") were authorized for issue in accordance with a resolution of the Board of Directors on 7 March 2024. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly.

The Company is a Kuwaiti shareholding company registered and incorporated in Kuwait on 16 September 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto and is listed on Boursa Kuwait. The Company is registered with the Central Bank of Kuwait ("CBK") as an investment company and is subject to the supervision of Capital Markets Authority ("CMA").

The Company is a subsidiary of United Gulf Bank B.S.C. (the "Parent Company"). The Parent Company is a subsidiary of Kuwait Projects Company Holding K.S.C.P. (the "Ultimate Parent Company" or "KIPCO") which is listed on Boursa Kuwait.

The Company's registered head office is at Sharq, Al Shaheed Tower, Khalid Bin Al-Waleed Street, Kuwait City, P.O. Box 28873, Safat 13149, Kuwait.

The purpose for which the Company has been established is to undertake the following activities:

1. Investing in different financial, industrial, real estate, agricultural, and services sectors as directly or indirectly by contribution in outstanding companies or establishment of specialized companies in the mentioned activities, or ownership of projects that fulfill that for the interest of the Company.
2. Manager of investment portfolio.
3. Brokerage in Lending and Borrowing Operations.
4. Subscription agent.
5. Providing loans for third parties with duly observing the ethics of financial solvency in granting such loans and at the same time preserving the continuity of the company's financial position soundness according to the conditions, rules, and limitations set forth by the Central Bank of Kuwait.
6. Dealing and trading in foreign currency market and precious metals market inside Kuwait and abroad for the interest of the Company or its clients.
7. Purchase and sale of securities of local and international companies and governmental authorities for the interest of the Company or its clients.
8. Manager of investment pooling.
9. Ownership of properties and movables necessary for achieving its goals for the interest of the Company or its clients.
10. Unregistered Broker of financial securities in the stock exchange market.
11. Investment consultant.
12. Custodian.
13. Market maker.
14. Financing export and import operations by direct financing or accepting transfers drawn on the Company for short terms.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared under the historical cost convention as modified to include the measurement at fair value of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties. The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Company.

2.2 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations require expected credit loss ("ECL") on credit facilities (i.e. loans and advances) to be measured at the higher of the amount computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted by CBK for use by the State of Kuwait).

2.3 CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024.

The nature and the impact of each amendment is described below:

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The IASB amended the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

The State of Kuwait has joined the inclusive framework on Base Erosion and Profit Shifting (BEPS). The Group expects to be liable for the Global Minimum Tax under Pillar Two of the BEPS regulations starting from the year 2025.

Several other amendments and interpretations apply for the first time in 2024, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

General requirements for disclosure of sustainability-related financial information (IFRS S1) and Climate-related disclosures (IFRS S2) – 1 January 2024

In June 2023 the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. IFRS S1 includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across a Group's value chain. IFRS S2 is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. The standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. The applicability of this standard is subject to local regulatory approvals.

Lack of Exchangeability (Amendments to IAS 21) – 1 January 2025

The amendments to IAS 21 specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. Applying the amendments, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for a specified purpose. When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The Group will adopt this amendment when it becomes effective and applicable.

These amendments are not expected to have a material impact on the Group.

3 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Profit or loss and each component of OCI are attributed to the equity holders 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 in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries including Special Purpose Vehicles ("SPVs") as at 31 December 2023. The material subsidiaries of the Group are:

Name of company	*Principal activities*	*Country of incorporation*	*Equity interest as at 31 December*	
			2023	*2022*
Subsidiaries				
Kuwait Private Equity Opportunities Fund ("KPEOF")	Fund	Kuwait	**72.82%**	72.82%
KAMCO Global Fund ("KGF") (Formerly KAMCO GCC Opportunistic Fund)	Fund	Bahrain	**61.32%**	90.75%
KAMCO Investment Company DIFC Limited	Investment management	UAE	**100.00%**	100.00%
Al Jazi Money Market Fund	Fund	Kuwait	**50.86%**	50.86%
Nawasi United Holding Company K.S.C. (Closed)	Holding Company	Kuwait	**99.98%**	99.98%
Al Tadamun United Holding Company K.S.C. (Closed)	Holding Company	Kuwait	**-**	96.00%
First Securities Brokerage Company K.S.C. (Closed) ("FSBC")	Brokerage Services	Kuwait	**93.23%**	93.23%

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of consolidation (continued)

Name of company	*Principal activities*	*Country of incorporation*	*Equity interest as at 31 December*	
			2023	*2022*
KAMCO Investment Company Saudi	Financial Services	KSA	**100.00%**	100.00%
Global Investment House – B.S.C. (Closed)	Brokerage Services	Bahrain	**100.00%**	100.00%
KAMCO MENA Plus Fixed Income Fund OEIC Ltd. ("KMPFIF")	Fund	UAE	**53.75%**	56.08%
Held through FSBC				
Global Investment House Company Limited - Jordan	Brokerage Services	Jordan	**100.00%**	100.00%
Held through KPEOF				
United Holding Company K.S.C. (Holding)	Holding Company	Kuwait	**99.98%**	99.98%
SPVs treated as subsidiaries				
Kubbar United Real Estate Company (SPC)	Real Estate	Kuwait	**100.00%**	100.00%
Plans United Real Estate Company (SPC)	Real Estate	Kuwait	**100.00%**	100.00%
Buckeye Power Manager Limited	Investment management	Jersey	**100.00%**	100.00%
Buckeye Power Advisory Company LLC	Advisory Services	USA	**47.83%**	47.83%
KAMCO Capital Partners Ltd.	Investment management	Cayman Islands	**100.00%**	100.00%
KAMCO Capital Management Ltd.	Investment management	Cayman Islands	**100.00%**	100.00%
HP Plaza Investor Inc.	Investment management	USA	**100.00%**	100.00%
Centerstone Investor Inc.	Investment management	USA	**100.00%**	100.00%
Lawson Lane Investor Inc.	Investment management	USA	**100.00%**	100.00%
Martley Holdings GP Limited	Investment management	Jersey	**100.00%**	100.00%
Martley Finance GP Limited	Investment management	Jersey	**100.00%**	100.00%
Kamco Investment Advisor Limited	Investment management	Jersey	**100.00%**	100.00%
1925 Investor Inc.	Investment management	Jersey	**100.00%**	100.00%
American Boulevard Investor, Inc	Investment management	Jersey	**100.00%**	100.00%
Kamco Investment Company Ltd - UK	Investment management	UK	**100.00%**	-
Held through Nawasi United Holding Company K.S.C. (Closed)				
Al Tadamun United Holding Company K.S.C. (Closed)	Holding Company	Kuwait	**99.53%**	-
Held through HP Plaza Investor Inc.				
HP Plaza Advisor LLC	Advisory Services	USA	**50.00%**	50.00%
Held through Centerstone Investor Inc				
Centerstone Advisor LLC	Advisory Services	USA	**50.00%**	50.00%

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

Investment in associates
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.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investment in associates (continued)
Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and is disclosed under 'Share of results of associates'.

The financial statements of the associate 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.

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

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

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
Financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in investment income. In those cases where fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in the consolidated statement of income when the inputs become observable, or when the instrument is derecognized.

Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Financial liabilities, other than commitments and guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial instruments at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Loans payable, bonds and other liabilities are classified as financial instruments at amortized cost.

Financial instruments categorized at amortized cost are subsequently measured at amortized cost and are subject to impairment. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest method (EIR). Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

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. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. 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 observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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 interest (SPPI test)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis 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 payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test) (continued)
The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

The Group classifies its financial assets upon initial recognition into the following categories:

Debt instruments at FVOCI
The Group classifies debt instruments at FVOCI if it meets both of the following conditions: -

- The contractual terms of the financial asset meet the SPPI test.
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognized in consolidated statement of income. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the consolidated statement of income.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition and are not recognized in the consolidated statement of income.

Dividends are recognized in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity investments at FVOCI are not subject to impairment assessment.

Equity instruments at FVPL
The Group classifies equity instruments at fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, interest income and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain equity securities and funds.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and deposits.

Cash and cash equivalents in the consolidated statement of cash flows comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less net of bank overdrafts.

Reclassification of financial assets
The Group does not reclassify its financial assets subsequent to their initial recognition except under circumstances in which the Group acquires, disposes of, or terminates a business line.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Derecognition of financial assets and liabilities
Derecognition due to substantial modification of terms and conditions
The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, 10%. For financial assets, this assessment is based on qualitative factors.

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Group has transferred substantially all the risks and rewards of the asset; Or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)
When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include due to bank and other liabilities.

The Group has determined the classification and measurement of its financial liabilities as follows:

Loans and bonds
After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest rate method.

Other liabilities
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of financial assets
Overview of the ECL principles
The Group records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)
Impairment of financial assets (continued)

Overview of the ECL principles (continued)
The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), 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 (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

The Group applies three-stage approach to measuring ECL on loans and advances. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognized.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Groups methodology for specific provisions remains largely unchanged.

Determining the stage of Expected Credit Loss
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. 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 do not indicate a significant increase in credit risk.

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 credit 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 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes.

Measurement of ECLs
ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)
Impairment of financial assets (continued)

Measurement of ECLs (continued)
ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Provisions for credit losses in accordance with CBK instructions
The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the interest or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due but not impaired and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions.

Category	***Criteria***	***Specific provisions***
Watch list	Irregular for a period of up to 90 days	-
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%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

Impairment of non-financial assets
The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)
Impairment of financial assets (continued)

Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Fair value measurement
The Group measures financial instruments such as, financial assets at fair value through profit or loss and certain financial assets at fair value through other comprehensive income, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value measurement (continued)
For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Investment properties
Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, all investment properties are carried at fair value that is determined based on valuations performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognized in the consolidated statement of income.

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 recognized in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Transfer from properties under development are made upon completion of the work and the property being ready for the its intended use at carrying value and subsequently fair valued at reporting date.

Property and equipment
Property and equipment including capital work in progress are stated at cost, net of depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is provided on all property and equipment, except land and capital work in progress, at rates calculated to write off the cost of each asset on a straight-line basis to their residual values over its expected useful life which is between 3 to 5 years for all property and equipment except for certain building fixtures and fittings which are depreciated over expected useful life of 10 years and building civil structure which is depreciated over its expected useful life of 20 years.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation of these assets commences when the assets are ready for their intended use.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets (continued)
The useful lives of intangible assets are assessed to be either finite or indefinite.

Licenses	Indefinite
Customer relationships	10 years
Software	3-4 years

Intangible assets with finite lives are amortized to their residual values over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income within other expenses. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable, and reliably measurable.

End of service indemnity
The entitlement to these benefits is based upon the employees’ final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labor law and the employees’ contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees’ salaries. These contributions are expensed when due.

Foreign currency translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognized in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognized directly through other comprehensive income, foreign exchange differences are recognized directly in other comprehensive income and for non-monetary assets whose change in fair value are recognized in the consolidated statement of income are recognized in the consolidated statement of income.

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in other comprehensive income (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Income recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Fee and commission income
The Group earns fee and commission income from diverse range of asset management, investment banking, custody, advisory and brokerage services provided to its customers. Fee income can be divided into the following categories:

a. Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period. These fees include management fees on asset management activities, custody fees and recurring retainer and advisory fees.

b. Fee income from providing transaction services
Fees arising for rendering specific advisory services, brokerage services, placement fees, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Incentive fees is recognized when crystallized or are no longer subject to claw back

Dividend income
Dividend income is recognized when the right to receive payment is established.

Rental income
The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

Interest income
Interest and similar income are considered as an integral part of the effective interest of a loan receivable and is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

*National Labor Support Tax (NLST)*The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year when determining taxable profit.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

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

Contingent assets are not recognized in the consolidated statement of financial position but are disclosed when an inflow of economic benefits is probable.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Fiduciary assets
Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognizes in the Group's consolidated financial statements. The Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability reported in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Control assessment
When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgment.

Classification of real estate property
Management decides on acquisition of real estate whether it should be classified as trading or investment property.

The Group classifies property as trading if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Structured entities
The Group uses judgment in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Group identifies such entities as structured entities. After determining whether an entity is a structured entity, the Group determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Group has determined that it does not have any such structured entities that requires consolidation.

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements (continued)

Structured entities (continued)
The management has determined that the Investment Funds managed by the Company on fiduciary basis are not structured entities considering voting and similar right available to the unit holders of the Investment Fund. The Company's interest in these Investment Funds (if any) are classified as financial assets at fair value through profit or loss.

The Company is the major shareholder of certain entities either for the Company's investment banking mandates or for the Company's assets management activities. The Company has no material direct beneficial interest in these entities and accordingly they are not consolidated into the Group's consolidated financial statements. Further, the Company has not directly earned any revenue from these entities or transferred any assets to these entities during the year.

Estimation uncertainty and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates
Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of intangible assets
The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of unquoted investments
Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Price to book value or earnings model;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

Impairment of financial assets at amortized cost – loans and advances
The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortized cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions (continued)

Business combinations
Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

5 CASH AND CASH EQUIVALENTS

	2023	*2022*
	KD	*KD*
Cash at banks and on hand	**15,184,828**	29,240,333
Deposits with banks	**11,296,151**	8,057,831
Cash and cash equivalents in the consolidated statement of financial position	**26,480,979**	37,298,164
Less: Deposits with banks with original maturities of more than three months	**(5,347,694)**	(3,553,458)
Cash and cash equivalents in the consolidated statement of cash flows	**21,133,285**	33,744,706

6 LOANS AND ADVANCES

	2023	*2022*
	KD	*KD*
Gross amount	**7,209,071**	7,274,421
Less: Provision for expected credit losses	**(2,451,586)**	(2,466,308)
	4,757,485	4,808,113

Loans are granted to GCC companies and individuals and are secured against investments in the funds and securities held in fiduciary portfolios by the Group on behalf of the borrowers.

The movement in the provision for expected credit losses relating to loans and advances during the year is as follows:

	2023	*2022*
	KD	*KD*
At 1 January	**2,466,308**	2,579,264
Charge for the year	**14,629**	42,779
Reversal *	**(29,351)**	(155,735)
At 31 December	**2,451,586**	2,466,308

* Reversal for the year includes an amount of KD 17,566 (2022: KD 153,729) reversed, as a result of settlement agreement with borrowers.

The ECL determined under IFRS 9, as adopted by CBK for financing receivables as of 31 December 2023 is KD 2,411 thousand (2022: KD 2,425 thousand) which is lower than provision for credit losses calculated in accordance with CBK instructions.

7 INVESTMENT IN ASSOCIATES

Details of associates are as follows:

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December*		***2023***	*2022*
			2023	*2022*	***KD***	*KD*
Manafae Holding Company K.S.C. (Closed)	Kuwait	Investment	**33.74%**	33.74%	**3,062,319**	3,150,481
United Capital Transport Company K.S.C. (Closed)	Kuwait	Services	**39.80%**	39.80%	**978,050**	1,052,427
KAMCO Real Estate Yield Fund ("KREYF")	Kuwait	Real Estate Fund	**35.77%**	35.77%	**1,725,044**	1,908,983
NS 88 W.L.L.	Bahrain	Real Estate	**30.00%**	30.00%	**4,760,895**	4,848,337
KAMCO Investment Fund ("KIF")	Kuwait	Fund	**43.83%**	35.31%	**11,906,249**	12,196,936
Adhari Park Development Company B.S.C. (Closed)	Bahrain	Financial Services	**20.00%**	20.00%	**-**	-
					22,432,557	23,157,164

	2023	*2022*
	KD	*KD*
At 1 January	**23,157,164**	22,805,423
Share of results	**(469,020)**	736,246
Share of reserves	**(57,396)**	179,525
Foreign currency translation adjustment	**126**	118,653
Dividend received/ Capital distribution	**(198,317)**	(662,417)
Additions	**4,961,837**	-
Disposals	**(3,720,282)**	(20,266)
Transfers to financial assets at fair value through profit or loss	**(1,241,555)**	-
At 31 December	**22,432,557**	23,157,164

7 INVESTMENT IN ASSOCIATES (continued)

Summarized financial information of material associates is as follows:

	Manafae Holding Company K.S.C. (Closed)		KAMCO Investment Fund		NS 88 W.L.L.	
	2023	*2022*	***2023***	*2022*	***2023***	*2022*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Total assets	**9,002,519**	9,260,673	**28,798,691**	34,711,951	**15,872,864**	16,159,921
Total liabilities	**23,156**	22,803	**1,636,285**	171,785	**46,282**	41,865
Net assets	**8,979,363**	9,237,870	**27,162,406**	34,540,166	**15,826,582**	16,118,056
Group's share in equity	**33.74%**	33.74%	**43.83%**	35.31%	**30.00%**	30.00%
Group's carrying amount of the investment	**3,062,319**	3,150,481	**11,906,249**	12,196,936	**4,760,895**	4,848,337
Associates' revenue and results:						
Revenue	**(97,150)**	61,657	**(247,284)**	4,742,162	**(187,599)**	98,549
Total (loss) profit for the year	**(206,731)**	43,779	**(781,025)**	3,795,126	**(191,955)**	93,957
Group's share of the (loss) profit	**(67,749)**	14,347	**(290,688)**	1,188,627	**(57,588)**	28,188

8 OTHER ASSETS

	2023	*2022*
	KD	*KD*
Due from portfolio clients	**1,402,605**	1,798,164
Accrued income	**2,456,838**	2,495,471
Other receivables and deposits	**13,601,760**	13,044,190
	17,461,203	17,337,825
Less: provision for expected credit losses	**(4,711,862)**	(4,631,789)
	12,749,341	12,706,036

Movement in the provision for expected credit losses of other assets was as follows:

	2023	*2022*
	KD	*KD*
As at 1 January	**4,631,789**	4,453,648
Net charge for the year	**122,937**	354,219
Write off	**(37,362)**	(198,818)
Foreign exchange	**(5,502)**	22,740
As at 31 December	**4,711,862**	4,631,789

9 PROPERTY AND EQUIPMENT

	Land *KD*	*Building* *KD*	*Furniture and fixtures* *KD*	*Office equipment, computers & vehicles* *KD*	*Capital work in progress* *KD*	*Right of use asset (Leased Building)* *KD*	*Total* *KD*
Cost:							
As at 1 January 2023	371,732	465,000	4,505,480	4,431,522	60,078	410,223	10,244,035
Additions	-	-	8,641	52,757	111,516	-	172,914
Transfers	-	-	54,025	-	(54,025)	-	-
Exchange differences	430	824	2,451	233		603	4,541
As at 31 December 2023	**372,162**	**465,824**	**4,570,597**	**4,484,512**	**117,569**	**410,826**	**10,421,490**
Depreciation:							
As at 1 January 2023	-	155,311	4,203,042	4,378,943	-	47,078	8,784,374
Charge for the year	-	4,647	57,592	31,762	-	78,342	172,343
Exchange differences	-	251	2,388	177	-	(43)	2,773
As at 31 December 2023	**-**	**160,209**	**4,263,022**	**4,410,882**	**-**	**125,377**	**8,959,490**
Net book value:							
As at 31 December 2023	**372,162**	**305,615**	**307,575**	**73,630**	**117,569**	**285,449**	**1,462,000**

9 PROPERTY AND EQUIPMENT (continued)

	Land KD	*Building* KD	*Furniture and fixtures* KD	*Office equipment, computers & vehicles* KD	*Capital work in progress* KD	*Right of use asset (Leased Building)* KD	*Total* KD
Cost:							
As at 1 January 2022	367,827	457,516	4,350,365	4,397,331	7,503	-	9,580,542
Additions	-	-	134,978	32,146	52,575	410,223	629,922
Exchange differences	3,905	7,484	20,137	2,045	-	-	33,571
As at 31 December 2022	371,732	465,000	4,505,480	4,431,522	60,078	410,223	10,244,035
Depreciation:							
As at 1 January 2022	-	148,550	4,125,201	4,350,861	-	-	8,624,612
Charge for the year	-	4,631	57,937	26,325	-	47,078	135,971
Exchange differences	-	2,130	19,904	1,757	-	-	23,791
As at 31 December 2022	-	155,311	4,203,042	4,378,943	-	47,078	8,784,374
Net book value:							
As at 31 December 2022	371,732	309,689	302,438	52,579	60,078	363,145	1,459,661

10 INTANGIBLE ASSETS

	Customer relationships KD	***License KD***	***Software KD***	***Work in progress KD***	***Total KD***
Cost:					
As at 1 January 2023	3,424,000	1,100,000	590,812	204,187	5,318,999
Additions	-	-	5,517	147,921	153,438
Transfers	-	-	70,744	(70,744)	-
Exchange differences	-	-	117	1,129	1,246
As at 31 December 2023	**3,424,000**	**1,100,000**	**667,190**	**282,493**	**5,473,683**
Amortization:					
As at 1 January 2023	1,483,733	-	185,316	-	1,669,049
Charge for the year	342,400	-	177,762	-	520,162
Exchange differences	-	-	5	-	5
As at 31 December 2023	**1,826,133**	-	**363,083**	-	**2,189,216**
Net book value:					
At 31 December 2023	**1,597,867**	**1,100,000**	**304,107**	**282,493**	**3,284,467**

	Customer relationships KD	*License KD*	*Software KD*	*Work in progress KD*	*Total KD*
Cost:					
As at 1 January 2022	3,424,000	1,100,000	441,125	96,594	5,061,719
Additions	-	-	37,815	217,919	255,734
Transfers	-	-	110,810	(110,810)	-
Exchange differences	-	-	1,062	484	1,546
As at 31 December 2022	3,424,000	1,100,000	590,812	204,187	5,318,999
Amortization:					
As at 1 January 2022	1,141,333	-	49,701	-	1,191,034
Charge for the year	342,400	-	135,565	-	477,965
Exchange differences	-	-	50	-	50
As at 31 December 2022	1,483,733	-	185,316	-	1,669,049
Net book value:					
At 31 December 2022	1,940,267	1,100,000	405,496	204,187	3,649,950

Customer relationships represent intangible assets with finite life and is amortized on a straight-line basis over its useful life of 10 years.

License represents brokerage license with indefinite useful life and is annually tested for impairment by estimating the recoverable amount of the CGU using value-in-use calculations.

The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets and assuming an average annual growth rate of 12.73%. The pre-tax discount rate applied to cash flow projections is 10.31% and cash flows beyond the 5-year period are extrapolated using a growth rate of 3%. As a result of the exercise, management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

10 INTANGIBLE ASSETS (continued)

Key assumptions used in value in use calculations
The calculation of value in use is sensitive to the following assumptions:

- Discount rates
- Market share during the forecast period
- Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA"); and
- Long-term growth rate (terminal value) used to extrapolate cash flows beyond the forecast period

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

11 LOANS

Loans amounting to KD 48,750,000 (2022: KD 5,000,000) are denominated in Kuwaiti Dinars (2022: denominated in Kuwaiti Dinars) and carry an interest rate of 5.75% – 6% (2022: 5% – 5.5%).

12 BONDS

The Company had issued a five-year tenure bond which comprised of two tranches including fixed interest of 6.00% per annum amounting to KD 14,900,000, in addition to a floating interest of 2.75% per annum above the CBK discount rate (capped at 7% per annum) amounting to KD 25,100,000 with a total value of KD 40,000,000.

The bond matured on 26 July 2023 and accordingly the bondholders were paid in full together with the interest accrued.

13 OTHER LIABILITIES

	2023	*2022*
	KD	*KD*
Employees' end of service benefits	**7,473,014**	6,935,491
Accrued expenses	**1,809,615**	4,503,728
Deferred income	**22,847**	33,835
Lease liability	**296,911**	374,618
Other payables	**5,889,818**	6,535,355
	15,492,205	18,383,027

14 EQUITY

a) Share capital
The authorized, issued and fully paid share capital comprises of 342,332,633 shares (2022: 342,332,633 shares) of 100 fils per share (2022: 100 fils per share). This consists of 237,448,325 shares (2022: 237,448,325 shares) which are fully paid up, and 104,884,308 shares (2022: 104,884,308 shares) arising from share swap due to the merger of the Group in 2019.

b) Share premium
The share premium is not available for distribution.

c) Statutory reserve
In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to equity holders of the Company before contribution to KFAS, Zakat, NLST and Directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Company may resolve to discontinue such transfers when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividends due to an absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such a reserve exceeds 50% of the issued share capital.

14 EQUITY (continued)

d) Voluntary reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year attributable to equity holders of the Company before contribution to KFAS, Zakat, NLST and Directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

e) Dividend

The Board of Directors proposed to distribute cash dividends of 5 fils per share for the year ended 31 December 2023 (2022: 10 fils per share). This proposal is subject to the approval of Company's shareholders at the Annual General Assembly.

The Annual General Assembly of equity holders held on 11 April 2023 approved the consolidated financial statements of the Group for the year ended 31 December 2022 and resolved to distribute dividends of 10 fils per share (31 December 2021: 10 fils).

15 FEE INCOME

	2023 ***KD***	*2022* *KD*
Management fees on assets under management	**9,384,980**	10,129,500
Incentive fees on assets under management	**53,477**	980,281
Placement fees/structuring fee/redemption fees – managed funds and other fees	**1,544,481**	3,924,288
Investment banking fees	**1,482,263**	3,492,232
Brokerage fees	**1,846,534**	2,003,135
Other fees on assets under management	**367,639**	196,979
	14,679,374	20,726,415

16 NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 ***KD***	*2022* *KD*
Unrealized gain (loss)	**404,336**	(68,023)
Realized (loss) gain	**(42,792)**	618,123
	361,544	550,100

17 GENERAL AND ADMINISTRATIVE EXPENSES

The profit for the year is stated after charging:

	2023 ***KD***	*2022* *KD*
Staff costs	**9,107,740**	11,359,223
Depreciation (Note 9)	**172,343**	135,971
Amortization (Note 10)	**520,162**	477,965
Expense related to short-term lease *	**508,284**	545,020
Administrative and other expenses	**3,722,916**	3,643,513
	14,031,445	16,161,692

* These expenses relate to certain leases with lease terms of 12 months.

18 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares, less treasury shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2023	*2022*
Basic and diluted earnings per share:		
Profit for the year attributable to the equity holders of the Company (KD)	**748,118**	5,505,501
Weighted average number of outstanding shares	**342,332,633**	342,332,633
Basic and diluted earnings per share (fils)	**2.19 fils**	16.08 fils

There are no potential diluted shares outstanding as at the reporting date.

19 INVESTMENT IN SUBSIDIARIES

a. During the year, the effective ownership of the Group in KGF decreased from 90.75% to 61.32% on account of additional subscriptions by other unit holders in the fund. This resulted in an increase of non-controlling interests amounting to KD 1,331,862.

b. During the year, the effective ownership of the Group in KMPFIF decreased from 56.08% to 53.75% on account of additional subscriptions by other unit holders in the fund. This resulted in an increase of non-controlling interests amounting to KD 161,174.

During the prior year, the following were the major transactions:

a. The Group fully disposed its stake in subsidiaries, Al Zad Real Estate Company W.L.L., First North Africa Real Estate Company W.L.L. and Al Dhiyafa United Real Estate Company W.L.L. to third parties.

b. The Group disposed its entire stake in Carnation Manager Limited and Carnation Advisory Company LLC.

c. The effective ownership of the Group in KMPFIF decreased from 57.57% to 56.08% on account of additional subscriptions by other unit holders in the fund. This resulted in an increase of non-controlling interests amounting to KD 97,183.

20 ASSETS HELD FOR SALE

In the prior year, the following were the major transactions:

a. The Group made an investment in certain special purpose vehicles (the “Entities”), for a consideration of KD 1,910,313 (USD: 6,250 thousand). Through these Entities, the Group acquired a property in the United State of America and classified it as “disposal group held for sale”.

   Subsequently, the Group fully disposed its interest in these Entities for a consideration equivalent to its carrying value. Accordingly, no gain or loss on disposal of these Entities was recognized in the consolidated statement of income.

b. Further, the Group made an investment in certain special purpose vehicles (the “Entities”) and subsequently disposed majority interest in the Entities with the remaining interest amounting to KD 706,275 (USD 2,300 thousand) classified in accordance with IFRS 5 - Non-current Assets held for sale as the Group actively plans to dispose its stake in these Entities.

Upon initial recognition, the Group considered the above Entities meet the criteria to be classified as held for sale for the following reasons:

- These Entities are available for immediate sale and can be disposed of in their current condition.
- The actions to complete disposal are initiated and completed within one year from the date of acquisition.

21 COMMITMENTS AND CONTINGENT LIABILITIES

	2023	*2022*
	KD	*KD*
Commitments		
Commitments to invest in private equity funds	**1,142,644**	252,698
Contingent liabilities		
Irrevocable and unconditional bank guarantee	**660,765**	646,933

Commitments to invest in private equity funds
Commitments to invest in private equity funds represent the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion.

The Group is engaged in litigation cases, which involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Company and Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the consolidated financial statements of the Group.

22 RELATED PARTY TRANSACTIONS

Related parties represent the Parent Company / Ultimate Parent Company, associates, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Balances and transactions with related parties are as follows:

	Parent Company / Ultimate Parent Company KD	*Associates KD*	*Other related parties KD*	***Total 2023 KD***	*Total 2022 KD*
Consolidated statement of financial position					
Cash and cash equivalents	**3,883,060**	**-**	**3,079,976**	**6,963,036**	8,751,106
Financial assets at fair value through profit or loss	**4,584**	**-**	**6,555,580**	**6,560,164**	637,642
Financial assets at fair value through other comprehensive income	**-**	**-**	**725,827**	**725,827**	1,130,593
Other assets	**236,236**	**139,011**	**417,255**	**792,502**	2,134,136
Other liabilities	**-**	**-**	**100,112**	**100,112**	15,391
Consolidated statement of income					
Fee income	**880,932**	**375,287**	**1,548,583**	**2,804,802**	4,074,114
Dividend income	**-**	**-**	**160,641**	**160,641**	2,379
Interest income	**8,997**	**-**	**22,652**	**31,649**	15,306
Other income	**-**	**-**	**22,450**	**22,450**	34,400
General and administrative expenses	**-**	**-**	**896,773**	**896,773**	831,239

Key management personnel compensation	***2023 KD***	*2022 KD*
Short-term employee benefits	**1,269,797**	983,318
Termination benefits	**135,065**	125,262
	1,404,862	1,108,580

The Board of Directors of the Company have not proposed a directors' remuneration for the year ended 31 December 2023 (2022: KD 100,000).

23 SEGMENTAL INFORMATION

The Group is organized into four major business segments based on the internal reporting provided to the management. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

Investment banking and Advisory	:	Private placement of equities and debt, advising and managing listings, initial public offerings (IPOs), arranging conventional and Islamic debt, buy and sell side advisory, advising on strategy, privatization, mergers and reverse mergers and acquisitions and debt restructuring.
Asset management	:	Asset management services cover both local and international markets and include securities trading, derivatives trading, discretionary and non-discretionary portfolio management, custody services, portfolio structuring and asset allocation advice, mutual funds and alternative instruments.
Brokerage	:	Quoted and unquoted equity and debt instruments brokerage activities and margin financing
Strategic investments and corporate overheads	:	Strategic investments include investments which are long-term in nature and are aligned with the Group's long-term strategy. Corporate overheads include all support services.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments.

The following table presents information regarding the Group's operating segments:

31 December 2023	***Investment banking and advisory KD***	***Asset management KD***	***Brokerage KD***	***Strategic investments and corporate overheads KD***	***Total KD***
Total revenue	**1,490,564**	**10,651,252**	**2,263,544**	**3,584,837**	**17,990,197**
Profit (loss) for the year	**576,302**	**6,257,065**	**49,537**	**(6,013,767)**	**869,137**
Total assets	**125,000**	**51,651,532**	**15,970,754**	**61,097,369**	**128,844,655**
Total liabilities	**-**	**1,138,194**	**884,826**	**62,219,185**	**64,242,205**
Other disclosures:					
Investment in associates	-	**13,631,293**	**-**	**8,801,264**	**22,432,557**
Share of results of associates	-	**(276,568)**	**-**	**(192,452)**	**(469,020)**
31 December 2022					
Total revenue	3,488,462	16,009,502	2,430,685	2,571,669	24,500,318
(Loss) profit for the year	2,704,643	11,099,901	415,086	(8,819,666)	5,399,964
Total assets	498,573	51,018,318	16,815,430	61,114,438	129,446,759
Total liabilities	-	16,482,147	1,095,653	45,805,227	63,383,027
Other disclosures:					
Investment in associates	-	14,105,919	-	9,051,245	23,157,164
Share of results of associates	-	852,973	-	(116,727)	736,246

The Group's total assets include KD 11,540,799 (2022: KD 11,867,914) as non-current assets located outside Kuwait, which mainly include financial assets at fair value through other comprehensive income, investment in associates, investment properties, intangibles and property and equipment.

24 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

i) Financial instruments

Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of financial instruments are not materially different from their carrying values.

The methodologies and assumptions used to determine fair values of financial instruments is described in the fair value section of Material accounting policy information (Note 3).

Fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value:

31 December 2023	***Level 1 KD***	***Level 2 KD***	***Level 3 KD***	***Total KD***
Financial assets designated at fair value through profit or loss:				
Quoted equities	**7,862,185**	**-**	**-**	**7,862,185**
Quoted debt securities	**3,400,454**	**-**	**-**	**3,400,454**
Unquoted equities	**-**	**-**	**8,128,685**	**8,128,685**
Unquoted debt securities	**-**	**-**	**100,000**	**100,000**
Managed funds	**1,226,490**	**12,694,060**	**5,561,700**	**19,482,250**
	12,489,129	**12,694,060**	**13,790,385**	**38,973,574**
Financial assets at fair value through other comprehensive income:				
Quoted equities	**363,855**	**-**	**-**	**363,855**
Unquoted equities	**-**	**-**	**6,014,309**	**6,014,309**
Managed funds	-	**-**	**12,561**	**12,561**
	363,855	**-**	**6,026,870**	**6,390,725**

31 December 2022	*Level 1 KD*	*Level 2 KD*	*Level 3 KD*	*Total KD*
Financial assets designated at fair value through profit or loss:				
Quoted equities	1,837,617	-	-	1,837,617
Quoted debt securities	4,442,466	-	-	4,442,466
Unquoted equities	-	-	652,234	652,234
Unquoted debt securities	-	-	100,000	100,000
Managed funds	1,324,414	13,238,485	5,342,025	19,904,924
	7,604,497	13,238,485	6,094,259	26,937,241
Financial assets at fair value through other comprehensive income:				
Quoted equities	634,235	-	-	634,235
Unquoted equities	-	-	6,076,434	6,076,434
Managed funds	-	-	12,561	12,561
	634,235	-	6,088,995	6,723,230

24 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

i) Financial instruments (continued)

The following table shows a reconciliation of all movements in the fair value of items categorized within Level 3 between the beginning and the end of the reporting period:

	As at 1 January 2023 KD	***Gain/(loss) recorded in the consolidated statement of income KD***	***Purchase / transfers, settlements and sales (net) KD***	***Gain/(loss) recorded in other comprehensive income KD***	***As at 31 December 2023 KD***
Financial assets at fair value through profit or loss:					
Unquoted equities	**652,234**	**146,697**	**7,329,754**	**-**	**8,128,685**
Unquoted debt securities	**100,000**	**-**	**-**	**-**	**100,000**
Managed funds	**5,342,025**	**257,034**	**(37,359)**	**-**	**5,561,700**
	6,094,259	**403,731**	**7,292,395**	**-**	**13,790,385**
Financial assets at fair value through other comprehensive income:					
Unquoted equities	**6,076,434**	**-**	**(49,475)**	**(12,650)**	**6,014,309**
Managed funds	**12,561**	**-**	**-**	**-**	**12,561**
	6,088,995	**-**	**(49,475)**	**(12,650)**	**6,026,870**

	As at 1 January 2022 KD	*Gain/(loss) recorded in the consolidated statement of income KD*	*Purchase / transfers, settlements and sales (net) KD*	*Gain/(loss) recorded in other comprehensive income KD*	*As at 31 December 2022 KD*
Financial assets at fair value through profit or loss:					
Unquoted equities	47,132	(7,946)	613,048	-	652,234
Unquoted debt securities	250,000	-	(150,000)	-	100,000
Managed funds	6,844,515	309,356	(1,811,846)	-	5,342,025
	7,141,647	301,410	(1,348,798)	-	6,094,259
Financial assets at fair value through other comprehensive income:					
Unquoted equities	7,305,543	-	(303,916)	(925,193)	6,076,434
Managed funds	12,561	-	-	-	12,561
	7,318,104	-	(303,916)	(925,193)	6,088,995

24 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

i) Financial instruments (continued)

Description of significant unobservable inputs to valuation of financial assets:
Unquoted equity securities are valued based on book value and price to book multiple method, multiples using latest financial statements available of the investee entities and adjusted for lack of marketability discount in the range of 20% to 65% (2022: 20% to 65). The Group has determined that market participants would take into account these discounts when pricing the investments. Funds and managed portfolio have been valued based on Net Asset Value (NAV) of the fund provided by the custodian of the fund or portfolio and certain managed funds were adjusted for lack of marketability discount by 15% to 20% (2022: 15% to 20%).

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

Sensitivity of the inputs
A change in the assumptions used for valuing the Level 3 financial instruments, by ±5% higher or lower liquidity and market discount could have resulted in increase or decrease in the results by KD 689,519 (2022: KD 304,713) and increase or decrease in other comprehensive income by KD 301,343 (2022: KD 304,450).

ii) Non-financial assets
Non-financial asset carried at fair value comprise of investment properties. These are classified under level 3 fair value hierarchy.

	Level 1 *KD*	*Level 2* *KD*	*Level 3* *KD*	*Total* *KD*
31 December 2023				
Investment properties	**-**	**-**	**12,313,527**	**12,313,527**
31 December 2022				
Investment properties	-	-	12,000,925	12,000,925

There were no material transfers between any levels of the fair value hierarchy during 2023 or 2022

Reconciliation of Level 3 fair values

	2023 ***KD***	*2022* *KD*
At 1 January	**12,000,925**	11,795,451
Additions	**-**	25,350
Gain recorded in the consolidated statement of income	**311,662**	171,636
Foreign currency translation adjustment	**940**	8,488
At 31 December	**12,313,527**	12,000,925

Valuation of investment properties
The fair value of investment properties is determined based on valuations performed by two independent and accredited valuers with recognized and relevant professional qualifications as well as recent experience of the location and category of investment properties being valued. The Group has selected the lower of these two valuations as required by the CMA. The fair values are determined using a mix of the income capitalization method and the market comparison approach considering the nature and usage of each property. The unit of comparison applied by the Group is the price per square meter ('sqm').

24 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

ii) Non-financial assets (continued)

Description of significant unobservable inputs to valuation of non-financial assets:
The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy are the yield rate (income capitalization approach) and price per sqm (market approach). Fair value using the income capitalization method is estimated based on the normalized net operating income generated by the property, which is divided by the capitalization (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions.

Sensitivity analysis
Significant increase (decrease) in yield rate and price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss and investment in associates is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

31 December 2023	*Within 3 months KD*	*3 to 12 months KD*	*Sub-total KD*	*Over 1 year KD*	*Total KD*
ASSETS					
Cash and cash equivalents	**25,353,125**	**1,127,854**	**26,480,979**	**-**	**26,480,979**
Loans and advances	**1,647,956**	**2,728,060**	**4,376,016**	**381,469**	**4,757,485**
Financial assets at fair value through profit or loss	**13,497,146**	**25,476,428**	**38,973,574**	**-**	**38,973,574**
Financial assets at fair value through other comprehensive income	**-**	**363,855**	**363,855**	**6,026,870**	**6,390,725**
Investment in associates	**-**	**-**	**-**	**22,432,557**	**22,432,557**
Other assets	**152,860**	**12,596,481**	**12,749,341**	**-**	**12,749,341**
Investment properties	**-**	**-**	**-**	**12,313,527**	**12,313,527**
Property and equipment	**-**	**-**	**-**	**1,462,000**	**1,462,000**
Intangible assets	**-**	**-**	**-**	**3,284,467**	**3,284,467**
TOTAL ASSETS	**40,651,087**	**42,292,678**	**82,943,765**	**45,900,890**	**128,844,655**
LIABILITIES					
Loans	**-**	**3,750,000**	**3,750,000**	**45,000,000**	**48,750,000**
Other liabilities	**20,079**	**7,739,976**	**7,760,055**	**7,732,150**	**15,492,205**
TOTAL LIABILITIES	**20,079**	**11,489,976**	**11,510,055**	**52,732,150**	**64,242,205**

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2022	*Within 3 months KD*	*3 to 12 months KD*	*Sub-total KD*	*Over 1 year KD*	*Total KD*
ASSETS					
Cash and cash equivalents	37,298,164	-	37,298,164	-	37,298,164
Loans and advances	1,071,220	3,329,126	4,400,346	407,767	4,808,113
Financial assets at fair value through profit or loss	8,738,035	18,199,206	26,937,241	-	26,937,241
Financial assets at fair value through other comprehensive income	-	634,234	634,234	6,088,996	6,723,230
Assets held for sale	706,275	-	706,275	-	706,275
Investment in associates	-	-	-	23,157,164	23,157,164
Other assets	171,131	12,534,905	12,706,036	-	12,706,036
Investment properties	-	-	-	12,000,925	12,000,925
Property and equipment	-	-	-	1,459,661	1,459,661
Intangible assets	-	-	-	3,649,950	3,649,950
TOTAL ASSETS	47,984,825	34,697,471	82,682,296	46,764,463	129,446,759
LIABILITIES					
Loans	-	-	-	5,000,000	5,000,000
Bonds	-	40,000,000	40,000,000	-	40,000,000
Other liabilities	620,114	10,528,972	11,149,086	7,233,941	18,383,027
TOTAL LIABILITIES	620,114	50,528,972	51,149,086	12,233,941	63,383,027

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group’s activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group’s continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group’s strategic planning process.

26.1 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily loans and advances and other assets) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Gross maximum exposure to credit risk
The Group selectively provides credit facilities in form of short-term (maturity up to 12 months) loans and advances on a fully collateralized basis to its customers of the asset management and investment banking products. The credit sanction process typically involves customers’ credit appraisal in accordance with the Group’s credit policies. The Group’s credit risk management associated with the lending activities is governed by the Group’s credit policies. The Group’s credit policies cover the customer eligibility criteria for credit, large exposure and concentration limits, eligible collateral, collateral valuation methodology, minimum collateralization requirement, credit quality monitoring processes and escalation and foreclosure processes in the event of default.

In accordance with the Group’s credit policies all loans and advances with past due interest or principal obligations are considered as non-performing and are subject to specific provisions for credit losses on basis of amount of impairment determined.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.1 CREDIT RISK (continued)

Gross maximum exposure to credit risk (continued)
With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances, and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of credit risk mitigation.

	2023	*2022*
	KD	*KD*
Cash and cash equivalents (Note 5)	**26,480,979**	37,298,164
Loans and advances (Note 6)	**4,757,485**	4,808,113
Other assets excluding prepayments	**12,340,555**	12,366,961
Gross maximum credit risk exposure before consideration of credit risk mitigation	**43,579,019**	54,473,238

The exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analyzed by the geographical regions as follows:

	Kuwait	***GCC and the rest of the Middle East***	***International***	***Total***
	KD	***KD***	***KD***	***KD***
31 December 2023				
Cash and cash equivalents	**15,644,256**	**9,279,104**	**1,557,619**	**26,480,979**
Loans and advances	**3,534,464**	**1,223,021**	**-**	**4,757,485**
Other assets	**2,908,262**	**8,306,894**	**1,125,399**	**12,340,555**
Maximum exposure to credit risk assets	**22,086,982**	**18,809,019**	**2,683,018**	**43,579,019**
31 December 2022				
Cash and cash equivalents	26,741,404	10,040,131	516,629	37,298,164
Loans and advances	3,581,621	1,226,492	-	4,808,113
Other assets	3,727,910	7,738,474	900,577	12,366,961
Maximum exposure to credit risk assets	34,050,935	19,005,097	1,417,206	54,473,238

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.1 CREDIT RISK (continued)

Risk concentration of maximum exposure to credit risk (continued)
The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analyzed by the following industry sectors as:

	2023 ***KD***	*2022* *KD*
Banks and financial institutions	**26,465,546**	37,283,337
Others	**17,113,473**	17,189,901
	43,579,019	54,473,238

As at 31 December 2023, the maximum credit exposure to a single counterparty amounted to KD 5,585,551 (2022: KD 7,670,928).

Cash and cash equivalents
Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents and term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Credit risk from lending activities
The Group selectively provides credit facilities in form of short-term (maturity up to 12 months) loans and advances on a fully collateralized basis to its customers of the asset management and investment banking products. The credit sanction process typically involves customers' credit appraisal in accordance with the Group's credit policies.

The Group's credit risk management associated with the lending activities is governed by the Group's credit policies. The Group's credit policies cover the customer eligibility criteria for credit, large exposure and concentration limits, eligible collateral, collateral valuation methodology, minimum collateralization requirement, credit quality monitoring processes and escalation and foreclosure processes in the event of default.

In accordance with the Group's credit policies all loans and advances with past due interest or principal obligations are considered as non-performing and are subject to specific provisions for credit losses on basis of amount of impairment determined.

Credit quality of financial assets that are neither past due nor impaired
In accordance with the Group's credit risk management policies all performing credits are graded as: high or medium grade. Credit exposures are classified as 'high grade' when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be extremely remote to low. Credit exposures are classified as 'medium grade' when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be moderate. Whereas the performing credit exposures when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be high are classified as "low grade". The Group does not have any low-grade financial asset at the reporting date. Non-performing credit exposures are graded as past due or impaired.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.1 CREDIT RISK (continued)

Analysis of past due but not impaired
The Group does not have any past due but not impaired financial assets as at 31 December 2023 and 31 December 2022.

An analysis of the gross carrying amounts of loans and advances and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with the CBK guidelines is as follows:

	Stage 1 ***KD***	***Stage 2*** ***KD***	***Stage 3*** ***KD***	***Total*** ***KD***
Gross carrying value				
As at 1 January 2023	4,850,281	-	2,424,140	7,274,421
Net movement during the year	(50,740)	-	(14,610)	(65,350)
As at 31 December 2023	**4,799,541**	**-**	**2,409,530**	**7,209,071**
As at 1 January 2022	6,216,486	-	2,551,579	8,768,065
Net movement during the year	(1,366,205)	-	(127,439)	(1,493,644)
As at 31 December 2022	**4,850,281**	**-**	**2,424,140**	**7,274,421**

The fair value of collateral that the Group holds relating to loans and advances as at 31 December 2023 amounts to KD 21,871,924 (2022: KD 21,095,620).

An analysis of changes in the ECL allowances in relation to loans and advances, is as follows:

	Stage 1 ***KD***	***Stage 2*** ***KD***	***Stage 3*** ***KD***	***Total*** ***KD***
ECL allowance				
Balance as at 1 January 2023	42,420	-	2,382,462	2,424,882
Net decrease in ECL during the year	(54)	-	(13,862)	(13,916)
As at 31 December 2023	**42,366**	**-**	**2,368,600**	**2,410,966**
Balance as at 1 January 2022	28,909	-	2,496,014	2,524,923
Net decrease in ECL during the year	13,511	-	(113,552)	(100,041)
As at 31 December 2022	42,420	-	2,382,462	2,424,882

26.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the treasury department of the Group. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

As at 31 December 2023, 7.7% of the Group's debt (loans & bonds) will mature in less than one year (2022: 88.9%) based on the carrying value of borrowings reflected in the consolidated statement of financial position. The management of the Group is currently considering steps to re-finance the short-term borrowings of the Group. These steps include creating liquidity by realizing cash from sale of assets, dividends from financial assets and re-structuring of short-term borrowings.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.2 LIQUIDITY RISK (continued)

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities.

The table below summarizes the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations:

	Within 1 month KD	***Within 3 months KD***	***3 to 12 months KD***	***Over 1 Year KD***	***Total KD***
31 December 2023					
Loans	-	**4,396,874**	**1,949,488**	**54,452,054**	**60,798,416**
Other liabilities	**3,538**	**16,541**	**7,739,976**	**7,732,150**	**15,492,205**
TOTAL LIABILITIES	**3,538**	**4,413,415**	**9,689,464**	**62,184,204**	**76,290,621**

	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*Over 1 year KD*	*Total KD*
31 December 2022					
Loans	-	61,644	188,356	5,467,123	5,717,123
Bonds	147,279	-	41,178,230	-	41,325,509
Other liabilities	432,033	188,081	10,528,972	7,233,941	18,383,027
TOTAL LIABILITIES	579,312	249,725	51,895,558	12,701,064	65,425,659

26.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, currency rates and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long- and short-term changes in fair value.

26.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of all future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by the treasury department of the Group.

The Group is exposed to interest rate risk on its variable interest-bearing assets and liabilities (bank deposits and loans), as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest cost using a mix of fixed and variable rate debts. The Group aims to keep a certain portion of its borrowings at variable rates of interest.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit based on floating rate financial assets and financial liabilities held at 31 December 2023 and 2022. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated statement of income, as a result of a change in interest rates, with all other variables held constant.

	Change in basis points	***Effect on profit +/- KD***
31 December 2023	**±25%**	**519,089**
31 December 2022	±25%	39,263

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.3 MARKET RISK (continued)

26.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Currency risk is managed by the treasury department of the Company on the basis of limits determined by the Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The effect on profit due to change in the fair value of monetary assets and liabilities, as a result of change in currency rate by 5%, with all other variables held constant is shown below:

	Effect on profit +/-	
	2023	*2022*
	KD	*KD*
US Dollar	**1,690,616**	1,413,985
GCC and the rest of the Middle East currencies	**571,240**	736,662

26.3.3 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at FVOCI or FVPL. The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The majority of the Group's quoted investments are listed on the Boursa Kuwait.

The Group's FVPL and FVOCI in different geographical regions and industry sectors are as follows:

Geographical distribution

	Kuwait KD	***GCC and the rest of the Middle East KD***	***International KD***	***Total KD***
31 December 2023				
Financial assets at fair value through profit or loss	**18,826,418**	**10,466,533**	**9,680,623**	**38,973,574**
Financial assets at fair value through other comprehensive income	**3,241,327**	**1,006,562**	**2,142,836**	**6,390,725**
31 December 2022				
Financial assets at fair value through profit or loss	14,567,656	6,898,459	5,471,126	26,937,241
Financial assets at fair value through other comprehensive income	3,475,162	1,082,371	2,165,697	6,723,230

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.3 MARKET RISK (continued)

26.3.3 Equity price risk (continued)

Industry concentration

	Trading and manufacturing KD	*Banks and financial institutions KD*	*Construction and real estate KD*	*Others KD*	*Total KD*
31 December 2023					
Financial assets at fair value through profit or loss	**-**	**25,034,055**	**3,962,244**	**9,977,275**	**38,973,574**
Financial assets at fair value through other comprehensive income	**2,078,197**	**147,918**	**3,447,878**	**716,732**	**6,390,725**
31 December 2022					
Financial assets at fair value through profit or loss	-	20,258,995	2,068,059	4,610,187	26,937,241
Financial assets at fair value through other comprehensive income	1,929,270	198,062	3,799,373	796,525	6,723,230

The table below summarizes the impact of increases/decreases of the respective price indices in the relevant market on the Group's equity and profit for the year. The analysis is based on the assumption that the equity indexes had increased or decreased by 5% respectively, with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	2023		*2022*	
	Effect on other comprehensive income KD	***Effect on profit KD***	*Effect on other comprehensive income KD*	*Effect on profit KD*
Market indices	**+/- 18,193**	**+/- 1,089,420**	+/- 31,712	+/- 820,026

26.4 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

26.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risk, the Group is able to manage these risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

27 CAPITAL MANAGEMENT

The primary objective of the Group's capital management policies is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants.

No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

To maintain or adjust the capital structure, the Group may adjust dividend pay-out to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a leverage ratio, which is net debt divided by total capital of the Company. The Group includes within net debt, interest bearing loans and borrowings, bonds, bank overdraft and other payables, less bank balances and cash. Total capital represents equity attributable to the shareholders of the Company.

	2023	*2022*
	KD	*KD*
Interest bearing loans	**48,750,000**	5,000,000
Bonds	-	40,000,000
Other liabilities	**15,492,205**	18,383,027
Less: Bank balances and cash	**(26,480,979)**	(37,298,164)
	37,761,226	26,084,863
Equity attributable to the equity holders of the Company	**59,664,699**	62,507,797
Gearing ratio (%)	**63%**	42%

The adequacy of the Group's capital is monitored using, among measures details above, the rules and ratios established by the Capital Markets Authority in supervising the Parent Company.

The Group's regulatory capital and capital adequacy ratios for the year ended 31 December 2023 and 31 December 2022 are calculated in accordance with provisions of Module seventeen (Capital Adequacy Regulations for Licensed Persons) of the Executive Bylaws of Law No. (7) of 2010 and their amendments thereto.

	2023	*2022*
	KD	*KD*
Available (eligible) regulatory Capital (KD'000)	**54,105**	55,773
Required regulatory capital (KD'000)	**53,065**	48,937
Capital adequacy ratio (%)	**102%**	114%

As of the reporting date, the Group is in compliance with minimum required regulatory capital adequacy ratio.

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