ANNUAL REPORT

For The Year Ended 31 December, 2023

MERGED

الصفاة
AL SAFAT

شركة الصفاة للإستثمار ش.م.ك
AL SAFAT INVESTMENT COMPANY K.S.C.

www.alsafatinvest.com

بسم الله الرحمن الرحيم

H. H. Sheikh

MESHAL AL-AHMAD AL-JABER AL-SABAH

Amir of the State of Kuwait

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Al-Safat Investment Company Profile

Al-Safat Investment Co. was founded on September15,1983 as a Kuwaiti shareholding company, working in accordance with provisions and requirements of the Islamic Shari'a. The company was founded to be one of the leading companies in the field of wealth management and investment with a strategy that depends on diversification of income sources through acquiring the best investment opportunities available in various fields.

The company is working under the control and supervision of Kuwaiti regulating entities such as the Kuwait Capital Market Authority, and Kuwait Ministry of Commerce and Industry. The company is taking into account the commands, laws and instructions that are issued from these authorities by being compliant to all regulations.

The main goal of Al-Safat Investment Comapny is to obtain successful and fruitful investments utilizing its expertise & professional vision towards selecting active investment opportunities and products which satisfy a wide segment of investors.

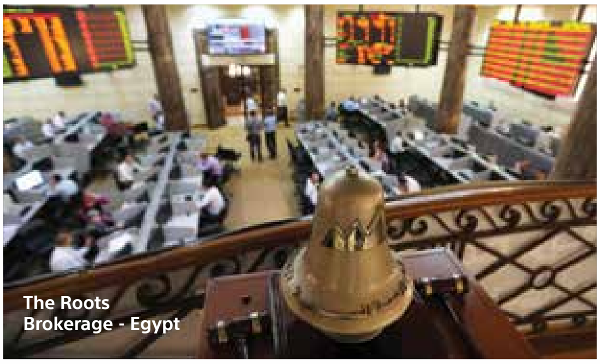
The Company's capital currently amounts 38,327,568.800 KD.

Purposes for founding the Company are the following:

1. The ownership in real-estate and the necessary moveable assets required to operate within the limits that are permitted by law (642030).
2. Investment portfolio manager (650210).
3. Investment consultant (661904).
4. Subscription agent (650230).
5. Buying and selling securities, shares, and bonds on behalf of the company (649917).
6. Collective investment system manager .(650220)
7. Investment Controller (650260).
8. Custodian (650240).
9. Market Maker (650250).

Al-Assriya Printing Press Publishing & Distribution Co.


Al Safat for Consultancy K.S.C. (Closed)


The Roots Brokerage - Egypt


Middle East Chemical Manufacturing Co.


Dar Al-Safat General Trading Co.


Senergy Holding Co.

Key Subsidiaries of Al-Safat Investment Company:

Name of the Subsidiary	Ownership Percentage 2023
Al Safat Holding Company (Closed) KSCC *	% 99
Al Safat Consultant Company K.S.C. (Closed)	% 96
Dar Al-Safat for General Trading Company W.L.L*	% 99
The Roots Brokerage - Egypt	% 60
Al-Assriya Printing Press Publishing & Distributing Co. W.L.L	% 90
Al-Ezdehar Real Estate Tourism Company K.S.C. (Closed)	% 71.92
Safat Industries Holding Company K.S.C. (Closed) ('Safat Industries')	% 63.79
Middle East for Chemical Manufacturing W.L.L. ('MECC')	% 50
The Liquid Capital General Trading Company W.L.L.	% 50

Associates of Al-Safat Investment Company:

Name of the Associate	Ownership Percentage 2023
Asia Holding Company K.S.C.C	% 21.7
Senergy Holding Company K.S.C.P.	% 20.88

Key Investments of Al-Safat Investment Company:

Name of the Company
Al Shuaiba Industrial Company K.P.S.C.

* The Group's effective interest in the above subsidiaries is 100%. The Group directly holds the shares in the subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary. Accordingly, there are no non-controlling interests reported in the consolidated statement of financial position, related to the subsidiaries, as at 31 December 2023.

Board of Directors

Abdullah Hamad AlTerkait
Chairman

Fahad Abdul Rahman Al Mukhaizim
Vice Chairman

Dr. Anwar Ali Al Naqi
Board Member

Abdul Razzaq Zaid Al Dhubayan
Board Member

Abdul Muhsen Suliman Al Meshan
Board Member

Naser Bader Al Sharhan
Board Member

Mishaal Ahmed Al Jareki
Board Member

Board of Directors' Report for the year 2023

In the name of Allah, the Most Gracious, the Most Merciful. Peace and blessings be upon our Prophet Mohammed and upon his household and companions.

On behalf of my colleagues, the Board members of Al Safat Investment Company, and its Executive Management, I am pleased to present the Company's Annual Report, including the consolidated financial statements for the fiscal year ending on December 31, 2023.

I take this opportunity to share with you the Company's achievements and initiatives as part of our strategic plan for 2023. This past year has been marked by significant changes, and we have been committed to adapting to these changes and fully leveraging the transformative trends in the financial and investment sectors.

With that context, it is my honor to present the report on the Company's achievements, along with the Report of the Independent Auditor, Consolidated Statement of Income, and Consolidated Financial Position for the fiscal year ending on December 31, 2023.

Financial Statement 2023:

According to the closing statement of profits and losses of the Parent Company, it generated net profits of KD 1.04m against net profits of KD 185k for 2022.

By the end of 2023, the Company achieved operating profits of KD 2.16m compared to KD 244k during 2022, i.e. 786% above the last year, resulting from merger profits of KD 5.68.

In terms of expenses and fees, it hiked from KD 2.21m during 2022 to KD 3.06m during 2023, with an increase of 38%.

As a result, the shareholders' equities in the Parent Company hiked from KD 22.787m during 2022 to KD 29.446m during 2023, i.e. 6.659m. Additionally, no dividends are recommended for the fiscal year ending as of 31/12/2023.

As required by governance rules, the Executive Management provided the Board with the declaration of correctness and integrity of Company's financial reporting, which shall be presented properly and fairly and present all financial aspects, including operational data and results. In addition, these financial reporting are prepared according to the International Financial Reporting Standards approved by CMA, whereby the Board represents to the shareholders that all financial statements and the Company's business reports are correct and accurate.

Main Stops:

"Al Safat Investment" has passed through main stops during the last period, including finalization of merger with Cap Corp Investment Company by the amalgamation mechanism and exchange of shares. Al Safat issued 100,000,000 shares against 200,000,000 shares by Cap Corp in October 19, 2023.

According to the transaction, 0.5 share of Al Safat was exchanged for 1 share of Cap Corp, and the two entities were merged by issuing mew shares of Al Safat for a purchase price of KD 10,200,000, which is the announced price of Company's shares by the published date of acquisition.

During such transaction, the assets acquired by Al Safat, due to the merger, reached KD 16,283,245, forwarded with minor liabilities of KD 396,191. Therefore, the net assets acquired by Al Safat Investment in such transactions amounted KD 18,887,054.

In view of the costs paid by the Company for merger with Cap Corp, amounting KD 10,200,000, Al Safat Investment generated profits of KD 5,687,054 by the merger.

Abdullah Hamad AlTerkait - Chairman

Judicial Award for the Favor of Al Safat Investment:

In this context, we have the pleasure to announce to shareholders that, on issuing this report, Al Safat Investment received a final judicial award by Dubai Court of Appeal for binding Evolvence Assets Management Company (UAE based) and others to pay Al Safat Investment an amount of AED 346,797,739 (i.e. KD 28,838,312), plus the legal interests for the adjudicated amount, i.e. 5% from 4/3/2021 to full payment. The legal interests amount AED 17m, i.e. KD 7,400,000. The Company shall take all necessary actions for collecting the adjudicated amount, which shall have a prospective positive impact on Company's financial position and shareholders' equities.

Al Safat Investment shall disclose, through official channels of Kuwait Boursa, any developments or updates for the procedures of execution during the next period.

The Blue Real Estate Project:

During 2023, The Blue Real Estate Project, a crafts compound that accommodated businesses and specialized companies, achieved a great deal of success by renting the unoccupied unit, reaching an occupancy of 65% of The Blue.

Corporate Social Responsibility (CSR) 2023:

At Al Safat Investment Company (ASIC), social responsibility is a pivotal and effective element in expressing our identity. We are deeply committed to encouraging and celebrating good deeds and continuous development. Additionally, we strive to promote awareness and culture through media, highlighting achievements, and always offering assistance when possible. Throughout 2023, we expanded our vision and diversified our efforts to promote awareness across various areas, with a focus on health, youth, and women's empowerment. Here are some highlights of the programs we executed during the year:

National Holidays:

ASIC organized the celebration of National Day and Liberation Day, during which the local young artists, selected as per the standards of vertical graffiti paintings, were supported. We have opened a permanent art expo ay Al Safat Tower, representing the promising youth's view of pillars.

Woman's Day:

ASIC participated in sponsoring the event of woman's empowerment in Volvo Studio, in addition to taking part through the visions and experience of Mrs. Sara Al-Makimi, ASIC Manager of Public Relations and Marketing. The aim of such event was to present the experience of professional, successful and highly competent females working in different disciplines.

Environment Day:

On the occasion of Environment Day, we have published an electronic bulletin on June 5, for reminding our employees, guests and customers of B1 Al Safat Green Area that provides free charger for the electrical and hybrid cars. This environmental initiative was launched in 2021 for encouraging the movement of less or zero fuel cars in Kuwait.

Watheefati Job Expo:

ASIC participated in the Watheefati Job Expo that was held in 360 Mall. The Expo hosted many prominent financial institutions, Kuwaiti factories, telecommunication companies and banks, amongst many more over the 3-day event. The Company received great attention from many fresh graduates, as well as jobseekers looking for a shift in their careers.

Health Awareness:

In cooperation with Al-Salam International Hospital, ASIC organized a Breast Cancer Awareness Lecture dedicated to all female employees of ASIC and Al Safat Tower. During November, which is the month of awareness of males' health, another lecture was organized with a specialized doctor from Al-Salam International Hospital, showcasing to the male employees of ASIC and Al Safat Tower the symptoms and causes of Prostate cancer.

Prospective Expectations:

Al Safat tends to specific transactions in the framework of agreement under progress, including exiting from Middle Each Chemicals Industries Company, which is expected to be finalized by 2024. Additionally, the Company is in the final stages of negotiations with potential investors for exiting and finalizing the transaction of selling Carpet Industry Company, which is expected to be executed during 2024.

Currently, Al Safat team develops Cap Corp Investment Portfolio, by transferring it from local to GCC portfolio. In terms of Market Maker service, the Company made great strides towards acquisition of licenses by the regulatory authorities. As expected, the service would be activated in the near future following attainment of complete readiness, as per the applicable rules of Kuwait Boursa.

On Company's visions and Al Safat strategy for the following five years, the Management is looking forward to studying other potential mergers and acquisitions that would promote the financial rigidity and position of the Company, as being amongst the elite of Islamic investment companies. Needless to say, our aspirations are for local and international mergers and acquisitions, not restricted to certain areas. Rather, we are determined to surf new fields, such as health and education.

Appreciation and Gratitude:

In conclusion, I would like to express heartfelt gratitude to all shareholders, members of the Board, and Executive Management for their unwavering support of Al Safat Investment's endeavors, contributing to our ongoing success.

I would like to thank all regulatory authorities in the State of Kuwait (CMA and Ministry of Commerce and Industry) for their continuous cooperation and relentless efforts for developing and improving the Kuwaiti capital markets sector.

Abdullah Hamad Al-Terkait
Chairman - Al Safat Investment Company

Corporate Governance Report for Al Safat Investment Company (ASIC) For the Fiscal Year ending as of December 31, 2023

ASIC's Viewpoint of Governance Principles:

ASIC firmly believes that putting in place an effective governance framework is pivotal for successful businesses, for being significant in reinforcing trust in ASIC, and giving an opportunity for making comprehensive and sustainable changes in line with ASIC Values. Therefore, one of the most important goals for ASIC and its Management is development of enforceable and unwavering governance framework, taking into consideration the rights of stakeholders and investors and the related requirements, set by the regulatory authorities, environmental, social and health obligations and economic goals. Additionally, ASIC relies on continuous achievement of primary goals in connection to governance, making full use of new opportunities and fulfilling the increasing demands of the ability to effectively manage risks, in order to remain complaint with regulatory authorities' requirements in State of Kuwait.

ASIC believes that success on the long-run is dependent on good corporate governance, in addition to effective management and prospective entrepreneurship that result in promotion of governance principles.

First Rule:

Building a Balanced Board Structure:

Diversification of the Board structure is the key success factor nowadays, in the mainstream of quick development in business environment. Therefore, ASIC Board has skilled and experienced members, leading to a balanced and positive structure, enabling the Board to conduct its businesses and responsibilities perfectly, taking into consideration the everchanging business requirements.

The role of ASIC Board of Directors is that point of balance that achieves ASIC strategic goals and, consequently, the investors' goals. It is responsible for complying with the good governance standards by empowering and applying the governance standards and rules, by enforcing the best practices and a package of policies, procedures and mechanisms and assigning the responsibilities and duties of ASIC Board and Executive Management. It considers protection of investors' rights, stakeholders' rights, customers, management, personnel and the community.

ASIC Board of Directors has seven members elected by the General Assembly for three-year tenure. The Board of Directors is formed in a balanced way, suitable for ASIC business volume and nature. The Board members are non-executive members, including three independent members, and have diverse experience and skills hat contributes to promote decision-making efficiencies.

The present Board members have the qualifications, skills and experience proper for ASIC business according to the following table:

Name	Member's Classification	Academic Qualification and Experience	Date of Election/ Secretary Nomination
Abdullah Hamad Al-Terkait	Chairman, non-executive	- Holding MA degree in Business Administration, UK. - Holding Bachelor degree in General Administration and Political Sciences. - 18-year practical experience.	March 30, 2022
Fahad Abdul Rahman Al-Mukhaizim	Vice Chairman, non-executive	- Holding MA degree in Business Administration. - Holding Bachelor degree in Finance. - 28-year practical experience.	March 30, 2022
Abdul Muhsin Sulaiman Al-Meshan	Member – independent	- Holding Bachelor degree in International Finance and Marketing. - 44-year practical experience.	March 30, 2022
Naser Bader Al-Sharhan	Member – non-executive	- Holding Bachelor degree in Political Sciences and Marketing. - 26-year practical experience.	March 30, 2022
Mishaal Ahmed Al-Jareki	Member – independent	- Holding MA degree in Business Administration, Major of General and Strategic Administration. - Holding Bachelor degree in Accounting. - 18 -year practical experience.	March 30, 2022
Dr. Anwar Ali Al-Naqi	Member – independent	- Holding PhD, MA and BSc. degrees in Civil Engineering. - Holding Bachelor degree in Architecture. - 46-year practical experience.	March 30, 2022
Abdul Razzak Zaid Al-Dhubayan	Member – non-executive	- Holding Bachelor degree in Civil Engineering. - 19-year practical experience.	March 30, 2022
Khawla Mohammed Awad Kandeel	Board Secretary	- Holding Technical Certificate in Business Administration. - 26-year practical experience.	March 30, 2022

The Board members devote adequate time for undertaking their assigned duties and responsibilities. The Board meets as called for by the Chairman.

Brief of ASIC Board's Meetings:

The Board meetings during 2023 are 8 meetings and 3 resolutions by circulation passed by the Board, as shown in the following table:

Member / Meeting Date	Abdullah Hamad Al-Terkait	Fahad Abdul Rahman Al-Mukhaizim	Abdul Muhsin Sulaiman Al-Meshan	Dr. Anwar Ali Al-Naqi	Naser Bader Al-Sharhan	Abdul Razzak Zaid Al-Dhubayan	Mishaal Ahmed Al-Jareki
Meeting (1), dated 06/02/2023	√	Apology	√	√	Apology	√	√
Resolution by Circulation (1), dated 23/02/2023	√	√	√	√	√	√	√
Meeting (2), dated 28/03/2023	√	√	√	√	√	√	√
Resolution by Circulation (2), dated 03/04/2023	√	√	√	√	√	√	√
Meeting (3), dated 10/05/2023	√	Apology	√	√	√	√	√
Meeting (4), dated 21/06/2023	√	√	√	√	√	√	√
Meeting (5), dated 02/08/2023	√	√	√	√	√	√	√
Meeting (6), dated 13/08/2023	√	√	√	√	√	√	√
Resolution by Circulation (3), dated 28/08/2023	√	√	√	√	√	√	√
Meeting (7), dated 13/11/2023	√	Apology	√	√	√	√	√
Meeting (8), dated 26/12/2023	√	√	√	√	√	Apology	√

Method of Applying the Requirements of Registering, Coordinating and Filing Minutes of ASIC Board's Meetings:

The Board Secretary manages and coordinates the Board's businesses, in line with governance rules. The Board Secretary is appointed or removed as resolved by the Board. Under the Chairman's supervision, the Board Secretary ensures compliance with the procedures approved by the Board, in connection to exchange of information between the Board members and committees and the Executive Management. Additionally, the Board Secretary develops the Board meetings agenda, sends the Board meetings invitations and provides the Board members with the agenda in at least three business days prior to the convention date, excluding emergency meetings. The Board Secretary writes down the minutes of meetings, records members' attendance during these meetings and ensures proper delivery and distribution of information and coordination between the Board members and other stakeholders of ASIC, including shareholders, different departments and concerned personnel.

Enclosed herewith Independent Member's declaration for satisfaction of independency conditions, as per the provisions of Clause (2-3), Book 15 (Corporate Governance).

Second Rule:

Perfect Assignment of Duties and Responsibilities:

In brief, how ASIC assigns the tasks, duties and responsibilities of each Board Member and the Executive Management, as well as the powers and authorities entrusted to the Executive Management:

- AISC Board of Directors supervises the general performance and determines AISC strategic attitude. It sets AISC goals and approves the general strategy, which is periodically revised, and develops AISC organizational and administrative chart and the regulatory systems. Moreover, the Board of Directors controls the performance of Executive Management and extent of implementation of the approved strategy. It monitors any conflict of interests and prevents any abuse of power by the related parties. In addition, the Board is responsible for adopting the consolidated financial statements, fairly representing AISC financial position as per the International Financial Reporting Standards (IFRSs). It is accountable for determining the framework of internal control as deemed necessary for preparing consolidated financial statements without any material mistakes.
- AISC has detailed the tasks, duties and responsibilities of each Board Member and the Executive Management, as well as the powers and authorities entrusted to the Executive Management, by the policies and regulations approved by the Board.

The significant duties and responsibilities assigned to AISC Board are as follows:

1. Approval of AISC key goals, strategies, plans and policies.
2. Adoption of annual balance sheets and the quarterly and annual financial statements.
3. Supervision of AISC primary capital expenditure and holdings of assets and investments.
4. Ensuring AISC departments' compliance with the policies and procedures guaranteeing AISC observance of applicable bylaws and regulations.
5. Ensuring the accuracy of data required for disclosure as per the applicable policies and systems of disclosure and transparency.
6. Establishing effective channels of communication for enabling shareholders' access to periodical and constant information on ASIC activities and any other related basic developments.
7. Structuring and generally supervising the corporate governance system, monitoring the extent of effectiveness and modifying it when necessary.
8. Following up the performance of every member of the Board, committees and Executive Management using the key performance indicators (KPIs).
9. Preparing annual report that shall be presented to General Assembly, forming the specialized committees as per the requirements of regulatory authorities and assigning the responsibilities, rights and obligations.
10. Assigning the powers granted to Executive Management and decision-making process.
11. Following up the performance of Executive Management members and ensuring performance of all assigned duties.
12. Developing a policy for regulating relations with related parties for protecting their rights.
13. Establishing a mechanism for regulating transactions with related parties for avoidance of conflict of interests.

14. Ensuring integrity of financial and accounting systems and approving KPIs and measurements, as well as ASIC risk appetite for managing such risks.

Significant Roles and Responsibilities of Executive Management:

1. Implementing all policies, regulations and bylaws of ASIC as approved by the Board of Directors.
2. Preparing periodical reports on the achieved progress of ASIC business in the light of its strategic plans and goals, and presenting these reports to the Board of Directors.
3. Developing an integrated accounting system for maintaining books, records and accounts that reflect, in details and accurately, the financial statements and income accounts, allowing maintenance of ASIC assets and preparation of financial statements as per the IFRSs approved by the Capital Markets Authority (CMA).
4. Managing ASIC day-to-day operations, activities and recourses perfectly, as well as maximizing profits and cutting expenses based on ASIC goals and strategies.
5. Participating effectively in setting and promoting ASIC ethical principles culture.
6. Developing internal control systems and risk management and ensuring its effectiveness, inclusiveness and adequacy, and observing the risk appetite approved by the Board of Directors.

Board's Achievements for 2023:

Based on the Board's responsibilities, represented in achieving the best financial and operational results and properly implementing ASIC strategic plan, the Board, during 2023, has achieved many achievements as follows:

1. The Board has discussed and approved the annual audited consolidated financial statements for the fiscal year as of 2022.
2. Recommending appointment of ASIC External Auditor, i.e. Mr. Abdulkarim Abdullah Abdulkarim Al-Samdan, Al Aiban, Al Osaimi & Partners (Ernst & Young).
3. Recommending reappointment of the External Legal Auditor, Osool Legal Consulting and Auditing Company.
4. Reviewing the approval of Capital Markets Authority and Ministry of Commerce for the proposed merger, approval of capital increase and recommending the convention of Extraordinary General Assembly.
5. Approving the transfer of activity of Custodian resulting from the merger and reporting the recommendation to the Extraordinary General Assembly.
6. Executing the form of declaration by the Board and Executive Management, provided it shall be included in 2022 Annual Report.
7. Recommendation not to distribute dividends for the financial year ending 31/12/2023.
8. Perusal of the minutes of meeting of Nominations and Remunerations Committee and the following items were adopted:

- Ensuring the independency of Independent Member and executing the declaration by the Independent Member.
- The report of annual remunerations of the Board members and Executive Management, prepared by the Nominations and Remunerations Committee, was approved, and approving the

recommendation on avoidance of remunerations for the members for the fiscal year ending as of 31/12/2022, and reporting the same to the following General Assembly.

- Approving the corporate governance report for the fiscal year ending as of 31/12/2022, which shall be presented to the following General Assembly.
- Approving the annual report for the fiscal year ending as of 31/12/2022.
- Approving the integrated report for the fiscal year ending as of 31/12/2022.
- Approving the draft agenda of Ordinary and Extraordinary Assembly and authorizing the Chairman to do whatever necessary.

9. Approving the agenda of Ordinary General Assembly for 2023.
10. Approving the agenda of Extraordinary General Assembly.
11. Approving the report of AML/CFT by Compatibility and Compliance Department for 2022.
12. Approving the annual report for Book 7 (Customers' Funds and Assets) prepared by the Independent Auditor for the fiscal year ending as of 31/12/2022.
13. Approving the annual report for Book 16 prepared by the Independent Auditor for the fiscal year ending as of 31/12/2022.
14. Approving the recommendation of Auditing Committee on reappointing RSM Office for conducting ASIC internal auditing for 2023.
15. Approving addition of Market Maker business to ASIC businesses and recommending convention of Extraordinary General Assembly.
16. Reviewing the Internal Control Review (ICR) of ASIC for 2022.
17. Approving the biannual risk report for the period from July 1, 2022, to December 31, 2022, and the period from January 1, 2023, to June 30, 2023.
18. Approving the draft condensed and consolidated interim financial statements (unaudited) for the Q1, Q2 and Q3, 2023.
19. Adopting the ASIC updated organizational chart following the merger.
20. Finalizing the formalities of merger and transferring the financial and human resources from the merger company to merging company.
21. Authorizing the Executive Management to develop the draft strategy for the upcoming three years.
22. Approving the recommendation of Nominations and Remunerations Committee for transferring and appointing the CEO of Cap Corp Investment Company as the CEO of Al Safat Investment Company.
23. Perusing the remarks and penalties by the regulatory authorities and recommending the necessary handling as soon as possible and to avoid any future reoccurrences.
24. Adopting the ASIC policies and procedures based on the updates issued by CMA.
25. Evaluating the performance of Board members for 2022 and perusing the appraisal of Board committees' members (Auditing Committee, Risk Committee, Nominations and Remunerations Committee), in addition to appraisal of CEO for 2022.

26. Having a training course titled Anti-Money Laundry and Counter Financing of Terrorism (AML/CFT).

Brief of Applying the Requirements of Board's Formation of Specialized Independent Committees, taking into consideration disclosure of the following information for each committee:

In the mainstream of Board's performance of roles and duties, the Board has formed sub-committees and adopted the related charters that set their responsibilities and authorities, in order to reinforce supervision of ASIC transactions. Additionally, the committees' members have technical and practical experience and skills enabling them to perform the assigned duties property.

1. Audit Committee:

Date of Formation: April 27, 2022.

Committee Tenure: In connection to the tenure and jurisdiction of the present Board.

Committee Members:

Mr. Fahad Abdul Rahman Al-Mukhaizim, Chairman.

Mr. Naser Bader Al-Sharhan, Vice Chairman.

Mr. Mishaal Ahmed Al-Jareki, Member.

Number of Meetings Held during 2023: 8 Meetings.

Duties and Achievements of the Committee during 2023:

- Reviewing the draft annual audited and consolidated financial statements for the fiscal year 2022 and recommending thereof to the Board for adoption and taking the necessary actions for convening Ordinary General Assembly.
- Approving the proposal of appointing the External Auditor, Mr. Abdulkarim Abdullah Abdulkarim Al-Samdan, Al Aiban, Al Osaimi & Partners (Ernst & Young).
- Recommending reappointment of External Legal Auditor, Osool Legal Consulting and Auditing Company.
- Perusing the updated policies and procedures and recommending to the Board for approval.
- Approval of Internal Auditing Plan for 2023.
- Reviewing the legal internal auditing reports for Q4 of 2022, and Q1, Q2 and Q3 of 2023, for ensuring the Legal Auditing Unit's review of ASIC businesses and transactions and extent of compatibility with the provisions of Islamic Sharia.
- Reviewing the Legal Internal Auditor's reports for Q4 of 2022, and Q1, Q2 and Q3 of 2023, discussing the related remarks and recommending prompt addressing.
- Reviewing the draft condensed consolidated interim financial statements (unaudited) for Q1, Q2 and Q3 of 2023 and recommending to the Board for approval.
- Reviewing the Internal Control Review (ICR) report of ASIC for 2022, and authorizing the relevant department for following up the remarks stated in the report with the related departments for addressing.
- Perusing the annual report of money laundry submitted via CMA e-portal and the money

laundry report prepared by the Auditor, and recommending to the Board for approval.

- Reviewing the remarks and penalties by the regulatory authorities and recommending the necessary handling as soon as possible to avoid any future reoccurrences.
- Making the proper decisions for addressing the remarks of CMA Inspection Team and developing a plan for addressing the remarks, in order to address them as soon as practicable.
- Reviewing the report of internal auditing for all ASIC departments and authorizing the relevant personnel for following up the remarks with ASIC directors in order to resolve the remarks stated therein.
- Approving appointment of Al-Nisf & Co Office (BDO) for conducting ASIC internal auditing for 2024.
- Recommending to the Board for approving the updated organizational chart.
- During the year, there was no conflict between the Committee's recommendations and Board's recommendations.
- Annual performance appraisal for the Committee members.

2. Risk Committee:

Date of Formation: April 27, 2022.

Committee Tenure: In connection to the tenure and jurisdiction of the present Board.

Committee Members:

Mr. Naser Bader Al-Sharhan, Chairman.

Mr. Abdul Razzak Zaid Al-Dhubayan, Vice Chairman.

Mr. Mishaal Ahmed Al-Jareki, Member.

Number of Meetings Held during 2023: 6 Meetings.

Duties and Achievements of the Committee during 2023:

- Approving the biannual risk report addressed to CMA for the period ending as of 31/12/2022 and the period ending as of 30/6/2023, and recommending presentation of the report to the Board and following up the remarks in order to address them.
- Reviewing the risk study in connection to addition of Custodian business, resulting from the merger and recommending to the Board.
- Reviewing risk study in connection to capital increase for the merger and recommending to the Board.
- Ensuring independency of Risk Management and objectivity of the reports issued by the department.
- Approving appointment of Arab House for conducting the businesses of Risk Management development for 2023.
- Perusing the risk reports in connection to transactions with related parties.
- Perusing the new organizational chart, ensuring independency of Risk Unit and recommending to the Board.

- Annual performance appraisal for the Committee businesses and members for 2023 and reporting the appraisal results to the Board.

3. Nominations and Remunerations Committee:

Date of Formation: April 27, 2022.

Committee Tenure: In connection to the tenure and jurisdiction of the present Board.

Committee Members:

Mr. Abdullah Hamad Al-Terkait, Chairman.

Mr. Dr. Anwar Ali Al-Naqi, Vice Chairman.

Mr. Abdul Muhsin Sulaiman Al-Meshan, Member.

Number of Meetings Held during 2023: 2 Meetings.

Duties and Achievements of the Committee during 2023:

- Discussing determination of allowances for the Board committees on annual basis and approving the allowances for committees' members.
- Approving the Board's recommendations on payment of remuneration to the CEO for 2022 as per the annual performance appraisal prepared by the Board.
- The report of annual remunerations for the Board members and Executive Management, for the fiscal year ending as of 31/12/2022, including the recommendation on not distributing any remunerations, was discussed and recommended to the Board.
- The Board was recommended for adoption of the updated organizational chart.
- Recommending transferring the registered positions resulting from the merger as per the ASIC approved organizational chart.
- Developing and sending the annual appraisal forms for 2022 for the Board and its committees, in addition to the form of performance appraisal of CEO for 2022, which was sent to the Board.
- Ensuring the independency of the Board independent members.
- Annual performance appraisal for the members of Nominations and Remunerations Committee for 2022 and reporting to the Board for approval.

4. Provisions Committee:

Date of Formation: April 27, 2022.

Committee Tenure: As resolved by the Board.

Committee Members:

Mr. Abdul Razzak Zaid Al-Dhubayan, Chairman.

Mr. Rabea Kakati, Member and Reporter.

Mr. Herald Leo Fernandez, Member.

Number of Meetings Held during 2023: 4 Meetings.

Duties and Achievements of the Committee during 2023:

- Approval of provisions.

Brief of method of applying the requirements, allowing the Board members' access to information and data, accurately and timely:

ASIC has an effective mechanism for allowing the Board members, in general, and the Board non-executive and independent members, in particular, to access the basic information and data, enabling them performing their duties, by coordination with the Board Secretary, in line with the applicable laws and legislations. In addition, the members are provided with the agenda and all related documents in three days prior to the convention date, for giving them the adequate time for studying the issues property to make the proper decisions.

Third Rule:

Nomination of Competent Persons for Board Membership and Executive Management:

Brief of Applying the Requirements of Forming Nominations and Remunerations Committee:

Nominations and Remunerations Committee helps ASIC Board of Directors perform its supervisory responsibilities in connection to the effectiveness, integrity and compliance with the policies and procedures of ASIC nominations and remunerations. It reviews the standards of selection and procedures of appointing the Board members and Senior Management and approval thereof, as well as ensuring that the policy and methodology of nominations and remunerations, in its entirety, are in line with ASIC strategic goals. The committee holds regular meetings, at least once per annum and as necessary.

ASIC applicable policy of nomination ensures continuous selection and attraction of competencies for joining, either for nomination for the membership of the Board or Executive Management. The Board has formed the Nominations and Remunerations Committee as per the governance rules. The committee includes one independent member. The Board has adopted the Committee's Charter approved by the Board, including the following:

- Recommending acceptance of nomination and renomination for the Board members and Executive Management.
- Developing a clear policy for the remunerations of the Board members and Executive Management.
- Determining the required suitable skills of the Board members and reviewing them annually.
- Attracting the applications of executive jobseekers as required and studying and reviewing such applications.
- Determining various categories of remunerations paid to the employees.
- Developing job description for the executive, non-executive and independent Board members.
- Proposing nomination and renomination of members for elections by the General Assembly and ensuring the independency of independent members.
- Setting the mechanisms of Board's performance appraisal, as well as the performance of each Board member and the Executive Management as per the objective performance appraisal indicators.

- Reviewing the proposing the training courses and workshops for the Board members and Executive Management.
- Reviewing the payrolls and scales periodically.
- Preparing a detailed annual report for all remunerations paid to the Board members and Executive Management, whether in cash, benefits or privileges, of whatever nature and designation, provided the report shall be presented to the General Assembly for approval.

Report of Remunerations Paid to Board Members and Executive Management:

I) Remunerations Policy for Board Members:

ASIC follows a transparent process in connection to the policy of remunerations of Board members, based on performance of their roles and attending the meetings of the Board or its committees. ASIC observes the provisions of Companies Law in connection to the remunerations of Board members, CMA instructions and ASIC policies and Articles of Association.

II) Remunerations Policy for Executive Management:

The remunerations of the Executive Management is related to ASIC performance and achievement of its goals, in line with the volume, nature and degree of risks and positional responsibilities, as well as promoting the principles of belongingness and loyalty, retaining the proper personnel and encouraging ASIC personnel, of various positional levels, to achieve its strategic goals and optimizing profits constantly for the best interests of ASIC, shareholders, investors, stakeholders and related parties. Remunerations include fixed segment, in the form of salaries, bonuses and other fixed benefits, in addition to variable segment, in the form of annual incentives.

A copy of the remunerations report of Board members and Executive Management, and their equivalents, during the fiscal year ending as of 31/12/2022, prepared as pr the requirements of corporate governance, is as follows:

<table>
<tr><th colspan="8">Remunerations and Benefits of Board Members</th></tr>
<tr><th colspan="4">Remunerations and Benefits by Affiliates</th><th colspan="3">Remunerations and Benefits by Parent Company</th><th rowspan="3">Total Members</th></tr>
<tr><th colspan="2">Variable Remunerations and Benefits (KD)</th><th colspan="2">Fixed Remunerations and Benefits (KD)</th><th colspan="2">Variable Remunerations and Benefits (KD)</th><th>Fixed Remunerations and Benefits (KD)</th></tr>
<tr><th>Committees Remunerations</th><th>Annual Remunerations</th><th>Monthly Salaries (Total during the Year)</th><th>Health Insurance</th><th>Committees Remunerations</th><th>Annual Remunerations</th><th>Health Insurance</th></tr>
<tr><td>0</td><td>88,000</td><td>48,000</td><td>1,844</td><td>80,000</td><td>0</td><td>0</td><td>7</td></tr>
</table>

Remunerations and Benefits of Senior Executives and Equivalents														
Remunerations and Benefits by Affiliates							Remunerations and Benefits by Parent Company							
Variable Remunerations and Benefits (KD)	Fixed Remunerations and Benefits (KD)						Variable Remunerations and Benefits (KD)	Fixed Remunerations and Benefits (KD)						Total Executive Positions
Annual Remunerations	Education Allowance	Transport Allowance	House Allowance	Annual Tickets	Health Insurance	Monthly Salaries	Annual Remunerations	Education Allowance	Transport Allowance	House Allowance	Annual Tickets	Health Insurance	Total Monthly Salaries during the Year	
0	0	0	0	0	0	0	54,000	2,000	0	5,500	1,000	9,960	277,200	7

· Any material deviations from the remunerations policy approved by the Board.
N/A

Fourth Rule: Ensuring Integrity of Financial Reporting:

Written declarations by the Board members and Executive Management on integrity and fairness of the prepared financial reporting.

The contents of ASIC annual report include the written declarations by the Board members and Executive Management on fairness and integrity of the prepared financial reporting.

Brief of Applying the Requirements of Forming the Auditing Committee:

The main role of Auditing Committee is to supervise auditing issues and ensuring the fairness and integrity of financial reporting and internal control systems. The Auditing Committee undertakes the following, for example, but without limitation:

- Reviewing the periodical financial statements before presentation to the Board, giving the opinion and recommendation to the Board, in order to ensure the fairness and transparency of financial reporting.
- Recommending to the Board on appointing and reappointing the External Auditors or replacing them and determining their remunerations. On recommending appointment, independency shall be ensured and the appointment letters shall be reviewed.
- Following up the businesses of External Auditors and ensuring that they do not perform any services to ASIC other than the services necessitated by auditing profession.
- Studying the remarks of External Auditors on ASIC financial statements and following up the latest developments.
- Studying the applicable accounting policies and giving opinion and recommendation to the Board in such effect.
- Evaluating the extent of adequacy of internal control system applied by the Company and preparing a report that covers its opinion and recommendations in such effect.

- Technical supervision of ASIC Internal Auditing Department for verifying its effectiveness in performing the roles and duties assigned by the Board.
- Recommending appointment, transfer, removal and appraisal of performance of Internal Auditing Manager and the performance of Internal Auditing Department.
- Reviewing and approving the auditing plans proposed by the Internal Auditor and commenting thereon.
- Reviewing the results of internal auditing reports and ensuring that necessary corrective actions were taken for the remarks covered by the report.
- Reviewing the results of regulatory authorities' reports and ensuring that necessary actions were taken.
- Ensuring ASIC compliance with related laws, policies, systems and instructions.

During 2023, there was no conflict between the recommendations of Auditing Committee and Board resolutions.

Independency and Impartiality of External Auditor:

Auditor was appointed as approved by the General Assembly, following the Board's recommendation and the Auditing Committee has ensured that he is enrolled in the CMA related register. He satisfies all conditions stated in the CMA resolution requirements on enrollment of auditors. During the General Assembly, convened on 11/05/2023, shareholders has appointed the External Auditor for 2023, Mr. Abdulkarim Abdullah Abdulkarim Al-Samdan, Al Aiban, Al Osaimi & Partners (Ernst & Young).

External Auditor conducts an annual and independent audit and quarterly review for ensuring that financial statements are prepared in line with the IFRSs approved by the Kuwaiti regulatory authorities.

Fifth Rule:

Setting Sound Systems for Risk Management and Internal Control:

Requirements of Forming Risk Management Independent Department:

ASIC has developed the effective systems and regulations for risk management in order to measure and follow up all forms of risks exposed to by the Company and for determining, evaluating, measuring and managing the main risks faced by the Company. ASIC risk management is jointly liable for Company's management and its employees. Risk Management educates and ensures informing the employees of the importance of risk management and performance of duties in line with the framework of risk management. Risk Officer shall measure, follow up and limit all types of risks faced by the Company.

Requirements of Forming Risk Management Committee:

The Risk Management Committee is an independent committee of the Board and is concerned with management of risks. Its main role is setting the policies and regulations of risk management in line with the ASIC risk appetite in order to endure the risks exposed to by the Company, provided its tenure shall be three years, unless the Board deems otherwise. It shall have three non-executive members, including the Risk Committee Chairman. The Chaiman shall not be a member of Risk Committee. The Risk Committee shall undertake the necessary roles and responsibilities as stated in the rules of corporate governance. The Risk Committee shall meet at least four times per annum and shall write down the minutes of meetings.

The Risk Committee determines, measures and follows up the risks exposed to by the Company by collaborating with the Executive Management and Risk Officer. It shall be responsible for advising the Board on the Company's present and future risks strategy and policy, as well as supervising the Company's strategy approved by the Board. The Risk Committee shall review the policies and strategies of Company's risk management as per the reports filed by Risk Management Officer, in order to be approved by the Board, in addition to developing the policies and procedures in connection to management of different risks.

It shall be responsible for determining, measuring, controlling and supervising the system of risks exposed to by the Company and preparing the related reports. Additionally, it shall play the role of following up the results of reports on evaluating and controlling the risks exposed to by the Company.

Generally speaking, the Risk Committee ensures consistency of Company's comprehensive works and businesses with the appetite approved by the Board, and following up development of risk policies, procedures and approaches that consistent and compatible with the risk appetite. It shall supervise development and implementation of structure and systems of risk management suitability, in addition to supervising availability of adequate level of control for the risks and the conditions in connection to Company's businesses.

Internal Control System:

ASIC is eager to put in place the internal control systems that cover all businesses in order to maintain Company's financial integrity, adequate data and effective transactions from all aspects. The principles of internal control of the dual control process are considered in the Company's organizational chart as per the following:

- Proper assignment of powers and responsibilities.
- Complete segregation of roles and avoidance of conflict of interests by the constant updating of Company's organizational chart.
- Dual inspection and control (Internal Auditing Department and Auditing Committee).
- Dual signature (all checks and contracts are endorsed or executed by more than one person as per the hierarchy of powers approved by the Board).
- Appointing an external auditor for auditing the internal control systems and preparing an annual report that is submitted to CMA annually in 90 days from the end of fiscal year.

Additionally, the Company has Compliance and Compatibility Department that has many skills and distinct experience for ensuring compliance with all governing laws and regulations. It is one of the most important tools of internal control inside the Company and works in collaboration with the Auditing Department and Risk Management for ensuring application of all dual inspection and control procedures. The Board is interested in empowering its role constantly.

Requirements of Forming the Independent Department of Internal Auditing:

ASIC Internal Auditing Department develops the policies and procedures of auditing that help the Company apply the corporate governance by constant appraisal of Executive Management's performance for applying internal control systems, in addition to the methods and procedures of internal control for recommending development as required for increasing the efficiency and effectiveness of internal control system. Accordingly, the Board has assigned the Internal Auditing Department, through Auditing Committee, to perform the entrusted duties and responsibilities. Therefore, ASIC Internal Auditing Department is completely technically independent department and reports to Auditing Committee of ASIC Board of Directors.

One of the most important responsibilities of Internal Auditing Department within ASIC is to provide the Board and Executive Management with an independent and objective opinion on availability of regulatory controls, adequate and proper assurances for supporting Company's businesses, improving the controls effectiveness and managing risks and governance operations.

Independency of Internal Auditing Department is a key success factor of auditing role. Therefore, the Internal Auditing Department reports to the Board's Auditing Committee and approves the organizational chart, internal auditing charters and policy, internal auditing plans, approach of risk management and evaluation of achievements and the job performance of the department. The Committee independently meets with the Internal Auditing Manager four times during the year and on a quarterly basis. However, during 2023, during which the merger took place by merging ASIC and Cap Corp, the Committee could not meet with the Internal Auditing Officer due to the latter's vacancy and inability to appoint a replacement to the end of year, due to transfer of all registered jobs to the merging company, resulting from the merger implementation, following obtaining CMA approval, on 30/08/2023, on extension of vacancy period.

Sixth Rule:

Promoting Professional Conduct and Ethical Values:

Standards and Determinants of Professional Conduct and Ethical Values:

The Code of Conduct and Ethics covers the conduct standards that should be followed and observed by ASIC employees on a daily basis in all transactions and at any location where businesses are conducted. In case of any concerns or suspicions of incompliance with the Code of Ethics, the Company promotes and creates the culture of prompt reporting the same to the concerned authority by multiple channels, including line manager, human resources, legal affairs and Compliance and Compatibility Department. No accountability actions or regulatory consequences shall arise against any person due to reporting his concerns or suspicions of any legal or regulatory violations.

Policies and Mechanisms for Restricting Conflicts of Interests:

ASIC adopts procedures and mechanisms for restricting the conflicts of interests. The Board members are concerned with shareholders' interests, avoiding conflicts of interests with their personal interests and performing the duties assigned by the Company.

These mechanisms aim at preventing conflicts of interests and employment of internal information for personal interests. These mechanisms constitute a part of the Company's compliance with integrity in transacting with related parties. The Company is interested in preparing a package of policies and procedures that ensure not using ASIC assets and resources for personal interests, including the policy of related parties' transactions, policy of information security and secrecy and policy of reporting illegal practices.

Seventh Rule:

Accurate and Timely Disclosure and Transparency:

Mechanisms of Accurate and Transparent Presentation and Disclosure that Set Aspects, Areas and Characteristics of Disclosure:

ASIC, constantly, timely and properly, discloses all transactions and properties by the Company or by the customers of its investment portfolios, in addition to disclosure of all quarterly and annual financial statements on completion without any undue delay, in order to assure the shareholders and investors of Company's positions. In all disclosures, that Company ensures consistency with standards applied by CMA in such effect.

Requirements of Disclosures Registers of Board Members and Executive Management:

The Board has developed the mechanisms of accurate, transparent and timely presentation and disclosure as follows:

- The Board has developed the mechanisms of presentation and disclosure in line with corporate governance rules.
- ASIC has developed a register for disclosures of Board members and Executive Management.
- ASIC has established Investors' Affairs Unit that is responsible for making available and providing the data, information and reports necessary for potential investors. The Investors' Affairs Unit is properly independent and directly reports to the Board, for providing the data, information and reports on a timely basis and accurately, which shall be through the recognized methods of disclosure, including ASIC website.
- ASIC has developed the IT infrastructure, which is highly replied on for disclosures and the ASIC website has a separate page for corporate governance.

Requirements of Forming the Investors' Affairs Unit:

In August 30, 2020, the Board has appointed Mrs. Sara Al-Makimi as the Officer of Investors' Affairs Unit and Social Responsibility, as per and in completion for the ASIC establishment of Investors' Affairs Unit, according to the rules of corporate governance. Additionally, the policies and procedures of Investors' Affairs Unit were developed for regulating the mechanism of dealing with investors. The Investors' Affairs Unit is responsible for making available and providing the data, information and reports necessary for investors and shareholders by the recognized channels of disclosure.

Development of IT Infrastructure:

ASIC, constantly, updates its website for providing all data and information closely related to disclosure of information necessary for shareholders and investors, and for adding all necessary data as per governance rules. During this year, ASIC has updated and developed the website to present the latest data and information necessary for shareholders and potential investors.

Eighth Rule:

Respecting Shareholders' Rights:

Requirements of Determining and Protecting Shareholders' General Rights:

ASIC adopts rules for ensuring justice, equality and transparency for all investors. The Board formulated investors' policy for enabling them to practice their rights carefully. It includes providing all information on the Company in a fair, systematic and easy way, including ASIC financial performance, goals, strategies, corporate governance and risk appetite.

Establishing a Register to be Maintained by a Clearinghouse:

ASIC executed an agreement with Kuwait Clearing Company, whereby the latter shall maintain the shareholders' register of ASIC and update thereof as per the finalized transactions. Additionally, the Company shall maintain electronic register of shareholders and shall not notated with any changes as per the transactions. The related parties shall have the right to access such register.

Encouraging Shareholders to Attend and Vote for ASIC Assemblies:

Shareholders are encouraged to participate actively in ASIC assemblies by sending the necessary invitations to shareholders, including the agenda, enclosures and the convention time and place, as well as showing the unencumbered rights of shareholders to vote.

Some of shareholders' rights include, without limitation:

- The right to receive dividends.
- The right to receive a part of assets in case of liquidation, as per the provisions of Companies Law.
- The right to access the information and data on Company's activities and strategies on a regular basis.
- The right to take part in General Assemblies and vote as per the laws and regulations.
- The right to vote during the elections of Board members.
- The right to control Company's performance, in general, and the Board, in particular.
- The right to question Board members and Executive Management as per the provisions of Companies Law.
- The right to register the price of their shares.
- The right to register, transfer and assign the shares title.
- The right to review shareholders' register.

Ninth Rule:

Realization of Stakeholders' Role:

Systems and Policies Guaranteeing Protection and Recognition of Stakeholders' Rights:

ASIC has developed the policy of stakeholders' protection. It was designed for ensuring respect and protection the stakeholders as per the Kuwaiti applicable laws, such as Labor Law and Companies Law and its Executive Regulation, in addition to the mutually executed contracts and any additional declarations by the Company towards the stakeholders. It aims at restricting the conflict of interests, taking into consideration that no stakeholder shall receive any benefit from dealing with the contracts and transactions in the Company's normal course of business.

Additionally, the Company protects the rights of stakeholders and provides stability and professional sustainability by the proper financial performance. The parties that the Company considers as stakeholders were identified by the developed policy and the guidelines on protection of these rights were developed.

Encouraging Stakeholders to Participate in Following up ASIC Various Activities:

For avoiding the conflicting transactions of stakeholders, whether as contracts or transactions with the Company, with the shareholders' interests, the Company shall take into consideration that no stakeholder shall receive any benefit from dealing with the contracts and transactions in the Company's normal course of business. Additionally, the Company develops internal policies and regulations that include clear mechanism for awarding different contracts and transactions.

Additionally, the Company develops mechanisms that ensure optimal use of stakeholders' contributions in the Company, and encouraging them to participate in its businesses., in line with the best of its interests. The Company provides stakeholders with access to all related data and information, which could be relied on a timely basis and regularly. The Company has facilitated stakeholders' reporting to the Board any improper practices that are exposed to by the Company, and provides the whistleblowers with proper protection.

Tenth Rule:

Promoting and Improving Performance:

Mechanisms of Allowing Constant Training Programs and Courses to Board Members and Executive Management:

The continuous training and qualification of Board members and Executive Management are pivotal for corporate governance and significantly contribute to promoting Company's performance. Accordingly, the Company is deeply interested in the training aspects of all members of the Board and Executive Management, by providing them with training programs that ensure reaching a proper understanding for Company's progress of business, strategies, and financial and operational aspects of Company's activities and the legal and regulatory obligations.

Performance Appraisal of the Board, in its Entirety, and each Member of the Board and Executive Management:

ASIC has developed policies and procedures approved by the Board, by which an official process is performed for checking the annual performance of the members of the Board and its committees, and their effective roles and contributions in administering the affairs of ASIC.

The aim of performance appraisal is to put in place an official, systemic and consistent method for evaluating the performance of the Board and its committees, in order to take the actions for improving its performance. In addition, such process shall be employed for providing Board's recommendations to shareholders during members' elections.

Performance appraisal of Executive Management is a powerful tool for translating the Company's business plans into procedures and for promoting Company's culture for achieving the strategic goals.

On an annual basis, the performance of the Board and its members and committees, in addition to the CEO, is appraised by the forms of performance appraisal development by the Nominations and Remunerational Committee. The Board has approved the results of performance appraisal, in line with the corporate governance and the related internal policy.

Board's Efforts for Creating Institutional Values for Company's Personnel:

Represented by the Board and Executive Management, ASIC is interested in constantly ensuring the importance of creating institutional values for the Company's personnel, by achieving the strategic goals, improving performance ratios and compliance with regulatory authorities' laws and governance rules.

In such mainstream, ASIC publishes many periodical reports (annual report, governance annual report, Auditing Committee's report) that cover all information for helping the Board, Executive Management, shareholders and stakeholders make proper and systemic decisions.

Eleventh Rule:

I) Brief of Corporate Social Responsibility (CSR):

ASIC has developed social responsibility policy for promoting awareness of social responsibility importance among the Company's personnel, stakeholders, shareholders and the existing and potential investors, and for ensuring its approach and attitude in connection to social responsibility.

For the Company's successful performance of social responsibility, it relies on three main standards:

- Respect and responsibility, i.e. Company's respect for internal environment (personnel) and external environment (society members).
- Supporting and helping the society.
- Environment protection, whether in terms of eco-friendliness of the Company's products, or its initiative to serve the environment, improve environmental conditions and address environmental problems.

II) Social Responsibility Programs during the Year:

ASIC social responsibility is a pivotal and effective element for expressing our identity. It is not restricted to the notion of gratitude to the society and how to improve its contribution in charities. Rather, we take into consideration the type and quality of initiatives and its impact on our beloved country and people. We are deeply interested in encouraging and celebrating the good deeds, continuous development and getting rid of any wrongdoing. Additionally, we are seeking promoting awareness and culture by the media, positively highlighting the achievements and always offering help when available. During 2023, we sought expanding our vision and diversifying the resources of exertion of efforts, in order to promote awareness in different areas and for various issues. The greatest deal of concentration is on health, youth and woman's empowerment.

National Day and Libation Day Celebration: Supporting Local Artists Initiative

ASIC organized the celebration of National Day and Liberation Day, during which the local young artists, selected as per the standards of vertical graffiti paintings, were supported.

Conceptually, graffitis featuring Kuwait and its progress and historical, political and social development shall be painted on the ASIC B1 pillars of parking lots. The celebration witnessed an unprecedented success and received high media attention for the artists and talents who presented Kuwait beautifully. The expo was not our sole method for encouraging the art movement in Kuwait by supporting the young artists only, but also the graffitis embodied the versatile pillars of Kuwaiti society. We had a question, i.e. what makes Kuwait distinct and different. We reached 18 different elements, such as culture, constitution, democracy, freedom of speech, art, woman's right, etc. Artists painted pillars and translated, by their special technique, such elements, making it distinct in an expected space.

Woman's Day Event: Professionals' Round Table

ASIC participated in sponsoring the event of woman's empowerment in Volvo Studio, in addition to taking part through the visions and experience of Mrs. Sara Al-Makimi, ASIC Manager of Public Relations and Marketing. The aim of such event was to present the experience of professional, successful and highly competent females working in different disciplines. The event has hosted the public directly, offering a platform for small enterprises owned by females. Additionally, it highlighted the creative females in the fields dominated by males, such as auto, investment, property and mechanics.

Environment Day:

On the occasion of Environment Day, we have published an electronic bulletin on June 5, for reminding our employees, guests and customers of B1 Al Safat Green Area that provides free charger for the electrical and hybrid cars. This environmental initiative was launched in 2021 for encouraging the movement of less or zero fuel cars in Kuwait.

Watheefati Job Expo:

ASIC participated in the Watheefati Job Expo that was held from the 19th-21st October 2023, at the Arena in 360 Mall. The Expo hosted many prominent financial institutions, factories, telecommunication companies and banks, amongst many more over the 3-day event. The Company received great attention from many graduates, as well as jobseekers looking for a shift in their careers. Our participation stemmed from our constant quest to incubate and professionally host local talents in our company. Aligning our vision with State of Kuwait's mission to encourage youth to work for the private sector.

Breast Cancer Awareness Lecture, October 2023:

In cooperation with Al-Salam International Hospital, ASIC organized a Breast Cancer Awareness Lecture dedicated to all female employees of ASIC and Al Safat Tower. During this lecture, the ladies listened to a detailed presentation about the disease, asked questions and learned about the importance of sporadic self-check and annual mammogram tests.

Movember: Men's Health Awareness Campaign, November 2023

Another lecture was organized with a specialized doctor from Al-Salam International Hospital, showcasing to the male employees of ASIC and Al Safat Tower the symptoms and causes of Prostate cancer. The attendees had an open discussion with the specialists about not only physical health, but also mental health and how to manage stress and balance between life and work.

Appreciation and Gratitude:

Eventually, I would like to heartedly thank the Board for its support and confidence during this march. We would not reach this advanced stage without its positive cooperation and continuous understanding of what the Company passes through and aspires. Additionally, I have to thank the Executive Management and all personnel, who greatly contributed, by their hardworking, illuminating ideas and expansive culture according to their relevant area and discipline, in Company's restoration of this position.

Al Safat Investment Company (ASIC), thanks to the leadership, supervision and execution by hardworking, makes great strides towards a flourishing future of sustainable development in performance and results. In addition, I would like to thank all regulatory authorities and partners for their continuous cooperation and constructive support.

Abdullah Hamad AlTerkait
Chairman

Independent Board Member's Endorsement

إقرار أعضاء مجلس الإدارة المستقلين
باستيفاء شروط الاستقلالية وفق قواعد حوكمة الشركات

لأغراض قيام لجنة الترشيحات والمكافآت بدورها السنوي في التأكد من استيفاء الأعضاء المستقلين لشروط الاستقلالية المطلوبة وفق قواعد الحوكمة الصادرة عن هيئة أسواق المال بدولة الكويت ، يقر السادة أعضاء مجلس الإدارة المستقلين باستيفائهم للشروط المطلوبة والمحافظة عليها طوال فترة شغل عضوية مجلس الإدارة بصفة (عضو مستقل) لدى شركة الصفاة للاستثمار ، و بإخطار لجنة الترشيحات والمكافآت في حال طرأ أي تغيير على الشروط الاستقلالية المذكورة أدناه :

- أن لا يكون مالكاً لما نسبته 5% في المئة أو أكثر من أسهم الشركة المرشح لها أو ممثلاً عنه.
- أن لا تكون له صلة قرابة من الدرجة الأولى مع أي من أعضاء مجلس إدارة الشركة، أو الإدارة التنفيذية في الشركة أو في أي شركة من مجموعتها، أو الأطراف، الرئيسية ذات العلاقة.
- أن لا يكون عضو مجلس إدارة في أي شركة من مجموعتها.
- أن لا يكون موظفاً بالشركة أو بأي شركة من مجموعتها أو لدى أي من أصحاب المصالح.
- أن لا يكون موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة. "

الاسم : مشعل أحمد الجاركي
عضو مجلس الإدارة المستقل
التوقيع :

إقرار أعضاء مجلس الإدارة المستقلين
باستيفاء شروط الاستقلالية وفق قواعد حوكمة الشركات

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- ✓ أن لا يكون مالكاً لما نسبته 5% في المئة أو أكثر من أسهم الشركة المرشح لها أو ممثلاً عنه.
- ✓ أن لا تكون له صلة قرابة من الدرجة الأولى مع أي من أعضاء مجلس إدارة الشركة، أو الإدارة التنفيذية في الشركة أو في أي شركة من مجموعتها، أو الأطراف الرئيسية ذات العلاقة.
- ✓ أن لا يكون عضو مجلس إدارة في أي شركة من مجموعتها.
- ✓ أن لا يكون موظفاً بالشركة أو بأي شركة من مجموعتها أو لدى أي من أصحاب المصالح.
- ✓ أن لا يكون موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة. "

الاسم : عبدالمحسن سليمان المشعان

عضو مجلس الإدارة المستقل

التوقيع :

Independent Board Member's Endorsement

إقرار أعضاء مجلس الإدارة المستقلين
باستيفاء شروط الاستقلالية وفق قواعد حوكمة الشركات

لأغراض قيام لجنة الترشيحات والمكافآت بدورها السنوي في التأكد من استيفاء الأعضاء المستقلين لشروط الاستقلالية المطلوبة وفق قواعد الحوكمة الصادرة عن هيئة أسواق المال بدولة الكويت ، يقر السادة أعضاء مجلس الإدارة المستقلين باستيفائهم للشروط المطلوبة والمحافظة عليها طوال فترة شغل عضوية مجلس الإدارة بصفة (عضو مستقل) لدى شركة الصفاة للاستثمار ، و بإخطار لجنة الترشيحات والمكافآت في حال طرأ أي تغيير على الشروط الاستقلالية المذكورة أدناه :

- ✓ أن لا يكون مالكاً لما نسبته 5% في المئة أو أكثر من أسهم الشركة المرشح لها أو ممثلاً عنه.
- ✓ أن لا تكون له صلة قرابة من الدرجة الأولى مع أي من أعضاء مجلس إدارة الشركة، أو الإدارة التنفيذية في الشركة أو في أي شركة من مجموعتها، أو الأطراف الرئيسية ذات العلاقة.
- ✓ أن لا يكون عضو مجلس إدارة في أي شركة من مجموعتها.
- ✓ أن لا يكون موظفاً بالشركة أو بأي شركة من مجموعتها أو لدى أي من أصحاب المصالح.
- ✓ أن لا يكون موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة. "

الاسم : د. أنـــور علـي النقـي
عضو مجلس الإدارة المستقل

التوقيع :

Report of Auditing Committee for the year ending as of December 31, 2023

ASIC Auditing Committee helps the Board of Directors perform its supervisory responsibility for preparing the financial reporting, internal control systems, auditing process and corporate procedures in connection to observance of laws, regulations and professional conduct rules. Additionally, it performs the Board supervisory responsibilities concerning the present and novel risks accompanying company's businesses, determining the weaknesses and taking the corrective actions in such effect, and setting the necessary regulations for limiting such weaknesses, and determining the acceptable percentages against the expected benefits, and recommending to the Board. It determines the extent of applying the rules of governance that guarantee compatibility of shareholders' goals and Management's goals. Additionally, it promotes investors' trust in the efficiency of the system that protects their rights. The Committee promotes the compliance culture in the Company, by ensuring the integrity and fairness of financial reporting and ensuring the adequacy and effectivity of internal control systems applied by the Company.

The Auditing Committee plays its role in reviewing and supervising the reports of external auditors in connection to the quarterly and annual financial statements of the Company before presentation to the Board, and meeting with the auditors for ensuring integrity of financial statements, as well as the independency and integrity of external auditor, whose opinion shall remain independent and shall be enclosed with the Company's annual report.

The Auditing Committee has taken the necessary steps for implementing and applying the corporate governance, including updating the existing auditing procedures and preparing the records for registering the Committee's minutes, resolutions and agendas. It recommends to the Board and General Assembly for executing a contract with an external independent auditor from the auditors' offices registered and licensed by CMA, i.e. Mr. Abdulkarim Abdullah Abdulkarim Al-Samdan, Al Aiban, Al Osaimi & Partners (Ernst & Young).

In addition, the Auditing Committee asserted that the Board and Executive Management should present written and clear declarations on integrity and fairness of the annual financial statements and the financial reporting for the Company's businesses for the fiscal year ending as of December 31, 2023. Moreover, it covers all financial aspects and operational results of the Company and are prepared as per the International Financial Reporting Standards (IFRSs).

Formation of Committee:

The Auditing Committee was formed on 27/4/2022 as follows:

Name	Capacity of Board Membership	Capacity of Committee Membership
Fahad Abdul Rahman Al-Mukhaizim	Vice Chairman (non-executive)	Chairman
Naser Bader Al-Sharhan	Board Member (non-executive)	Vice Chairman
Mishaal Ahmed Al-Jareki	Board Member (independent)	Member

Committee Meetings:

The Auditing Committee has held 8 meetings during 2023 as shown in the following table:

Meeting	Fahad Abdul Rahman Al-Mukhaizim	Naser Bader Al-Sharhan	Mishaal Ahmed Al-Jareki
Meeting (1), dated 06/02/2023	√	√	√
Meeting (2), dated 28/03/2023	√	√	√
Meeting (3), dated 05/04/2023	√	√	√
Meeting (4), dated 10/05/2023	√	√	√
Meeting (5), dated 21/06/2023	√	√	√
Meeting (6), dated 10/08/2023	√	√	√
Meeting (7), dated 12/11/2023	√	√	√
Meeting (8), dated 25/12/2023	√	√	√

Committee's Achievements and Duties:

1. Reviewing the draft annual audited and consolidated financial statements for the fiscal year 2022 and recommending thereof to the Board for adoption and taking the necessary actions for convening Ordinary General Assembly.
2. Approving the proposal of appointing the External Auditor, Mr. Abdulkarim Abdullah Abdulkarim Al-Samdan, Al Aiban, Al Osaimi & Partners (Ernst & Young).
3. Recommending reappointment of External Legal Auditor, Osool Legal Consulting and Auditing Company.
4. Perusing the updated policies and procedures and recommending to the Board for approval.
5. Approval of Internal Auditing Plan for 2023.
6. Reviewing the legal internal auditing reports for Q4 of 2022, and Q1, Q2 and Q3 of 2023, for ensuring the Legal Auditing Unit's review of ASIC businesses and transactions and extent of compatibility with the provisions of Islamic Sharia.
7. Reviewing the Legal Internal Auditor's reports for Q4 of 2022, and Q1, Q2 and Q3 of 2023, discussing the related remarks and recommending prompt addressing.
8. Reviewing the draft condensed consolidated interim financial statements (unaudited) for Q1, Q2 and Q3 of 2023 and recommending to the Board for approval.
9. Reviewing the Internal Control Review (ICR) report of ASIC for 2022, and authorizing the relevant department for following up the remarks stated in the report with the related departments for addressing.
10. Perusing the annual report of money laundry submitted via CMA e-portal and the money laundry report prepared by the Auditor, and recommending to the Board for approval.
11. Reviewing the remarks and penalties by the regulatory authorities and recommending the necessary handling as soon as possible to avoid any future reoccurrences.

12. Making the proper decisions for addressing the remarks of CMA Inspection Team and developing a plan for addressing the remarks, in order to address them as soon as practicable.
13. Reviewing the report of internal auditing for all ASIC departments and authorizing the relevant personnel for following up the remarks with ASIC directors in order to resolve the remarks stated therein.
14. Approving appointment of Al-Nisf & Co Office (BDO) for conducting ASIC internal auditing for 2024.
15. Recommending to the Board for approving the updated organizational chart.
16. During the year, there was no conflict between the Committee's recommendations and Board's recommendations.
17. Annual performance appraisal for the Committee members.

During 2023, during which the merger took place by merging ASIC and Cap Corp, the Committee could not meet with the Internal Auditing Officer due to the latter's vacancy and inability to appoint a replacement to the end of year, due to transfer of all registered jobs to the merging company, resulting from the merger implementation, following obtaining CMA approval, on 30/08/2023, on extension of vacancy period.

Eventually, the Auditing Committee believes that Al Safat Investment Company enjoys a proper regulatory environment for its business and does not preclude achievement of goals. Moreover, the Company makes progress in effectivity of monitoring system and compliance with the laws and regulations enacted by the Kuwaiti regulatory authorities.

Fahd Abdul Rahman Al Mukhaizim
Chairman of the Audit Committee

State of Kuwait
Date: 14/03/2024

Board of Directors Pledge

We, the chairman and members of the Board of Directors of Al-Safat Investment Company KSC, hereby assure the accuracy and integrity of the financial statements as of 31 December 2023 except omission and error, and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait according to such information and reports as have been received by us from the Executive management, auditors and that due care has been made to verify the integrity and accuracy of those reports.

Chairman
Abdullah Hamad Al-Terkait

Vice Chairman
Fahad Abdul Rahman
Al Mukhaizim

Member of the Board of Directors
Abdul Muhsen Sulaiman
Al Meshan

Member of the Board of Directors
Nasser Bader
Al Sharhan

Member of the Board of Directors
Dr. Anwar Ali
Al Naqi

Member of the Board of Directors
Mishal Ahmad
Al Jareki

Member of the Board of Directors
Abdul Razzaq Zaid
Al Dhubayn

Pledge of the Executive Management

To Chairman and Members of the Board of Directors,

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwait Capital Markets Authority, we assure that the consolidated financial statements of Al-Safat Investment Company KSC, the parent company and its subsidiary companies for the financial year ended 31 December 2023, are presented in a sound and fair manner except omission and error, that they show all the Financial aspects of the company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.

The Executive Manager	**Finance Manager**
Ziad Tareq Al Mukhaizim	**Herald Leo Fernandes**

التاريخ: 1445/09/01هـ
الموافق: 2024/03/11م

تقرير هيئة الرقابة الشرعية
عن الفتـــرة الماليـــة 2023/01/01-2023/12/31

السادة /شركة الصفاة للاستثمار المحترمين

السلام عليكم ورحمة الله وبركاته، وبعد:

وفقاً للسلطات المخولة لنا من قبل أعضاء الجمعية العمومية لشركة الصفاة للاستثمار وبموجب النظام الأساسي للشركة وتعليمات الجهات الرقابية ذات الصلة فإن هيئة الرقابة الشرعية تقدم تقريرها النهائي عن الفترة 2023/01/01 – 2023/12/31 وهو يتضمن أربعة بنود على النحو الآتي: -

أولاً: أعمال هيئة الرقابة الشرعية:

قامت هيئة الرقابة الشرعية بأعمالها والتي اشتملت على فحص الهياكل الإستثمارية وصيغ العقود والمنتجات والسياسات والإجراءات، سواء بشكل مباشر أو بالتنسيق مع إدارة التدقيق الشرعي الداخلي من أجل الحصول على جميع المعلومات والتفسيرات التي اعتبرتها ضرورية لتزويدها بأدلة تكفي لإعطاء تأكيدات معقولة بأن الشركة لم تخالف أحكام الشريعة الإسلامية في ضوء قرارات هيئة الرقابة الشرعية والمعايير الشرعية المعتمدة للشركة وقرارات الجهات الرقابية ذات الصلة.

ثانياً : قرارات هيئة الرقابة الشرعية :

قامت هيئة الرقابة الشرعية للشركة بالرد على جميع استفسارات الشركة وأصدرت عدد (12) قرار خلال الفترة.

ثالثاً : السياسات والإجراءات المعتمدة من قبل هيئة الرقابة الشرعية:

قامت هيئة الرقابة الشرعية للشركة باعتماد سياسات وإجراءات لمنتجات وأنشطة للشركة وأصدرت عدد (2) سياسة واجراء خلال الفترة.

رابعاً: الرأي النهائي :

في رأينا وبعد دراسة جميع الإيضاحات والتأكيدات التي حصلنا عليها فإننا نعتقد:

1. أن العقود والعمليات والمعاملات التي أبرمتها الشركة خلال الفترة من 2023/01/01 إلى 2023/12/31 تمت وفقاً لأحكام الشريعة الإسلامية.
2. إن مسؤولية إخراج الزكاة تقع على عاتق المساهمين.

والحمد لله رب العالمين،،

رئيس هيئة الرقابة الشرعية	عضو هيئة الرقابة الشرعية	عضو هيئة الرقابة الشرعية
أ.د. عبدالعزيز خليفة القصار	أ.د. عصام خلف العنزي	أ.د. علي إبراهيم الراشد

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أصول للاستشارات الشّرعيّة
Osol For Sharia Advisory

تقرير المدقق الشرعي الخارجي المستقل لعام 2023

الحمد لله وحده، والصلاة والسلام على من لا نبي بعده، وعلى آله وصحبه.

إلى السادة / مساهمي شركة الصفاة للاستثمار

حولي – دولة الكويت

هدف ونطاق التدقيق

قمنا بتدقيق العقود والمعاملات التي نفذتها شركة الصفاة للاستثمار (الشركة) خلال السنة المنتهية في 2023/12/31 لإبداء الرأي في مدى التزام الشركة بأحكام الشريعة الإسلامية كما هي في قرارات هيئة الرقابة الشرعية للشركة والمعايير الشرعية للمؤسسات المالية الإسلامية الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية (أيوفي) وقرارات هيئة أسواق المال ذات الصلة.

وبمراجعتنا لمدى الالتزام اتضح التزام الشركة بالعمل وفق المعايير الشرعية المذكورة آنفاً وقرارات هيئة أسواق المال ذات الصلة.

مسؤولية الإدارة عن الالتزام الشرعي

تقع مسؤولية الالتزام بتنفيذ العقود والمعاملات طبقاً لأحكام الشريعة الإسلامية على إدارة الشركة، كما أن الإدارة مسؤولة عن الرقابة الشرعية الداخلية التي تراها ضرورية لضمان تنفيذ العقود والمعاملات طبقاً لأحكام الشريعة الإسلامية.

وتتمثل الجهات المسؤولة في الشركة عن إجراء التعاملات التي تم فحصها ومراحل إنجازها في إدارات الشركة المختلفة.

الاستقلالية والمتطلبات الأخلاقية الأخرى ورقابة الجودة

لقد التزمنا بالاستقلالية والمتطلبات الأخلاقية الأخرى كما هي في "مدونة الأخلاقيات للمهنيين في مجال التمويل الإسلامي" الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية، لقد التزمنا بمتطلبات المعيار الدولي لإدارة الجودة رقم 1 "إدارة الجودة للمكاتب التي تنفذ ارتباطات مراجعة أو فحص للقوائم المالية أو ارتباطات التأكيد الأخرى أو ارتباطات الخدمات ذات العلاقة"، مع مراعاة للوائح والقوانين التنظيمية لهيئة أسواق المال بدولة الكويت.

مسؤولية المدقق الشرعي الخارجي ووصف العمل المنجز

تتمثل مسؤوليتنا في إبداء الرأي في مدى التزام الشركة بأحكام الشريعة الإسلامية بناءً على تدقيقنا. وقد تم تدقيقنا وفقاً لمعايير الحوكمة ومعايير التدقيق الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية وبالأخص معيار التدقيق للمؤسسات المالية الإسلامية رقم (6) بشأن "التدقيق الشرعي الخارجي (عمليات التأكيد المستقل على التزام المؤسسة المالية الإسلامية بأحكام الشريعة الإسلامية)" ووفقاً لمعيار التأكيد رقم (3000) بشأن " ارتباطات التأكيد الأخرى بخلاف عمليات مراجعة أو فحص المعلومات المالية التاريخية" ومبدأ الأهمية النسبية والذي يختلف بحسب حجم عميل التدقيق وطبيعة عملياته ومخاطره الشرعية وبناءً على بنود الأصول والخصوم والإيرادات والمصروفات، وما يترتب على ذلك من آثار على منهجية التدقيق وإظهار الملاحظات -إن وجدت- في هذا التقرير. وتتطلب هذه المعايير أن نمتثل لمتطلبات السلوك الأخلاقي للمهنة وأن نقوم بتخطيط وأداء التدقيق للحصول على تأكيد معقول بأن الشركة ملتزم بأحكام الشريعة الإسلامية. إن التأكيد المعقول هو مستوى عالٍ من التأكيد، لكنه لا يضمن بأن عملية التدقيق الشرعي سوف تكشف دائماً عن المخالفات الشرعية عند وجودها.

وتتضمن أعمال التدقيق أداء إجراءات للحصول على أدلة تدقيق حول مدى الالتزام بأحكام الشريعة الإسلامية، لقد قمنا بتدقيقنا بناءً على عينة منهجية مختارة، ونعتقد بأن أدلة التدقيق التي حصلنا عليها كافية ومناسبة كأساس لإبداء رأي التدقيق الخاص بنا. وكجزء من عملية التدقيق الشرعي فإننا نمارس التقدير المهني ونحافظ على الشك المهني طوال فترة التدقيق، بحيث نقوم بأعمالنا على النحو التالي:

- تحديد المرجعية الشرعية.
- تحديد وتقييم مخاطر عدم الالتزام الشرعي.
- تكوين فهم حول نظام الرقابة الشرعية الداخلية ذي الصلة بالتدقيق من أجل تصميم إجراءات تدقيق مناسبة.
- تصميم إجراءات التدقيق بما ينسجم مع مخاطر عدم الالتزام الشرعي.
- القيام بعملية التدقيق الشرعي الميداني والحصول على المستندات المؤيدة.
- الحصول على أدلة تدقيق كافية ومناسبة توفر أساساً لإبداء رأينا.
- التواصل مع الإدارة فيما يخص التخطيط لعملية التدقيق ونتائج التدقيق المهمة.
- إرسال نسخة من تقرير نتائج التدقيق الشرعي والتوصيات والحصول على رد الإدارة بشأن كل ملاحظة -إن وجدت-.
- تقييم الملاحظات المثبتة في تقرير نتائج التدقيق الشرعي والتوصيات والتقرير السنوي للتدقيق الشرعي الخارجي في ضوء مبدأ الأهمية النسبية.
- الاجتماع بالإدارة والحصول على توضيحات ومستندات بخصوص بعض الملاحظات التي تم النص عليها بتقرير المراجعة الشرعيّة للربع الثالث من عام 2023 والتي توضح قيام الشركة باتخاذ خطوات لازمة للتصحيح الشرعي.

وفي ضوء ما تم بيانه أعلاه فإننا نقيم كفاءة وفاعلية إجراءات المخاطر الشرعية بأنها تحتاج لتحسين.

ولتحقيق الأهداف من عملية التدقيق الشرعي فإننا قمنا بالاطلاع وفحص البيانات التالية:

- نظام الرقابة الشرعية الداخلية للشركة.
- تقارير وحدة التدقيق الشرعي الداخلي للشركة.
- البيانات المالية للشركة ومرفقاتها.
- العقود الموقعة خلال العام.
- عينة من عمليات الاستثمار والحركة عليها خلال العام.
- عينة من عمليات تداول الأوراق المالية والحركة عليها خلال العام.

الرأي

إن العقود والمعاملات التي أبرمتها شركة الصفاة للاستثمار (الشركة) خلال السنة المنتهية في 2023/12/31 تمت في مجملها وفقاً لأحكام الشريعة الإسلامية كما تم تحديدها في المرجعية الشرعية للشركة.

والسلام عليكم ورحمة الله وبركاته.

الكويت في 2024/03/11

د.محمد عبد الرحمن الشرفا

المدقق الشرعي الخارجي

Independent auditor's report & Consolidated Financial Statements For the year 2023

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Safat Investment Company K.S.C.P (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, 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).

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.

Emphasis of Matter

We draw attention to Note 32 to the consolidated financial statements which states that during 2021, Evolvance Capital Ltd (the 'custodian'), filed a lawsuit against the Parent Company in response to the legal formalities initiated by the Parent Company. Further, the Parent Company filed a counter claim against the custodian. On 27 October 2021, the Court

ruled to assign an expert committee to verify the elements of the lawsuit and submit their findings. The expert report was issued in favour of the Parent Company, and consequently a favourable judgement was handed down by the court on 28 September 2022. The custodian filed an appeal against this ruling and the court hearing scheduled on 7 November 2022 was adjourned to 21 November 2022. This was deferred to 29 March 2023 which was further postponed to 17 April 2023. On 17 April 2023, the Court ruled to appoint an expert committee to review the case documents and submit their findings therein. Subsequently, the hearing was initially scheduled for 7 August 2023 and 18 September 2023 which is further postponed to 22 November 2023, and subsequently to 28 February 2024. On 20 December 2023, the expert committee issued its report, which presented the same facts that the court had taken into consideration on 28 September 2022. The hearing was further postponed to 13 March 2024. Later, it was rescheduled to 20 March 2024. Accordingly, the ultimate outcome of this matter cannot presently be determined.
Our Opinion is not modified is respect to this matter.

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.
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) Fair valuation of investment properties

Investment properties represent a significant part of the total assets of the Group and are measured at fair value of KD 15,923,051 as at 31 December 2023.
The fair value of Group's investment properties have been determined by external real estate appraiser. The determination of fair value of investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. The methodology applied in determining the valuations is set out in Note 10 of the consolidated financial statements.
Given the size and significances of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

Our audit procedures included, among others, the following:

- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraiser's valuations.
- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis.
- Further, we have considered the objectivity, independence and competence of the external real estate appraiser.
- We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 10 to the consolidated financial statements.

b) Accounting for business combinations and merger

During 2023, the Group completed the acquisition of Cap Corp Investment Company K.S.C.C.("Cap Corp")., by issuing new shares of the Parent Company to the Cap Corp shareholders at a total purchase consideration of KD 10,200,000. This transaction was accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method. The Parent Company is the legal successor of Cap Corp's all rights and obligations on the date of the of the merger. As a result, Cap Corp's shares were cancelled. The details of the business combinations and merger have been detailed in note 28 to the consolidated financial statements.

The Group performed a purchase price allocation ("PPA") and determined the fair values of the assets and liabilities acquired resulting in a gain on bargain purchase of KD 5,687,054 in the consolidated income statement.

We have determined this to be a key audit matter based on the significance of the transaction and considering that significant management's judgments and estimates are involved in the recognition and measurement of the acquired assets and liabilities.

As part of our audit procedures on the accounting of the acquisition and merger, we have read the Share Swap agreement and reviewed the minutes of the relevant Board of Directors and General Assembly meeting meetings as well as regulatory approvals obtain to understanding of the terms and condition of the acquisition and merger. We assessed whether the accounting treatment has been appropriated applied in accordance with the IFRS 3 Business combinations. In this connection, we assessed the criteria used for recognition of the transaction as business combination, the determination of acquisition date and the purchased consideration.

Management carried out purchase price allocation exercise. For audit purpose, we evaluated whether management has the necessary competency, capabilities and objectivity for purchase price allocation exercise. We assessed the reasonableness of the fair values of the assets acquired and liabilities assumed, including evaluation of the valuation methodology and testing the arithmetical accuracy.

We also assessed the adequacy of the related disclosures in Note 28 to the consolidated financial statements.

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 Parent 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.

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 CBK 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.
- 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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023, that might have had a material effect on the business of the Parent Company or on its financial position except for Kuwait Foundation for the Advancement of Sciences (KFAS) payable balance carried forward from the preceding years not settled as stipulated in Article (124), of the executive regulations of Companies Law No 1 of 2016, as amended.

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 Parent Company or on its financial position.

ABDULKARIM ALSAMDAN
LICENCE NO. 208 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

14 March 2024

Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KD	2022 KD
ASSETS			
Cash and bank balances	4	**1,778,976**	1,026,442
Term deposits	5	**702,658**	871,113
Accounts receivable and other assets	6	**4,184,784**	2,216,646
Inventories	7	**322,376**	623,702
Investment securities	8	**11,968,215**	1,362,733
Investment in associates and joint venture	9	**2,256,787**	4,572,768
Intangible assets		**-**	774
Investment properties	10	**15,923,051**	17,414,655
Property, plant and equipment	11	**2,139,572**	2,921,543
		39,276,419	31,010,376
Assets held for sale	12	**4,561,187**	5,821,785
TOTAL ASSETS		**43,837,606**	36,832,161
LIABILITIES AND EQUITY			
Liabilities			
Bank overdrafts	4	**-**	98,806
Notes payable		**-**	28,084
Other liabilities	13	**4,662,141**	4,677,123
Lease liabilities	14	**3,647,555**	2,905,245
		8,309,696	7,709,258
Liabilities directly associated with the assets held for sale	12	**1,814,252**	732,051
Total liabilities		**10,123,948**	8,441,309
Equity			
Share capital	15	**38,327,569**	28,327,569
Share premium	15	**459,677**	259,677
Statutory reserve	15	**1,619,337**	1,511,039
Voluntary reserve	15	**1,619,337**	1,511,039
Treasury shares	16	**(4,815,778)**	(307,393)
Treasury shares reserve		**615,002**	615,002
Asset revaluation surplus		**168,036**	168,036
Other reserves		**376,538**	376,538
Fair value reserve		**(9,536,197)**	(9,520,490)
Foreign currency translation reserve		**(731,210)**	(671,564)
Retained earnings		**1,344,510**	517,965
Equity attributable to equity holders of the Parent Company		**29,446,821**	22,787,418
Non-controlling interests		**4,266,837**	5,603,434
Total equity		**33,713,658**	28,390,852
TOTAL LIABILITIES AND EQUITY		**43,837,606**	36,832,161

Abdullah Hamad Al-Terkait
Chairman

Fahad Abdulrahman Al-Mukhaizim
Vice Chairman

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KD	2022 KD
CONTINUING OPERATIONS			
Revenue	17	**2,560,540**	2,893,244
Revenue from contracts with customers	21	**(1,991,707)**	(2,332,109)
Cost of sales		**568,833**	561,135
Gross profit			
Fee and commission income	17	**211,446**	207,253
Net investment income on financial assets	18	**233,515**	211,245
Share of results of associates and joint venture	9	**(1,059,918)**	95,999
Net rental income	19	**1,259,875**	1,455,967
Loss on disposal of investment property	10	**-**	(9,228)
Change in fair value of investment properties	10	**(1,814,068)**	(1,323,809)
Gain from bargain purchase	28	**5,687,054**	-
Net reversal for impairment losses and other provisions	20	**333,516**	2,264,140
Net foreign exchange differences		**(199,240)**	(1,005,374)
General and administrative expenses		**(3,057,326)**	(2,213,099)
Operating profit		**2,163,687**	244,229
Other income		**384,037**	167,674
Finance costs		**(264,777)**	(194,575)
Profit before tax from continued operations		**2,282,947**	217,328
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**(9,747)**	(1,707)
Zakat		**(8,865)**	-
National Labour Support Tax (NLST)		**(24,597)**	(2,180)
Profit for the year from continued operations		**2,239,738**	213,441
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	12	**(3,734,626)**	(244,946)
LOSS FOR THE YEAR		**(1,494,888)**	(31,505)
Attributable to:			
Equity holders of the Parent Company		**1,039,772**	185,732
Non-controlling interests		**(2,534,660)**	(217,237)
		(1,494,888)	(31,505)
BASIC AND DILUTED EPS (FILS)	22	**3.55**	0.66
BASIC AND DILUTED EPS FOR CONTINUING OPERATION (FILS)	22	**9.78**	1.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	KD	KD
Loss for the year	**(1,494,888)**	(31,505)
Other comprehensive loss		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent years:		
Share of associates other comprehensive (loss) income	**(37,975)**	480,000
Exchange differences on translation of foreign operations	**(50,408)**	(252,496)
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent years	**(88,383)**	227,504
Other comprehensive loss that will not be reclassified to profit or loss in subsequent years:		
Net change in fair value of equity instruments designated at fair value through other comprehensive income	**(3,626)**	(632,717)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent years	**(3,626)**	(632,717)
Other comprehensive loss	**(92,009)**	(405,213)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,586,897)**	(436,718)
Attributable to:		
Equity holders of the Parent Company	**967,788**	(446,516)
Non-controlling interests	**(2,554,685)**	9,798
	(1,586,897)	(436,718)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Equity attributable to equity holders of the Parent Company													
	Share capital	*Share premium*	*Statutory reserve*	*Voluntary reserve*	*Treasury shares*	*Treasury shares reserve*	*Asset revaluation surplus*	*Other reserves*	*Fair value reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Sub- total*	*Non- controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
As at 1 January 2023	28,327,569	259,677	1,511,039	1,511,039	(307,393)	615,002	168,036	376,538	(9,520,490)	(671,564)	517,965	22,787,418	5,603,434	28,390,852
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	1,039,772	1,039,772	(2,534,660)	(1,494,888)
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	(12,338)	(59,646)	-	(71,984)	(20,025)	(92,009)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(12,338)	(59,646)	1,039,772	967,788	(2,554,685)	(1,586,897)
Transfer to reserves	-	-	108,298	108,298	-	-	-	-	-	-	(216,596)	-	-	-
Treasury shares upon acquiring control of a subsidiary (Note 1.1)	-	-	-	-	(4,508,385)	-	-	-	-	-		(4,508,385)	-	(4,508,385)
Non-controlling interest upon acquiring control of a subsidiary (Note 1.1)	-	-	-	-	-	-	-	-	-	-		-	1,218,088	1,218,088
Business acquisition through a share swap (Note 28)	10,000,000	200,000	-	-	-	-	-	-	-	-		10,200,000	-	10,200,000
Realized gain on disposal of equity securities at FVOCI	-	-	-	-	-	-	-	-	(3,369)	-	3,369	-	-	-
At 31 December 2023	38,327,569	459,677	1,619,337	1,619,337	(4,815,778)	615,002	168,036	376,538	(9,536,197)	(731,210)	1,344,510	29,446,821	4,266,837	33,713,658
As at 1 January 2022	26,978,637	259,677	1,492,077	1,492,077	(307,393)	615,002	231,655	376,538	(10,796,434)	(474,830)	3,366,928	23,233,934	5,593,636	28,827,570
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	185,732	185,732	(217,237)	(31,505)
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(435,514)	(196,734)	-	(632,248)	227,035	(405,213)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(435,514)	(196,734)	185,732	(446,516)	9,798	(436,718)
Transfer to reserves	-	-	18,962	18,962	-	-	-	-	-	-	(37,924)	-	-	-
Realized loss on disposal of equity securities at FVOCI	-	-	-	-	-	-	-	-	1,711,458	-	(1,711,458)	-	-	-
Disposal of investment property	-	-	-	-	-	-	(63,619)	-	-	-	63,619	-	-	-
Issue bonus shares	1,348,932	-	-	-	-	-	-	-	-	-	(1,348,932)	-	-	-
At 31 December 2022	28,327,569	259,677	1,511,039	1,511,039	(307,393)	615,002	168,036	376,538	(9,520,490)	(671,564)	517,965	22,787,418	5,603,434	28,390,852

AL SAFAT
شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration form continued operations		**2,282,947**	217,328
Loss for the year before tax from discontinued operations		**(3,734,626)**	(244,946)
		(1,451,679)	(27,618)
Adjustments to reconcile loss before tax to net cash flows:			
Amortisation of intangible assets		**774**	1,819
Share of (loss) results of associates and joint venture	9	**1,059,918**	(95,999)
Loss on disposal of investment property	10	**-**	9,228
Change in fair value of investment properties	10	**1,814,068**	1,323,809
Gain on disposal of property, plant and equipment	11	**(86)**	(10,307)
Depreciation of property, plant and equipment	11 ,12	**603,318**	405,553
Impairment of property, plant and equipment	11 ,12	**3,254,740**	-
Income from deposits	18	**(116,655)**	(105,546)
Dividend income	18	**(99,102)**	(102,403)
Unrealised gain on financial assets at fair value through profit or loss	18	**(10,415)**	(3,296)
Gain on sale of financial assets at fair value through profit or loss	18	**(7,343)**	-
Net ECL reversal on trade receivables and receivables from related parties		**91,961**	(76,263)
Net (reversal) charge for provision on inventories		**7,100**	(30,000)
Reversal of provision for transferring Q Holding shares no longer required	20	**-**	(2,297,615)
Reversal of legal provisions no longer required	20	**(273,332)**	(198,688)
Other provisions reversal (charges)	20	**(34,667)**	289,537
Provision for employees' end of service benefits		**136,699**	126,585
Finance costs on lease liabilities	14	**239,309**	208,184
Finance costs		**54,736**	-
Gain on derecognition of right-of-use	14	**(6,833)**	-
Gain on bargain purchase	28	**(5,687,054)**	-
		(424,543)	(583,020)
Changes in operating assets and liabilities			
Accounts receivable and other assets		**485,606**	(130,790)
Inventories		**(128,838)**	146,991
Other liabilities		**(1,713,941)**	26,439
Cashflows used in operations		**(1,781,716)**	(540,380)
Employees' end of service benefits paid		**(238,724)**	(185,141)
Zakat paid		**(16,810)**	-
Net cash flows used in operating activities		**(2,037,250)**	(725,521)
INVESTING ACTIVITIES			
Proceeds from sale of financial assets through other comprehensive income		**19,880**	289,999
Proceeds from sale of financial assets through profit and loss		**284,756**	-
Addition in financial assets through profit and loss		**(264,669)**	-
Purchase of property, plant and equipment		**(22,541)**	(510,923)
Proceeds from sale of property, plant and equipment		**87**	29,238
Income received from term deposits		**-**	105,546
Dividend income received		**99,102**	102,403
Disposal of investment property	10	**-**	836,148
Capital expenditure on investment properties	10	**(166,800)**	-
Net cash from acquisition of subsidiary	28	**2,962,309**	-
Net cash flows from investing activities		**2,912,124**	852,411
FINANCING ACTIVITIES			
Payment of lease liabilities	14	**(632,370)**	(553,680)
Net movement of notes payable		**341,500**	(115,343)
Net wakala receivables		**-**	30,974
Net cash flows used in financing activities		**(290,870)**	(638,049)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**584,004**	(511,159)
Cash and cash equivalents as at 1 January		**930,181**	1,220,381
Net foreign exchange differences		**274,270**	220,959
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	4	**1,788,455**	930,181
Non-cash items excluded from the consolidated statement of cash flows:			
Issues of bonus share (Adjusted with share capital)		**-**	1,348,932
Issues of bonus share (Adjusted with retained earnings)		**-**	(1,348,932)
Right of use assets (property, plant and equipment)		**211,225**	80,108
Right of use assets (Investment properties)		**953,929**	-
Lease liabilities		**(1,165,154)**	(80,108)

1. CORPORATE INFORMATION

The consolidated financial statements of Al Safat Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 14 March 2024.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares were publicly traded in Boursa Kuwait ("Boursa"). On 13 March 2013, the Parent Company was delisted from Boursa, however, during the year on 11 October 2021, the Parent Company re-listed on Boursa Kuwait. The Parent Company is subject to the supervision of Capital Markets Authority ("CMA").

The Parent Company updated its commercial register on 7 November 2023, with the below activities.

The activities of the Parent Company are as follows:

- Owning real estate and moveable assets within the limits permitted to carry out the Parent Company's activities due to the provisions stipulated under the existing laws.
- Selling, and acquiring stocks and bonds for the Parent Company's account.
- Investment Portfolio Manager.
- Collective Investment Scheme Manager.
- Investment Controller.
- Investment Advisor.
- Subscription Agent.
- Custodian.
- Market Maker.

The activities of the Parent Company are carried out in accordance with Islamic Shari'a principles as approved by the Group's Shari'a Committee. The Parent Company's head office is located at Al-Safat Tower, 14th floor, Hawalli, Beirut Street, State of Kuwait and its registered postal address is P.O. Box 20133, Safat 13062, Kuwait.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 26.

1.1 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name	Country of incorporation	Effective equity interest		Principal activities
		2023	2022	
Al Safat Holding Company K.S.C.(Closed) ('Safat Holding') (1)	Kuwait	**99%**	99%	Holding company
Safat House for General Trading Company W.L.L.	Kuwait	**80%**	80%	General trading
Al Safat for Consultancy K.S.C. (Closed)	Kuwait	**96%**	96%	Consultancy
Dar Al Safat General Trading Company W.L.L. (1)	Kuwait	**99%**	99%	General trading
The Roots Brokerage	Egypt	**60%**	60%	Brokerage
Held through Safat Holding				
Al Assriya Printing Press Publishing and Distribution Company W.L.L. ('Al Assriya')	Kuwait	**90%**	90%	Printing and distribution
The Liquid Capital General Trading Company W.L.L. ("Liquid") (2)	Kuwait	**50%**	-	Holding company
Al-Ezdehar Real Estate Tourism Company K.S.C. (Closed)	Kuwait	**71.92%**	71.92%	Real estate
Safat Industries Holding Company K.S.C. (Closed) ('Safat Industries')	Kuwait	**63.79%**	63.79%	Holding company
Held through Safat Industries				
Middle East for Chemical Manufacturing W.L.L. ('MECC') (Note 12)	Kuwait	**50%**	50%	Chemical products manufacturing
Carpets Industry Company K.S.C. (Closed) ('CIC') (Note 12)	Kuwait	**51.28%**	51.28%	Manufacturing carpets

(1) The Group's effective interest in the above subsidiaries is 100%. The Group directly holds the shares in the subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary. Accordingly, there are no non-controlling interests reported in the consolidated statement of financial position, related to the subsidiaries, as at 31 December 2023.

b) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 9.

Name	Country of incorporation	% equity interest		Principal activities
		2023	2022	
Asia Holding Company K.S.C. (Closed)	Kuwait	**21.70%**	21.70%	Holding company
Senergy Holding Company K.S.C.P.	Kuwait	**20.88%**	20.88%	Holding company

c) Joint venture

Set out below is the joint venture of the Group as at 31 December. For more details, refer to Note 9.

Name	Country of incorporation	% equity interest		Principal activities
		2023	2022	
The Liquid Capital General Trading Company W.L.L. ("Liquid") (2)	Kuwait	-	50%	Holding company

(2) Upon the acquisition and merger of Cap Corp Investment Company K.S.C.C., the Parent Company conducted a reassessment and determined that Liquid should be classified as a subsidiary. This determination was made based on the Parent Company's ability to exert control over Liquid. Liquid did not fulfill the definition of a business and accordingly accounted for as an assets acquisition upon acquiring control.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements of the Group have been prepared on a historical cost basis except for investment in equity securities and investment properties, which have been measured at fair value.

The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 29.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Groups applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

The amendments had no impact on the Group's consolidated financial statements.

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.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no

longer applies to transactions that give rise to equal taxable and deductible temporary differences such as

leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year (equivalent to KD 255,679,950).

2.3 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.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

2.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. 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
- 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(s) 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.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4.2 Assets held for sale and discontinued operations

The Group classifies assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of consolidated financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

Additional disclosures are provided in Note 12. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

2.4.3 Business combinations

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 capital. For each business combination, the Group elects whether to measure the non-controlling interests in the capital at fair value or at the proportionate share of the capital's identifiable net assets. Acquisition-related costs are expensed as incurred and included in 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 recognised 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 recognised in profit or loss.

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

2.4.4 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The factors considered in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate and joint venture. since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate or joint venture is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate and joint venture. 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 recognises the loss as 'Share of profit of an associate and joint venture' in the consolidated income statement.

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

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

2.4.5 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, non-restricted cash at banks, cash held in investment portfolios and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

2.4.6 Financial instruments – initial recognition and subsequent measurement

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.

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and profit (SPPP)' on the principal amount outstanding. This assessment is referred to as the SPPP test and is performed at an instrument level. Financial assets with cash flows that are not SPPP are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective yield method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any profit or dividend income, are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises 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 that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables, lease liabilities and loans and borrowings including bank overdrafts.

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

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss

Financial liabilities at amortised cost

Bank overdrafts and notes payables

After initial recognition, profit-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement.

Other liabilities

Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms,or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

iii) Offsetting of financial instruments

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

2.4.7 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as follows:

- Financial assets measured at amortised cost (Trade and other receivables, including contract assets)

Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

i. Impairment of financial assets at amortised cost

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective profit rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises 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 considers a financial asset in default when contractual payments 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition are accounted for as follows:

- Finished goods	- production cost on a specific identification basis.
- Spares and consumables	- purchase cost on a weighted average basis.
- Goods in transit	- purchase cost incurred up to the reporting date.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.4.9 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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.

2.4.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category that is consistent with the function of the intangible assets.

2.4.11 Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Except for leasehold land stated at revalued amount, property, plant and equipment is stated at cost, net of accumulated 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 calculated using the straight–line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The estimated useful lives are, as follows:

- Buildings	10 years
- Buildings improvements	10 years
- Machinery and equipment	2 – 25 years
- Furniture, fixtures and computers	3 - 8 years
- Vehicles	3 - 8 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant 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.

2.4.12 Impairment of non-financials 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.

Impairment losses of continuing operations are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement 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 recognised. 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.

2.4.13 Employees end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour 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 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.

2.4.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.15 Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.4.16 Dividend income

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

2.4.17 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the

Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, and transfer to statutory reserve, until the reserve reaches 50% of share capital, should be excluded from profit for the year when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

Zakat

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

National Labour Support Tax

NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

2.4.18 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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. Rental income is recorded net of real estate operating expenses.

Fee and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Sale of goods - inventory and spare parts

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer (if any).

Rendering of services

Revenue from rendering of services is recognised at the point in time when the control of the related services is transferred to the customer, generally on completion of the underlying service.

2.4.19 Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.4.20 Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

2.4.21 Contingencies

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

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

2.4.22 Leases

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (2.4.12) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, 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, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Significant judgments

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised 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 profit on the principal amount outstanding.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Legal cases

In accordance with IFRSs, outcome of legal cases may result in disclosure of contingent assets, contingent liabilities or recognition of a provision. Contingent asset are possible assets that arise from past events and whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control and are disclosed if the inflow of economic benefits is probable.

The Group may also recognise a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements.

Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for disclosures and provision in its consolidated financial statements. Among the factors considered in making decisions on disclosure or provisions are the nature of litigation, claim or assessment, the legal process and potential outcome in the jurisdiction in which the litigation has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

3.2 Estimates 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 and joint ventures

Investment in associates and joint ventures are accounted for under the equity method of accounting, 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 and joint venture, 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 financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised 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 recognises 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 technological obsolescence that may change the utility of certain software and IT equipment.

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 10.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of profit that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Business combinations

Business combinations requires the assets and liabilities acquired to be fair valued which requires significant amount of judgement and estimation. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. It also involves identification of intangible assets, allocation of goodwill to cash-generating units which requires signification judgement and use of estimates.

4. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	2023 KD	2022 KD
Cash on hand	**24,398**	28,095
Cash at banks and financial institutions	**1,754,578**	998,347
Cash at banks attributable to discontinued operations	**9,479**	2,545
Total cash and bank balances	**1,788,455**	1,028,987
Less: bank overdrafts	**-**	(98,806)
Total cash and cash equivalents	**1,788,455**	930,181

5. TERM DEPOSIT

	2023 KD	2022 KD
Term deposits	**5,500**	5,500
Foreign deposit	**697,158**	865,613
	702,658	871,113

Foreign deposit is a restricted deposit with a foreign financial institution and carries an average effective interest rate of 16.67% (2022: 9.50%) per annum.

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2023 KD	2022 KD
Trade receivables	**7,626,087**	8,251,611
Less: Allowance for expected credit losses (a)	**(6,541,297)**	(6,696,966)
	1,084,790	1,554,645
Receivable from GFH Financial Group *	**2,645,909**	-
Receivables from related parties (Note 26)	**14,749**	314,584
Prepayments, advances and deposits	**187,409**	230,930
Other assets	**251,927**	116,487
	4,184,784	2,216,646

* The receivable represents restricted credit account held by GFH Financial Group. This account is designated for future investments and is not restricted for a specific period. GFH Financial Group will offer investment options to the Parent Company and participate in these investments from this account.

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 27.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

a) Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2023 KD	2022 KD
Opening expected credit losses	**6,696,966**	6,949,955
Net ECL reversal on trade receivables (Note 20)	**(96,809)**	(59,874)
Write-off	**(38,607)**	-
Transfer to discontinued operation	**(20,253)**	(193,115)
As at 31 December	**6,541,297**	6,696,966

7. INVENTORIES

	2023 KD	2022 KD
Finished goods and goods for resale (at lower of cost and net realisable value)	**-**	118,319
Raw materials (at cost)	**270,805**	426,456
Work in process (at cost)	**78,544**	31,278
	349,349	576,053
Less: provision for slow moving and obsolete inventories (a)	**(26,973)**	(40,976)
Goods in transit (at cost)	**-**	88,625
Total inventories at the lower of cost and net realisable value	**322,376**	623,702

a) Set out below is the movement in the provision for slow moving and obsolete inventories:

	2023 KD	2022 KD
As at 1 January	**40,976**	107,036
Charge (reversal) of provision (Note 20)	**7,100**	(5,000)
Write-off	**-**	(13,973)
Transfer to discontinued operation	**(21,103)**	(47,087)
As at 31 December	**26,973**	40,976

8. INVESTMENT SECURITIES

	2023 KD	2022 KD
Financial assets at FVTPL		
Quoted equity securities	**3,346,213**	50,663
Unquoted equity securities	**679,618**	15,535
	4,025,831	66,198
Financial assets at FVOCI		
Quoted equity securities	**1,247,386**	1,247,399
Unquoted equity securities	**6,694,998**	49,136
	7,942,384	1,296,535
Investment securities (at fair value)	**11,968,215**	1,362,733

Financial assets at FVTPL include investments in related parties of KD 32,890 (2022: KD 50,243) (Note 26).

Financial assets at FVOCI include investments in related parties of KD 28,528 (2022: KD 33,528) (Note 26).

The hierarchy for determining and disclosing the fair value of investment securities by valuation techniques are presented in Note 31.

9. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	2023 KD	2022 KD
Investment in associates	**2,256,787**	2,427,600
Investment in joint venture	**-**	2,145,168
	2,256,787	4,572,768

Investment in associates

The following table illustrates summarised financial information of the Group's investment in its associates. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Asia Holding Company K.S.C. (Holding)*		Senergy Holding Company K.S.C.P. ("Senergy")**		Total	
	2023 KD	2022 KD	**2023 KD**	2022 KD	**2023 KD**	2022 KD
Current assets	**758,197**	755,436	**5,223,715**	5,933,599	**5,981,912**	6,689,035
Non-current assets	**911,931**	974,028	**9,522,985**	8,412,428	**10,434,916**	9,386,456
Total assets	**1,670,128**	1,729,464	**14,746,700**	14,346,027	**16,416,828**	16,075,491
Current liabilities	**4,243**	4,211	**2,073,453**	2,225,170	**2,077,696**	2,229,381
Non-current liabilities	**-**	-	**3,594,882**	2,286,017	**3,594,882**	2,286,017
Total liabilities	**4,243**	4,211	**5,668,335**	4,511,187	**5,672,578**	4,515,398
Equity	**1,665,885**	1,725,253	**9,078,365**	9,834,840	**10,744,250**	11,560,093
Group's share in%	**%21.70**	%21.70	**%20.88**	%20.88	**-**	-
Group's carrying amount of the investment	**361,497**	374,380	**1,895,290**	2,053,220	**2,256,787**	2,427,600
Revenue	**(23,391)**	(57,128)	**3,048,918**	2,953,128	**3,025,527**	2,896,000
Loss	**(40,223)**	(78,060)	**(594,478)**	(119,351)	**(634,701)**	(197,411)
Other comprehensive loss	**(19,143)**	383,129	**(161,997)**	(164,444)	**(181,140)**	218,685
Total comprehensive income (loss)	**(59,366)**	305,069	**(756,475)**	(283,795)	**(815,841)**	21,274
Group's share of loss for the year	**(8,728)**	(16,939)	**(124,110)**	(24,917)	**(132,838)**	(41,856)

* Private entity – no quoted price available.

** As at 31 December 2023, the fair value of the Group's investment in Senergy (based on quoted market price in Boursa Kuwait) was KD 1,273,680 (2022: KD 1,874,755) and the carrying amount of the net assets of the entity exceeds its market capitalisation. However, the management concluded there is no indication for impairment when considered with other available information.

Reconciliation to carrying amounts	2023 KD	2022 KD
At 1 January	**2,427,600**	2,395,939
Share of loss for the year	**(132,838)**	(41,856)
Share of other comprehensive loss	**(6,402)**	522,135
Share of movement of foreign currency translation reserve	**(31,573)**	(42,135)
Share of associate's realized loss on disposal of equity securities at FVOCI	**-**	(406,483)
At 31 December	**2,256,787**	2,427,600

Investment in a joint venture

The following table illustrates summarised financial information of the Group's investment in its joint venture, The Liquid Capital General Trading Company W.L.L. ("Liquid"):

	2023 KD	2022 KD
Current assets	**-**	13,029
Non-current assets	**-**	6,270,159
Total assets	**-**	6,283,188
Current liabilities	**-**	1,392,472
Non-current liabilities	**-**	600,379
Total liabilities	**-**	1,992,851
Equity	**-**	4,290,337
Group's share in equity %	**-**	%50
Group's carrying amount of the investment	**-**	2,145,168
Revenue	**-**	403,355
(Loss) profit	**(1,854,160)**	275,710
Other comprehensive income	**-**	153,310
Total comprehensive (loss) income	**(1,854,160)**	429,020
Group's share of profit for the year	**(927,080)**	137,855

A reconciliation of the above summarised financial information to the carrying amount of the joint venture is set out below:

Reconciliation to carrying value	2023 KD	2022 KD
At 1st January	**2,145,168**	1,930,658
Share of (loss) results for the year before transfer as a subsidiary	**(927,080)**	137,855
Share of joint venture's realized gain on disposal of equity securities at FVOCI	**-**	76,655
Transfer to subsidiary (Note 1.1)	**(1,218,088)**	-
At 31 December	**-**	2,145,168

The Parent Company conducted a reassessment and determined that Liquid should be classified as a subsidiary upon the acquisition and merger of Cap Corp Investment Company K.S.C.C. This determination was based on the Parent Company's ability to exercise control over Liquid. Liquid did not fulfill the definition of a business and accordingly accounted for as an assets acquisition upon acquiring control. (Note 1.1)

10. INVESTMENT PROPERTIES

	2023 **KD**	2022 KD
As at 1 January	**17,414,655**	13,657,892
Addition to right-of-use assets	**953,929**	-
Capital expenditure	**166,800**	-
Disposals	**-**	(836,148)
Change in fair value	**(1,814,068)**	(1,323,809)
Transferred from properties under development	**-**	5,908,659
Transfer to property, plant and equipment (Note 11)	**(802,120)**	-
Exchange differences	**3,855**	8,061
As at 31 December	**15,923,051**	17,414,655

Investment properties comprise of building on a leasehold land amounting to KD 13,294,302 (2022: KD 14,789,761) and other commercial properties amounting to KD 2,628,749 (2022: KD 2,624,894).

The Group's investment properties are located in the following geographical locations:

	2023 **KD**	2022 KD
Kuwait	**13,294,302**	14,789,761
Other countries	**2,628,749**	2,624,894
	15,923,051	17,414,655

	2023 **KD**	2022 KD
Market value as estimated by the external valuer	**12,790,887**	14,769,894
Add: lease liabilities recognised separately	**3,132,164**	2,644,761
Fair value for financial reporting purposes	**15,923,051**	17,414,655

The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed a decrease of KD 1,814,068 compared to its carrying values as at 31 December 2023 (2022 decrease: KD 1,323,809).

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	*Buildings*	*Building improvements*	*Machinery and equipment*	*Furniture, fixtures and computers*	*Vehicles*	*Capital work in progress*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Cost:								
At 1 January	1,626,461	846,017	228,083	3,342,097	1,606,620	206,232	376,877	8,232,387
Transfer from investment properties (Note 10)	802,120	-	-	-	-	-	-	802,120
Additions	211,225	-	-	1,111	21,427	3	-	233,766
Disposals and derecognition	(26,097)	-	-	-	(17,405)	-	-	(43,502)
Transfers to indemnity	-	-	-	-	-	(17,150)	-	(17,150)
Transfers	21,000	-	13,617	88,451	-	(21,000)	(102,068)	-
Transfers to discontinued operation (Note 12)	(981,630)	(690,517)	-	(204,822)	(43,416)	(49,400)	(274,809)	(2,244,594)
Exchange differences	-	-	-	450	(7,130)	-	-	(6,680)
At 31 December 2023	**1,653,079**	**155,500**	**241,700**	**3,227,287**	**1,560,096**	**118,685**	**-**	**6,956,347**
Depreciation and impairment:								
At 1 January 2023	419,098	649,344	204,454	2,389,551	1,517,514	130,883	-	5,310,844
Depreciation charge for the year	155,224	108,781	4,288	128,683	37,294	17,201	-	451,471
Impairment charge during the year	367,447	57,293	-	-	-	-	-	424,740
Disposals and derecognition	(22,759)	-	-	-	(17,404)	-	-	(40,163)
Transfers to indemnity	-	-	-	-	-	(11,164)	-	(11,164)
Transfers	9,101	-	-	-	-	(9,101)	-	-
Transfers to discontinued operation (Note 12)	(360,298)	(698,541)	-	(176,599)	(44,474)	(31,629)	-	(1,311,541)
Exchange differences	-	-	-	125	(7,537)	-	-	(7,412)
At 31 December 2023	**567,813**	**116,877**	**208,742**	**2,341,760**	**1,485,393**	**96,190**	**-**	**4,816,775**
Net book value:								
At 31 December 2023	**1,085,266**	**38,623**	**32,958**	**885,527**	**74,703**	**22,495**	**-**	**2,139,572**

	Right-of-use assets	Buildings	Building improvements	Machinery and equipment	Furniture, fixtures and computers	Vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost:								
At 1 January	7,155,498	1,212,260	225,233	3,313,664	1,600,004	247,422	-	13,754,081
Additions	98,224	71,379	2,850	27,248	26,323	14,860	376,877	617,761
Disposals	(4,077)	-	-	-	-	(56,050)	-	(60,127)
Transfers to discontinued operation (Note 12)	(5,623,184)	(437,622)	-	-	-	-	-	(6,060,806)
Exchange differences	-	-	-	1,185	(19,707)	-	-	(18,522)
At 31 December 2022	1,626,461	846,017	228,083	3,342,097	1,606,620	206,232	376,877	8,232,387
Depreciation and impairment:								
At 1 January 2022	319,056	828,394	195,815	2,233,383	1,469,143	146,637	-	5,192,428
Depreciation charge for the year	133,745	17,880	8,639	155,146	64,927	25,216	-	405,553
Disposals	(226)	-	-	-	-	(40,970)	-	(41,196)
Transfers to discontinued operation (Note 12)	(33,477)	(196,930)	-	-	-	-	-	(230,407)
Exchange differences	-	-	-	1,022	(16,556)	-	-	(15,534)
At 31 December 2022	419,098	649,344	204,454	2,389,551	1,517,514	130,883	-	5,310,844
Net book value:								
At 31 December 2022	1,207,363	196,673	23,629	952,546	89,106	75,349	376,877	2,921,543

Impairment of property, plant and equipment for the year has been allocated to continued operations amounted to KD 52,447 (2022: KD Nil) and discontinued operation of KD 372,293 (2022: KD Nil).

The depreciation included in the consolidated income statement is allocated as follows:

	2023 **KD**	2022 KD
Cost of sales (Note 21)	**232,585**	222,834
General and administrative expenses (Note 21)	**218,886**	182,719
	451,471	405,553

12. DISCONTINUED OPERATION

On 21 September 2022, the Group signed a sale and purchase agreement (SPA) to sell its entire equity interest of 51.28% in its subsidiary, Carpets Industries Company K.S.C (Closed) ('CIC'). The sale of subsidiary was expected to be completed within a year from the reporting date. Accordingly, as at 31 December 2022, CIC was classified as a disposal group held for sale and as a discontinued operation. However, in the current period, the agreement to sell CIC has been terminated due to the buyer's default. Consequently, CIC was no longer categorized as discontinued operations and has been reclassified as a continued operation during the three months ended 30 June 2023.

However, on 21 December 2023, the board of directors again decided to dispose its entire interest in subsidiary, Carpets Industry Company K.S.C. (Closed) ('CIC') and received offers from potential buyers by the reporting date. The sale of subsidiary is expected to be completed within a year from the reporting date. Accordingly, as at 31 December 2023, the subsidiary is classified as a disposal group held for sale and as a discontinued operation.

On 26 December 2023, the Group signed a sale and purchase agreement (SPA) to sell its entire equity interest of 50% in its subsidiary, Middle East for Chemical Manufacturing W.L.L. ('MECC'). The sale of subsidiary is expected to be completed within a year from the reporting date. Accordingly, as at 31 December 2023, the subsidiary is classified as a disposal group held for sale and as a discontinued operation.

The results of the CIC and MECC for the year are presented below:

	CIC		MECC		Total	
	2023 KD	2022 KD	**2023 KD**	2022 KD	**2023 KD**	2022 KD
Revenue from contracts with customers	-	-	**616,990**	505,424	**616,990**	505,424
Cost of Sale	-	-	**(531,828)**	(387,605)	**(531,828)**	(387,605)
Gross profit	-	-	**85,162**	117,819	**85,162**	117,819
Other income	**14,387**	85,365	-	-	**14,387**	85,365
General and administrative expenses	**(136,212)**	(171,763)	**(263,909)**	(285,630)	**(400,121)**	(457,393)
Provision (charged) reversed	-	-	**(177,025)**	48,889	**(177,025)**	48,889
Impairment of property, plant and equipment	**(2,830,000)**	-	**(372,293)**	-	**(3,202,293)**	-
Finance costs	**(27,105)**	(22,149)	**(27,631)**	(17,477)	**(54,736)**	(39,626)
Loss for the year from discontinued operations	**(2,978,930)**	(108,547)	**(755,696)**	(136,399)	**(3,734,626)**	(244,946)
Attributable to:						
Equity holders of the Parent Company	**(1,449,043)**	(35,506)	**(377,848)**	(68,200)	**(1,826,891)**	(103,706)
Non-controlling interests	**(1,529,887)**	(73,041)	**(377,848)**	(68,199)	**(1,907,735)**	(141,240)
	(2,978,930)	(108,547)	**(755,696)**	(136,399)	**(3,734,626)**	(244,946)

The major classes of assets and liabilities of CIC and MECC classified as held for sale as at 31 December 2023 and 31 December 2022 are, as follows:

	CIC		MECC		Total	
	2023 KD	2022 KD	**2023 KD**	2022 KD	**2023 KD**	2022 KD
Assets						
Property, plant and equipment	**2,939,654**	5,819,240	**933,053**	-	**3,872,707**	5,819,240
Inventories	**-**	-	**423,064**	-	**423,064**	-
Trade and other receivables	**-**	-	**255,937**	-	**255,937**	-
Cash and bank balances	**3,913**	2,545	**5,566**	-	**9,479**	2,545
Assets held for sale	**2,943,567**	5,821,785	**1,617,620**	-	**4,561,187**	5,821,785
Liabilities						
Accounts payables and accruals	**299,097**	237,242	**118,092**	-	**417,189**	237,242
Notes payables	**-**	-	**397,215**	-	**397,215**	-
Due to banks	**207,497**	207,497	**152,624**	-	**360,121**	207,497
Employees' end of service benefits	**-**	92,295	**59,015**	-	**59,015**	92,295
Due to related parties	**-**	-	**263,820**	-	**263,820**	-
Lease liabilities	**290,937**	195,017	**25,955**	-	**316,892**	195,017
Liabilities directly associated with assets held for sale	**797,531**	732,051	**1,016,721**	-	**1,814,252**	732,051
Net assets directly associated with disposal group	**2,146,036**	5,089,734	**600,899**	-	**2,746,935**	5,089,734

The net cash flow activities by the CIC and MECC classified as held for sale are, as follows:

	CIC		MECC		Total	
	2023 KD	2022 KD	**2023 KD**	2022 KD	**2023 KD**	2022 KD
Cash flows from operating activities	**31,373**	15,411	**41,866**	-	**73,239**	15,411
Cash flows used in financing activities	**(30,005)**	(19,844)	**(36,666)**	-	**(66,671)**	(19,844)
Net cash inflow (outflow)	**1,368**	(4,433)	**5,200**	-	**6,568**	(4,433)

13. OTHER LIABILITIES

	2023 KD	2022 KD
Trade payables	**1,054,460**	1,803,571
Amounts due to related parties (Note 26)	**1,013,074**	773,795
Accrued staff leave	**438,250**	190,202
Provision for employees' end of service benefits	**996,940**	755,059
Accrued expenses	**512,075**	502,538
Legal provisions	**-**	205,482
NLST Payable	**48,019**	23,422
KFAS payable	**111,664**	108,776
ZAKAT payable	**101,725**	88,700
Other payables	**385,934**	225,578
	4,662,141	4,677,123

14. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 KD	2022 KD
As at 1 January	**2,905,245**	3,365,650
Additions	**1,165,154**	80,108
Finance cost	**239,309**	208,184
Payments	**(632,370)**	(553,680)
Disposals	**(3,828)**	-
Transfers to discontinued operation (Note 12)	**(25,955)**	(195,017)
As at 31 December	**3,647,555**	2,905,245
Current portion	**388,924**	346,164
Non-current portion	**3,258,631**	2,559,081
	3,647,555	2,905,245

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position ranges from 4.5% to 6.5%. The maturity analysis of lease liabilities are disclosed in Note 29.

The following are the amounts recognised in profit or loss related to right-of-use assets and lease liabilities:

	2023 KD	2022 KD
Depreciation expense of right-of-use assets	**(155,224)**	(133,745)
Impairment of right-of-use assets	**(367,447)**	-
Finance costs on lease liabilities	**(239,309)**	(208,184)
Gain on derecognition of right-of-use (included in other income)	**6,833**	-
Total loss recognised in profit or loss	**(755,147)**	(341,929)

15. EQUITY

a) Share capital

	Number of shares		Authorised, issued and fully paid	
	2023	2022	**2023 KD**	2022 KD
Shares of 100 fils each (paid in cash)	**383,275,688**	283,275,688	**38,327,569**	28,327,569

During the year, the authorised, issued, and fully paid share capital was increased by KD 10,000,000 by the issue of 100,000,000 ordinary shares of 100 fils each (Note 28).

The Board of Directors have proposed no bonus shares issue for the year ended 31 December 2023 (2022: Nil). No cash dividends were declared for the year ended 31 December 2023 (2022: Nil). This proposal is subject to the approval at the Annual General Meeting of the shareholders of the Parent Company.

b) Share premium

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

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 before tax and Director's remuneration attributable to the equity holders of the Company shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer 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 dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

d) Voluntary reserve

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

16. TREASURY SHARES

	2023	2022
Number of treasury shares *	**45,087,457**	887,507
Percentage of issued shares (%)	**% 11.76**	% 0.31
Cost of treasury shares (KD)	**4,815,778**	307,393
Market value (KD)	**4,292,326**	93,188

The increase in treasury shares during the year resulted from the acquisition of control of a subsidiary, Liquid (Note 1.1). As of 31 December 2023, the treasury shares held exceeded the 10% regulatory limit. Nevertheless, the Group has obtained regulatory approval and is currently in the process of liquidating additional treasury shares to comply with the 10% regulatory limit.

Reserves equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

17. DISAGGREGATION OF REVENUE

Contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2023 KD	2022 KD
Types of goods or services:		
Sale of goods	**2,555,540**	2,888,244
Rendering of services	**5,000**	5,000
	2,560,540	2,893,244
Timing of revenue recognition:		
Goods and services transferred at a point in time	**2,555,540**	2,888,244
Goods and services transferred over time	**5,000**	5,000
	2,560,540	2,893,244

Fee and commission income

Set out below is the disaggregation of the Group's fees and commission income:

	2023 KD	2022 KD
Types of goods or services:		
Rendering of services	**211,446**	207,253
	211,446	207,253
Timing of revenue recognition:		
Goods and services transferred at a point in time	**140,910**	122,680
Goods and services transferred over time	**70,536**	84,573
	211,446	207,253

18. NET INVESTMENT INCOME ON FINANCIAL ASSETS

	2023 KD	2022 KD
Income from deposits	**116,655**	105,546
Dividend income	**99,102**	102,403
Realised gain on sale of financial assets at FVTPL	**7,343**	-
Unrealised gain on financial assets at FVTPL	**10,415**	3,296
	233,515	211,245

19. NET RENTAL INCOME

	2023 KD	2022 KD
Rental income	**1,679,739**	1,760,412
Less: property and maintenance expenses	**(419,864)**	(304,445)
	1,259,875	1,455,967

20. NET (REVERSAL) ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

	2023 KD	2022 KD
Net ECL reversal on trade receivables (Note 6)	**96,809**	59,874
Net ECL charge on receivables from related parties	**(11,745)**	(7,500)
(Charge) reversal of inventories provision (Note 7)	**(7,100)**	5,000
Reversal of provision for transferring Q Holding shares no longer required (Note 32)	**-**	2,297,615
Reversal of legal provisions no longer required	**273,332**	198,688
Impairment on property, plant and equipment (Note 11)	**(52,447)**	-
Other provisions' reversal (charge)	**34,667**	(289,537)
	333,516	2,264,140

21. PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2023 KD	2022 KD
Included in cost of sales:		
Materials and spare parts	**802,258**	1,209,565
Salaries, wages and other staff costs	**774,370**	659,719
Repairs and maintenance	**41,263**	58,961
Depreciation expense (Note 11)	**232,585**	222,834
Other expenses	**141,231**	181,030
	1,991,707	2,332,109
Included in general and administrative expenses:		
Staff costs	**1,701,162**	1,367,009
Selling and distribution expenses	**2,509**	4,831
Legal and professional fees	**691,655**	380,614
Rent expense for short-term leases	**12,612**	18,410
Depreciation expense (Note 11)	**218,886**	143,191
Other expenses	**430,502**	299,044
	3,057,326	2,213,099

22. 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 Parent 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 (loss) attributable to ordinary equity holders of the parent:		
Continuing operations	**2,866,663**	289,438
Discontinued operations (note 12)	**(1,826,891)**	(103,706)
Profit for the year attributable to the equity holders of the Parent Company (KD)	**1,039,772**	185,732
Weighted average number of outstanding shares	**293,242,457**	282,388,181
Basic and diluted earnings per share (fils)	**3.55**	0.66
Basic and diluted earnings per share from continued operation (fils)	**9.78**	1.02
Basic and diluted loss per share from discontinued operation (fils)	**(6.23)**	(0.37)

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:

Financial : Managing funds of private and public institution, acquiring companies in various sectors, mediation in lending and borrowing operations, acting as bond issuance managers, trading in securities including buying and selling of stocks and bonds of local companies and international governmental agencies.

Real estate : Investing in real estate, owning movable and real estate properties that are necessary to practice its activities in accordance to the law.

Industries : Producing various chemical products and marketing them locally and abroad. Owning industrial rights for patents, trade names, designs and leasing the same to other companies for their use inside or outside Kuwait.

Others : Providing and preparing technical consultations, economic, valuation, feasibility studies and preparing necessary studies for establishments and companies.

ManagManagement 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:

	Financial	Real estate	Industries	Others	Total
	KD	KD	KD	KD	KD
31 December 2023					
Total revenue *	**5,251,265**	**(1,119,729)**	**780,163**	**309,314**	**5,221,013**
Profit (loss) for the year	**2,160,527**	**(299,581)**	**(3,426,075)**	**70,241**	**(1,494,888)**
Total assets	**15,679,010**	**16,691,242**	**10,430,253**	**1,037,101**	**43,837,606**
Total liabilities	**1,965,057**	**3,842,727**	**3,967,243**	**348,921**	**10,123,948**
Other disclosures:					
Investment in associates and joint venture	**361,497**	**-**	**1,895,290**	**-**	**2,256,787**
Share of results of associates and joint venture	**(935,808)**	**-**	**(124,110)**	**-**	**(1,059,918)**
31 December 2022					
Total revenue *	3,278,094	(1,688,620)	616,595	251,259	2,457,328
Profit (loss) for the year	543,625	(528,271)	(78,046)	31,187	(31,505)
Total assets	4,601,723	17,686,447	13,649,661	894,330	36,832,161
Total liabilities	1,368,227	2,959,340	3,748,052	365,690	8,441,309
Other disclosures:					
Investment in associates and joint venture	2,519,548	-	2,053,220	-	4,572,768
Share of results of associates and joint venture	120,919	-	(24,920)	-	95,999

* Total revenue comprises operating profit after excluding general and administrative expenses.

The Group's total assets include KD 5,600,142 (2022: KD 4,175,268) 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. MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of the subsidiary that has material non-controlling interests is provided below:

Name of subsidiary	*Country of incorporation and operation*	***2023***	*2022*
Safat Industries Holding Company K.S.C. (Closed)	Kuwait	**36.21%**	36.21%
Accumulated balances of material non-controlling interests		**2,070,793**	4,596,587
Loss allocated to material non-controlling interests		**(2,479,830)**	(175,785)

The consolidated financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	2023 KD	2022 KD
Revenue	**262,399**	505,424
Expenses	**(3,857,745)**	(777,552)
Total loss and comprehensive income	**(3,595,346)**	(272,128)
Attributable to non-controlling interests	**(2,479,830)**	(175,785)

Summarised consolidated statement of financial position:

	2023 KD	2022 KD
Current assets	**6,733,538**	8,545,230
Non-current assets	**658,497**	2,090,871
TOTAL ASSETS	**7,392,035**	10,636,101
Current liabilities	**2,813,609**	2,339,301
Non-current liabilities	**15,507**	67,605
TOTAL LIABILITIES	**2,829,116**	2,406,906
TOTAL EQUITY	**4,562,919**	8,229,195
Attributable to:		
Equity holders of the Parent Company	**2,492,125**	3,632,608
Non-controlling interests	**2,070,794**	4,596,587

Summarised cash flow information:

	2023 KD	2022 KD
Cash flows from operating activities	**34,569**	113,723
Cash flows used in investing activities	**-**	(97,267)
Cash flows used in financing activities	**(119,673)**	(54,665)
Net decrease in cash and cash equivalents	**(85,104)**	(38,209)

25. FIDUCIARY ASSETS

The Group manages investment portfolios on behalf of clients. The total value of these portfolios at 31 December 2023 amounted to KD 50,816,313 (2022: KD 49,966,345) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements.

For the year ended 31 December 2023, income earned from fiduciary assets amounted to KD 70,536 (2022: KD 84,573).

26. RELATED PARTY DISCLOSURES

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and are subject to the approval of the shareholders at the annual general assembly meeting (AGM).

The following tables show the aggregate value of transactions and outstanding balances with related parties:

	2023 KD	2022 KD
Consolidated statement of financial position:		
Other assets - *Other related parties**	**14,749**	314,584
Financial assets at FVTPL - *Other related parties (Note 8)*	**32,890**	50,243
Financial assets at FVOCI - *Other related parties (Note 8)*	**28,528**	33,528
Other liabilities – *Other related parties (Note 13)*	**1,013,074**	773,795
Consolidated income statement:		
Management fees - *Associate companies*	**1,092**	2,560
Management fees - *Other related parties*	**141**	576
Consulting fees - *Other related parties*	**(25,465)**	(5,000)

* Other assets from other related parties represents gross due from related parties amounting to KD 190,595 (2022: KD 478,685), adjusted for related expected credit losses amounting to KD 175,846 (2022: KD 164,101) (Note 6).

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 425,671 (2022: KD 7,129,082).

Key management personnel

Key management personnel comprise the Board of Directors, Executive Committees and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

	2023 KD	2022 KD
Salaries and short-term benefits	**176,118**	147,202
Committees' remuneration	**80,000**	-
Employees' end of service benefits	**16,082**	14,712
	272,200	161,914

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of bank overdrafts, notes payable and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and short-term deposits and accounts receivable and other assets that derive directly from its operations. The Group also holds investments in securities.

The Group is exposed to credit risk, liquidity risk and market risk (including foreign currency risk, profit rate risk and equity price risk). The Group's senior management is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

27.1 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 trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2023 KD	2022 KD
Bank balances	**1,754,578**	998,347
Term deposits	**702,658**	871,113
Accounts receivable and other assets (excluding prepaid expenses and advances)	**4,026,254**	2,053,632
	6,483,490	3,923,092

Balances with banks and term deposits

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.

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.

Trade receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Trade receivables				
	Days past due				
31 December 2023	***Total***	***< 90 days***	***90–180 days***	***180– 365 days***	***> 365 days***
	KD	**KD**	**KD**	**KD**	**KD**
Expected credit loss rate		**0.11%**	**2.51%**	**5.19%**	**100%**
Estimated total gross carrying amount at default	**7,626,087**	**698,145**	**73,300**	**333,206**	**6,521,436**
Expected credit loss	**(6,541,297)**	**(747)**	**(1,837)**	**(17,277)**	**(6,521,436)**

	Trade receivables				
	Days past due				
31 December 2022	*Total*	*< 90 days*	*90–180 days*	*180– 365 days*	*> 365 days*
	KD	KD	KD	KD	KD
Expected credit loss rate		1.11%	3.04%	27.20%	97.10%
Estimated total gross carrying amount at default	8,251,611	1,203,163	115,207	74,113	6,859,128
Expected credit loss	(6,696,966)	(13,365)	(3,500)	(20,159)	(6,659,942)

Other receivables

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

27.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on an ongoing basis. The Group's credit sales require amounts to be paid within 60 days of the date of invoice and trade payables are normally settled within 60 to 90 days from the date of purchase.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted payments:

	Payable on demand	***Within 3 months***	***3 to 12 months***	***More than 1 Year***	***Total***
	KD	***KD***	***KD***	***KD***	***KD***
31 December 2023					
Other liabilities	**1,013,074**	**1,315,868**	**1,366,259**	**966,940**	**4,662,141**
Lease liabilities	**-**	**154,630**	**574,722**	**3,997,982**	**4,727,334**
	1,013,074	**1,470,498**	**1,940,981**	**4,964,922**	**9,389,475**

	Payable on demand	*Within 3 months*	*3 to 12 months*	*1 to 5 Years*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
31 December 2022					
Bank overdrafts	-	103,746	-	-	103,746
Notes payable	-	-	29,488	-	29,488
Other liabilities	773,795	2,243,809	904,459	755,058	4,677,121
Lease liabilities	-	126,095	474,972	3,174,563	3,775,630
	773,795	2,473,650	1,408,919	3,929,621	8,585,985

27.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: profit rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include deposits and debt and equity investments.

a) Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument 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).

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's exposure to foreign currency exchange rates on financial assets and (liabilities) at the reporting date:

	2023 Equivalent	2022 Equivalent
Currency	***KD***	*KD*
US Dollar (USD)	**5,474,864**	(191,968)
Egyptian pound (EGP)	**1,182,235**	1,286,403

Foreign exchange rate sensitivity

The following table demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit/loss due to changes in the fair value of monetary assets and liabilities is as follows:

		2023		2022	
	Change in exchange rate	***Effect on profit***	***Effect on equity***	*Effect on profit*	*Effect on equity*
Currency		***KD***	***KD***	*KD*	*KD*
USD	**5%**	**142,572**	**131,172**	(9,868)	270
EGP	**5%**	**49,288**	**9,824**	53,444	10,876

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

An equivalent increase/decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

b) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group's exposure to the risk of changes in market profit rates relates primarily to the Group's short-term debt obligations with floating profit rates.

The Group manages its profit rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities. Further, the Group's policy is to manage its profit cost by availing competitive credit facilities from local financial institutions and constantly monitoring profit rate fluctuations.

Exposure to profit rate risk

The profit rate profile of the Group's profitbearing financial instruments as reported to the management of the Group is as follows.

	2023 KD	2022 KD
Variable-rate instruments		
Financial assets	**702,658**	871,113
Financial liabilities	**-**	(126,890)
	702,658	744,223

Profit rate sensitivity

A reasonably possible change of 50 basis points in profit rates at the reporting date would have resulted in an increase in profit for the year by KD 35,133 (2022: KD 3,721). This analysis assumes that all other variables, remain constant.

c) Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) (Note 8). 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 the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 7,374,616 (2022: KD 64,671). Sensitivity analyses of these investments have been provided in Note 31.1.

The Group's listed equity investments are publicly traded and are included either in the Kuwait Stock Exchange ("Boursa Kuwait") or other GCC markets.

Summarised below is 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.

Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the respective market index, the Group determined that for such investments classified at FVOCI, a 5% increase in the respective market index would have increased equity by KD 62,370 (2022: an increase of KD 62,370). For such investments classified as at FVTPL, the impact of a 5% increase in the at the reporting date on profit or loss would have been an increase of KD 167,311 (2022: KD 2,533).

An equal change in the opposite direction would have would have resulted in an equivalent but opposite impact on profit or equity.

28. BUSINESS COMBINATION AND MERGER

On June 2, 2022, Parent Company announced preliminary agreement to merge by amalgamation with Cap Corp Investment Company K.S.C.C. ("Cap Corp"). Cap Corp was principally engaged in investment in financial instruments.

On May 18, 2023, the Extra-Ordinary General Meeting (EGM) of the Parent Company approved the merger between Cap Corp and Parent Company by way of amalgamation, including the dissolution of Cap Corp pursuant to which the Parent Company shall be the merging company and Cap Corp will be merged company. The EGM also approved the share swap ratio.

On 29 August 2023, the Parent Company obtained the approval of Kuwait Capital Market Authority (CMA) for the merge through swap, where shareholders of Cap Corp will receive shares of the Parent Company. Cap Corp was principally engaged in investment in financial instruments.

On 19 October 2023, the share swap was executed and the Parent Company issued 100,000,000 shares against 200,000,000 Cap Corp shares according to the swap ratio of 0.5 of the Parent Company's share for each Cap Corp's share. As a result of this, the Parent Company acquired control of Cap Corp, by issuing new shares of the Parent Company at purchase consideration of KD 10,200,000 being the quoted price of the shares of the Parent Company at the date of acquisition. The acquisition has been accounted for in accordance with IFRS 3: Business combination ("IFRS 3").

The consideration paid and the fair values of assets acquired, and liabilities assumed, are summarized as follows:

	KD
Assets	
Cash in hand and at banks	**2,962,309**
Receivables and prepayments	**2,684,985**
Financial assets designated at fair value through profit and loss	**3,961,962**
Financial assets designated at fair value through other comprehensive income	**6,673,986**
Property and equipment	**3**
	16,283,245
Liabilities	
Provision for employees' end of service benefits	**312,185**
Other liabilities	**84,006**
	396,191
Net assets acquired	**15,887,054**
Purchase consideration	**(10,200,000)**
Bargain purchase gain	**5,687,054**
Cash flows on business combination	
Cash and bank balances in subsidiary acquired	**2,962,309**
Net cash inflow on business combination	**2,962,309**

In accordance with requirements of IFRS 3, the Group has carried out a purchase price allocation ("PPA") exercise which resulted in a gain from business combination, since the fair value of the assets acquired and liabilities assumed exceeded the purchase consideration.

Acquisition-related costs are charged to the consolidated income statement of the Group.

Had the business combinations taken place at the beginning of the year, revenue of the Group and loss attributable to equity holders of the Parent Company, would have been higher by KD 21,775 and KD 677,150 respectively.

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

	31 December 2023		
	Within 12 months *KD*	After 12 months *KD*	Total *KD*
ASSETS			
Cash and bank balances	**1,778,976**	**-**	**1,778,976**
Term deposits	**5,500**	**697,158**	**702,658**
Accounts receivable and other assets	**1,538,875**	**2,645,909**	**4,184,784**
Inventories	**322,376**	**-**	**322,376**
Investment securities	**4,025,831**	**7,942,384**	**11,968,215**
Investment in associates and joint venture	**-**	**2,256,787**	**2,256,787**
Investment properties	**-**	**15,923,051**	**15,923,051**
Property, plant and equipment	**-**	**2,139,572**	**2,139,572**
Asset held for sale	**4,561,187**	**-**	**4,561,187**
Total assets	**12,232,745**	**31,604,861**	**43,837,606**
LIABILITIES			
Other liabilities	**4,662,141**	**-**	**4,662,141**
Lease liabilities	**388,924**	**3,258,631**	**3,647,555**
Liabilities directly associated with the assets held for sale	**1,814,252**	**-**	**1,814,252**
Total liabilities	**6,865,317**	**3,258,631**	**10,123,948**
Net	**5,367,428**	**28,346,230**	**33,713,658**

	31 December 2022		
	Within 12 months KD	After 12 months KD	Total KD
ASSETS			
Cash and bank balances	1,026,442	-	1,026,442
Term deposits	5,500	865,613	871,113
Accounts receivable and other assets	2,216,646	-	2,216,646
Inventories	623,702	-	623,702
Investment securities	1,313,597	49,136	1,362,733
Investment in associates and joint venture	-	4,572,768	4,572,768
Intangible assets	-	774	774
Investment properties	-	17,414,655	17,414,655
Property, plant and equipment	-	2,921,543	2,921,543
Asset held for sale	5,821,785	-	5,821,785
Total assets	11,007,672	25,824,489	36,832,161
LIABILITIES			
Bank overdrafts	98,806	-	98,806
Notes payable	28,084	-	28,084
Other liabilities	3,922,065	755,058	4,677,123
Lease liabilities	346,164	2,559,081	2,905,245
Liabilities directly associated with the assets held for sale	732,051	-	732,051
Total liabilities	5,127,170	3,314,139	8,441,309
Net	5,880,502	22,510,350	28,390,852

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade payables, bank overdrafts and notes payable, less cash and short-term deposits. Capital represents total equity attributable to equity holders of the Parent Company.

	2023 KD	2022 KD
Bank overdrafts	-	98,806
Notes payable	-	28,084
Trade payables	**1,054,460**	1,803,571
Less: cash and bank balances	**(1,778,976)**	(1,026,442)
Less: term deposits	**(702,658)**	(871,113)
Net (assets) debt	**(1,427,174)**	32,906
Equity attributable to shareholders of the Parent Company	**29,446,821**	22,787,418
Capital and net debt	**28,019,647**	22,820,324
Gearing ratio	-	0.14%

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

As of the reporting date, the Group is in compliance with minimum required regulatory capital adequacy ratio for the year ended 31 December 2023 and 31 December 2022 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.

31. FAIR VALUE MEASUREMENT

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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 assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's senior management determines the policies and procedures for recurring fair value measurement, such as investment properties and unquoted equity investments.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the senior management Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The Group measures financial instruments such as investment in equity securities and non-financial assets such as investment properties, at fair value at each reporting date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed below.

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	2023	2022
	KD	KD
Financial instruments		
Investment securities (at fair value)		
Quoted equity securities	**4,593,599**	1,298,062
Unquoted equity securities	**7,374,616**	64,671
	11,968,215	1,362,733
Non-financial assets		
Investment properties	**15,923,051**	17,414,655

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and bank balances
- Term deposits
- Accounts receivables and other assets
- Bank overdrafts
- Notes payable
- Other liabilities
- Lease liabilities

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities

Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments

The Group invests in funds and private equity companies that are not quoted in an active market. Units held in funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Such instruments are generally classified as Level 2. Private equity companies represent non-listed entities. Transactions in such investments do not occur on a regular basis. The Group uses a weighted average of multiple valuation techniques such as market-based valuation technique, adjusted NAVs and Discounted Cash flow (DCF) model. The Group determines and calculates an appropriate trading multiple based on related listed peers. DCF model inputs, including forecast cash flows and the discount rate. The weighted average price based above related techniques /models are then discounted for considerations such as illiquidity and based on company-specific facts and circumstances. The Group classifies the fair value of these investments as Level 3.

Investment properties

The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 'Fair Value Measurement' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment properties are classified as either level 2 or level 3.

31.1 Financial instruments

Fair value hierarchy

The following tables provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

		Fair value measurement using		
	Total	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
31 December 2023	***KD***	***KD***	***KD***	***KD***
Financial assets at FVTPL:				
Quoted equity securities	**3,346,213**	**3,346,213**	-	-
Unquoted equity securities	**679,618**	-	**667,878**	**11,740**
	4,025,831	**3,346,213**	**667,878**	**11,740**
Financial assets at FVOCI				
Quoted equity securities	**1,247,386**	**1,247,386**	-	-
Unquoted equity securities	**6,694,998**	-	-	**6,694,998**
	7,942,384	**1,247,386**	-	**6,694,998**
Investment securities (at fair value)	**11,968,215**	**4,593,599**	**667,878**	**6,706,738**

	Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)
31 December 2022	KD	KD	KD
Financial assets at FVTPL:			
Quoted equity securities	50,663	50,663	-
Unquoted equity securities	15,535	-	15,535
	66,198	50,663	15,535
Financial assets at FVOCI			
Quoted equity securities	1,247,399	1,247,399	-
Unquoted equity securities	49,136	-	49,136
	1,296,535	1,247,399	49,136
Investment securities (at fair value)	1,362,733	1,298,062	64,671

During 2022, an equity investment upon delisting was transferred from Level 1 to Level 3. There were no transfers between any levels of the fair value hierarchy during 2023.

Reconciliation of Level 3 fair values

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

31 December 2023	***Financial assets at FVOCI KD***	***Financial assets at FVTPL KD***	***Total KD***
As at 1 January 2023	**49,136**	**15,535**	**64,671**
Addition through Business acquisition	**6,673,986**	**-**	**6,673,986**
Disposals	**(21,141)**	**-**	**(21,141)**
Remeasurement recognised in OCI	**(6,983)**	**-**	**(6,983)**
Remeasurement recognised in profit or loss	**-**	**(3,795)**	**(3,795)**
As at 31 December 2023	**6,694,998**	**11,740**	**6,706,738**

31 December 2022	*Financial assets at FVOCI KD*	*Financial assets at FVTPL KD*	*Total KD*
As at 1 January 2022	55,811	14,762	70,573
Disposals	(6,738)	-	(6,738)
Remeasurement recognised in OCI	63	-	63
Remeasurement recognised in profit or loss	-	253	253
Transfer *	-	520	520
As at 31 December 2022	49,136	15,535	64,671

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December are as shown below:

Significant unobservable valuation inputs	Range	Sensitivity of the input to fair value
Discount for lack of marketability (DLOM)	**(15%)**	10% (2022: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 670,674 (2022: KD 6,467)

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

31.2 Non-financial assets

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

		Fair value measurement using		
		Quoted prices in active markets	*Significant observable inputs*	*Significant unobservable inputs*
	Total	*(Level 1)*	*(Level 2)*	*(Level 3)*
	KD	*KD*	*KD*	*KD*
31 December 2023				
Investment properties	**15,923,051**	**-**	**8,535,569**	**7,387,482**
31 December 2022				
Investment properties	17,414,655	-	8,286,411	9,128,244

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

Reconciliation of Level 3 fair values

Reconciliation for recurring fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy is disclosed in Note 10.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy are the yield rate (income capitalisation approach) and price per sqm (market approach).

Sensitivity analysis

Significant increases (decreases) in estimated price per square metre, rental value and rent growth per annum, in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

32. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

	2023 **KD**	2022 KD
Letters of guarantee *	**536,290**	521,855
Letter of credit	**113,942**	9,461

* The Group has provided bank guarantees and letters of credit in the ordinary course of business. No material liabilities are expected to arise.

Legal case

a) In 2021, the custodian filed a lawsuit against the Parent Company claiming an amount of AED 71,082,525 (equivalent KD 5,936,443) in lieu of management fees for the years 2007 to 2020. Accordingly, the Parent Company filed a counter claim before the court of law against the custodian.

On 28 September 2022, the court ruled in favour of the Parent Company as a result of which the custodian is required to pay a settlement amount of AED 346,797,739 (equivalent KD 28,962,744) along with an interest of 5% from the date of the lawsuit (i.e. 4th March 2021) until the final payment of settlement.

On 26 October 2022, the Parent Company also obtained a court order to precautionarily seize all movable and liquid funds of the custodian. However, the custodian filed an appeal against the ruling and the court hearing scheduled on 7 November 2022 was adjourned to 21 November 2022 This was deferred to 29 March 2023 which was further postponed to 17 April 2023.

On 17 April 2023, the Court appointed an expert committee to review the case documents and submit their findings therein. The Court ordered the deposit fees for the expert committee to be borne by the appellant. Subsequently, after the appellant paid the deposit fees by 3 May 2023, the hearing was initially scheduled for 7 August 2023. However, it was subsequently postponed to 18 September 2023, then further rescheduled to 22 November 2023, and subsequently to 28 February 2024. On December 20, 2023, the expert committee issued its report, which presented the same facts that the court had taken into consideration on September 28, 2022. The hearing was postponed to 13 March 2024. Later, it was rescheduled to 20 March 2024

Notwithstanding the above, the Parent Company has been advised by its legal counsel that it is only possible, but not probable, that the action against the Parent Company will succeed. Accordingly, the Group has not recognised any provision for any liability in the consolidated financial statements for the year ended 31 December 2023.