

# 2023

Annual Report

# أعيان<sup>s</sup>

شركة أعيان للإجارة والاستثمار  
A'AYAN LEASING & INVESTMENT CO.









His Highness Sheikh  
**Mishal Al-Ahmed Al-Jaber Al-Sabah**  
Amir of the State of Kuwait

# Fatwa and Sharia Supervisory Board



**Sheikh Prof. Sayed Mohammed Abdul Razzaq Al-Tabatabaei**

Chairman of the Fatwa and Sharia Supervisory Board



**Sheikh Prof. Ahmad Al-Hajji Al-Kurdi**

Member of the Fatwa and Sharia Supervisory Board



**Sheikh Prof. Khalid Shoga'a Al Atibi**

Member of Fatwa and Sharia Supervisory Board

## Board of Directors



**Mr. Mansour Hamad Al-Mubarak**

Chairman



**Mr. Fahad Ali M. Thunayan Al-Ghanim**

Vice Chairman



**Mr. Abdulaziz Nasser Al-Marzouq**

Board Member



**Mr. Talal Reda Behbehani**

Board Member



**Dr. Yaqoub Ahmed Alabdullah**

Board Member



**Mr. Nasser Ibrahim Borousli**

Board Member



**Mr. Muhannad Mohammed Al-Sanea**

Board Member

# Chairman's Speech



**In the name of Allah, the Most Gracious, the Most Merciful. Praise be to Allah, and may blessings and peace be upon Messenger of Allah, and the most noble of Allah's creation, our Prophet Muhammad, and upon his family and companions, peace and blessings be upon those who are guided by him until the Day of Judgment.**

**Dear Distinguished Shareholders...**

**May Allah's peace, mercy, and blessings be upon you.**

We are pleased to welcome you today to the General Assembly meeting and to present to you the Annual Report of A'ayan Leasing and Investment Company, the Report of the Fatwa and Sharia Supervisory Board, the Corporate Governance Report, the Audit Committee Report, as well as the Auditors' Report, in addition to the consolidated financial statements for the financial year ended 31 December, 2023.

We cannot address the economic situation in 2023 in isolation from the political events and crises swirling around us. To begin with, we stand at Kuwait's great tragedy in the loss of the Amir, His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, may Allah rest his soul in peace, through whom the country lost an Amir and a father, whose benevolent acts are witnessed by everyone. May Allah have mercy on him. Our condolences to His Highness the Amir Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah assuming the reigns of power and the smooth transfer of power that had a profound positive impact on everyone. The nation has great hopes of achieving the directives of His Highness the Amir of the country and overcoming the obstacles and pains of the previous stage, which the Amir referred to in his historic speech upon assuming the reigns of power. The past year also witnessed attacks and brutality against our brothers in Gaza, hoping from Allah Almighty to grant them victory and defeat our enemy and their enemy.

In the economic scene, the past year witnessed signs that most central banks around the world were able to curb inflation, which made most of these banks take their time in raising the interest level and maintaining the stability of liquidity in their economies. The repercussions of the Russian-Ukrainian war continue to cast a shadow on many of the main raw materials used in many industries, which contributed to the rise in numerous commodities. Also, the ongoing repercussions in Gaza and the accompanying confusion in the movement of maritime freight would contribute to the instability of transport operations and supply chains in the world, which could have a negative impact if this problem persists for a long time.

At the company level, and despite all these challenges, the company began the year 2023 by being listed in the Premier Market, which came to translate the hard work that took place in the company in the previous period and reflects the extent of investors' interest in the company. The company also continued during 2023 and continues to strive to implement its strategy, which is based on creating an appropriate balance in the company's assets and searching for appropriate investment opportunities to maximize shareholders' equity and enhance the company's financial position. The company focused on the growth of all its major operating sectors during the year. We saw the growth of the operational leasing sector during 2023 according to the company's plan, driven by the continuous demand for new and used cars. The investment sector has also begun to reap part of the results of its investments made over the past period. On the real estate sector, the implementation of the company's plan to reshape the real estate portfolio has begun by selling a set of properties with low returns and looking to invest in new properties, from which the company aims to achieve better returns in light of studied risks that are proportional to the company's assets.

Thanks to Allah, and then those concerted efforts by the company's Executive Management, the company's profits jumped during 2023 to reach net profits of approximately KD 12.4 million, accompanied by a positive increase in most of the company's financial indicators. Below is a summary of the group's most prominent financial indicators as of the end of 2023 as compared to 2022.

Financial Indicator	31/12/2023 (KD)	31/12/2022 (KD)	Change
Net profit for shareholders of the parent company	12,368,024	9,002,288	37%
Total revenues	25,535,418	19,105,688	34%
Total expenses	11,884,426	9,087,875	31%
Basic and diluted earnings per share for shareholders of the parent company (in Fils)	18.63	13.18	41%
Total assets	153,793,535	151,346,750	2%
Total liabilities	43,419,808	47,872,205	-9 %
Shareholders' equity for parent company	98,056,780	91,223,657	7%
Book value of outstanding shares (in Fils)	148	137	8%

The Board of Directors recommended that cash dividends equivalent to 7.5% of the nominal value, which represents 7.5 fils per share, be distributed to the company's shareholders. This recommendation is subject to the approval of the company's ordinary general assembly after obtaining the approval of the regulators relevant to this request.

Maintaining this positive performance and enhancing the company's operating income is the primary goal that the company is working to achieve during the forthcoming period. The company endeavors to target operational opportunities in various sectors and improve the performance of its existing assets according to a specific plan monitored by the Board of Directors. In this regard, I would like to extend my sincere thanks to my fellow members of the Board of Directors and the company's work team, who contributed to achieve these positive results during the year 2023. We look forward to a new year with continued success for all sectors of the company and enhancing the strength of the company's financial position to ensure maximizing the company's shareholders equity.

Allah grants success,

**Mansour Hamad Al-Mubarak**

Chairman of Board of Directors







**In the Name of Allah, the Most Gracious, the Most Merciful.**

**Praise be to Allah, and may blessings and peace be upon Messenger of Allah, and the most noble of Allah's creation, our Prophet Muhammad, and upon his family and companions, peace and blessings be upon those who are guided by him until the Day of Judgment.**

**Dear Distinguished Shareholders**

**May Allah's peace, mercy, and blessings be upon you.**

On behalf of the members of the Executive Management of A'ayan Leasing and Investment Company, I am pleased to present to you a report on the company's performance and the financial highlights for the year ended 31 December 2023, and briefly review the most significant financial and economic updates during the aforementioned year.

## **Overview of Economic Conditions During 2023**

Last year, the world faced exceptional and complex challenges that may be the most difficult since the global financial crisis that the world witnessed in 2008. At a time when the world economy began to adapt to the consequences of the COVID-19 pandemic, the global economy faced a major challenge in managing the inflation witnessed by numerous countries. Political turmoil, such as the Russian-Ukrainian war, and then the war crisis and the siege on the Gaza Strip, posed additional challenges that affected production chains around the world. This led to a shortage of natural resources and a sharp rise in prices, which contributed to higher inflation around the world.

In light of these events, global growth rates slowed down. According to World Bank reports, global growth is expected to register 3.1% in 2024 due to higher inflation rates, interest rates hikes, and political instability resulting from the Russian war and war on Gaza. Central banks are still closely monitoring interest rate levels and the possibility of reducing or affirming the rates for a longer period, which increases the uncertainty and in the trends of financial markets in the forthcoming period.

## **Overview of the Gulf Financial Markets During 2023**

Back to the Gulf financial markets, it is noted that Gulf market indices closed 2023 variably. Four markets out of seven closed high, led by the Dubai Financial Market, by about 22%, with an increase of 724 bps, closing at 4059.8 bps. It was followed by the "Saudi" market index in the second place, with 14%, an increase of 1489 bps, closing at the 11967.4 bps level. Then the Bahraini market rose by 4% to close at 1971.5 bps. The Qatari market also witnessed a slight increase, adding 150 bps to its balance, closing at 10,830.6 bps.

On the other hand, other Gulf markets saw declines, mainly the decline of the Kuwaiti Stock Exchange by 8%, down by 639 bps, to close at the level of 7477 bps, followed by the "Muscat" market by 7%, with a decrease of 343 bps, closing at the level of 4514.1 bps. Finally, the Abu Dhabi Market index decreased by nearly 6%, closing at 9577.9 bps.

Such varied performance of the Gulf markets reflects the reality of the region's anticipation of the surrounding conditions, in addition to investors' expectations of positive indicators witnessed mainly in the Saudi market, which constitutes an important weight in the region.

### **Overview of the Performance of A'ayan Leasing and Investment Company during 2023**

During the past year, the company achieved positive operational results in all its main sectors (leasing, investment, real estate). The company's total income increased by 34% during the financial year 2023, compared to the previous year, from nearly KD 19.1m to approximately KD 25.5m. In addition, the net profit for shareholders of A'ayan Company amounted to KD 12.4m for FY2023 compared to KD 9m in the previous year, a growth of approximately 37%. Earnings per share amounted to 18.63 Fils per share for FY2023, compared to 13.18 Fils during the previous year, an increase of 41% in earnings per share. Book value per share increased from 137 Fils as of 31 December 2022 to 148 Fils per share as of 31 December 2023 after taking into account the cash dividends of 7.5 Fils per share that took place during FY2023.

On the company's sectors side, the Executive Management has sought to implement the adopted strategy to rebuild the balance in the company's assets, and carefully studied expansion of the leasing sector, in addition to converting low-income generating assets with assets of better yield.

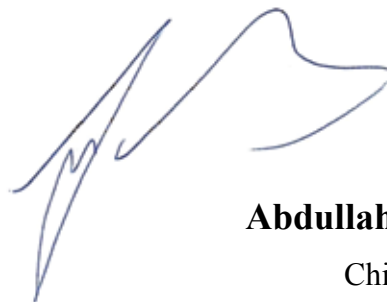
On the leasing side, the sector posted excellent performance rates during the past year 2023 to continue its distinctive operating performance. The year 2023 witnessed a good increase in operating income, an increase in net profit, as well as an increase in gross profit over the previous year. Operating income increased to KD 14.3 million for 2023, compared to KD 12.9 million for 2022.

At the real estate sector level, company's Real estate Department managed to improve the performance of the company-owned properties, while offering properties for sale that do not generate the targeted revenues after seeking to improve their performance, in addition to continuing to try to seize the available real estate opportunities. Work also continued on marketing vacant units through companies specialized in real estate marketing and developing the company's properties in order to attract lessees and maintain and enhance occupancy rates in real estate properties. At the level of infrastructure development in the department, relentless internal efforts continue to further develop the electronic real estate system by adding more features to it, which has previously been interconnected with the company's relevant departments, along with building an integrated database that allows access to the status of the company's real estate directly and continuously. The system accurately monitors collection operations and legal actions taken against those who default on payments. New system has greatly contributed in activating the collection process and diligent follow-up of legal actions in a timely manner. The process of electronic collection of monthly payments takes place directly through the company's real estate system.

At the investment sector level, the department continued to explore and analyze many investment opportunities in various sectors and geographical regions to find suitable and promising investment opportunities. The aim is to enhance the company's sustainable orientation by diversifying and developing its investment income sources, as subsidiaries and associates in which the company has strategic participation continue to play an important role in the company's performance in terms of profitability and cash flows. The positive results of the company's investments, which were made mainly during the last period, were reflected positively in the financial statements, which witnessed an increase in positive results in associate companies and a positive increase in some investments listed at fair value through the profit or loss.

In the asset management sector, the net assets under management in the Awaed Real Estate Fund increased to approximately KD 16.7 million while maintaining the net unit value in the fund to remain 604 Fils per unit. As for the various contractual collective investment systems whose liquidation are being pursued, some developments have occurred that would terminate few of these investment systems in a way that ensures the exit of the investment system's unitholders with the best possible return.

The Executive Management of A'ayan continues to implement the business strategy approved by the Board of Directors. The executive team sets its sights on continuing to achieve positive operational results that will maximize shareholders' rights and enhance the company's position in the market. We also look forward to the continued positive performance at varying levels for all of the company's sectors, taking into account the surrounding challenges and the anticipation witnessed by many economic sectors in the region.



**Abdullah Mohammed Al-Shatti**

Chief Executive Officer

# Sharia Supervisory Board Report



In the Name of Allah, the Most Gracious, the Most Merciful

Praise be to Allah, Lord of the Worlds, and May Blessings and Peace be upon our Prophet Muhammad and upon all his Family and Companions, May the Peace, Blessings, and Mercy of Allah be upon You

To: Shareholders of A'ayan Leasing and Investment Company:

Dear Sirs,

In accordance with the General Assembly's resolution to appoint us as the Fatwa and Sharia Supervisory Board for the company and assign us for this work, the Board presents to you the following report:

We have monitored and reviewed the principles used and the contracts related to the transactions and applications offered by the company during the financial period ended 31 December 2023 (AD) in order to express an opinion as to whether the company has adhered to the rules and principles of Islamic Sharia in accordance with the specific fatwas, decisions and guidelines that we issued.

The company's management is responsible for compliance with the rules and principles of Islamic Sharia in all its business activities, and it is also responsible for ensuring this. Our responsibility is limited to expressing an independent opinion on the extent of the company's compliance with the rules of Islamic Sharia based on our monitoring and review and reporting to you accordingly.

We have conducted our monitoring and review, which included examining the contracts and procedures followed by the company by testing each type of operations. We also planned and carried out our monitoring and review to obtain all the information and interpretations that we considered necessary to provide us with sufficient evidence to give reasonable assurance that the company did not violate the rules and principles of Islamic Sharia.

## In our opinion:

1. The company's investment structures have been reviewed and they either consist of investment funds or investment portfolios. We reviewed the AoA and MOA of these funds and portfolios and found that they were conducted in accordance with the rules and principles of Islamic Sharia.
2. We have reviewed contracts, operations, and all new documents and products, if any, concluded by the company during the financial year ended 31 December 2023 (AD), and found that they were made in accordance with the rules and principles of Islamic Sharia.
3. During the financial period ended 31 December 2023 AD, we issued 102 resolutions that are consistent with the previous Fatwas and resolutions of the Board and which relate to some inquiries, contracts and agreements that the company directed to the Fatwa and Sharia Supervisory Board.
4. All policies and procedures in place in the company were made in accordance with the rules and principles of Islamic Sharia. Upon amendment to these policies and procedures, the amendments are presented to the Fatwa and Sharia Supervisory Board to ensure that they were made in accordance with the rules and principles of Islamic Sharia.

We pray to Allah Almighty to grant us guidance. Peace, mercy and blessings of Allah be upon you.

## Approval of the Fatwa and Sharia Supervisory Board

Sheikh Prof. Sayed Mohammed Abdul Razzaq Al-Tabatabaei

Chairman of the Fatwa and Sharia Supervisory Board

Sheikh Prof. Ahmad Al-Hajji Al-Kurdi

Member of the Fatwa and Sharia Supervisory Board

Sheikh Prof. Khalid Shoga'a Al Atibi

Member of Fatwa and Sharia Supervisory Board

**Final Report  
of the External Shari'a Auditors**



**M/S A'ayan Leasing and Investment Company**

**Subject: Final report of the external Sharia audit for the financial period 01/01/2023-31/12/2023**

Peace be upon you and Allah's mercy and blessings be upon you

Dear Sirs,

The External Sharia Audit Office, on Tuesday 11 Rajab 1445, corresponding to 23/01/2024, upon considering the information we received at the request to assess the operations and activities carried out during the above-mentioned period, conduct field visits, and study the responses and attachments, and in light of the above, the Office here below presents to you its following report in accordance with the requirements of the Capital Markets Authority (CMA):

## **First: Scope of Work of the External Sharia Audit Office.**

The scope of work of the External Sharia Audit Office falls within the business of the departments of A'ayan Leasing and Investment Company through auditing the transactions, contracts, activities and securities transactions in accordance with the resolutions of the Sharia Supervisory Board, the approved Sharia standards and the instructions of the regulators related to Sharia auditing.

## **Second: Responsibilities of External Sharia Audit Office**

The responsibility of the External Sharia Audit Office is to ensure the company's compliance with the resolutions of the Sharia Supervisory Board, Sharia standards, and instructions of the regulators related to Sharia auditing.

Our responsibility also includes expressing an independent opinion based on our audit, in relation to the activities, contracts and securities transactions.

## **Third: Responsibility of the Company**

Company's Executive Management is responsible for carrying out all procedures of transactions, contracts, activities, and securities transactions in accordance with the resolutions of the Sharia Supervisory Board, Sharia standards, and instructions of regulators related to Sharia auditing.

## **Fourth: Objectives of the Report of the External Sharia Audit Office:**

- Ensure compliance with the application of the rules and principles of Islamic Sharia in accordance with the Sharia reference approved by the licensed person and the instructions of the regulators related to Sharia auditing.
- Ensure that the transactions, contracts, activities, and securities transactions that have been examined and reviewed are in compliance with the resolutions of the Sharia Supervisory Board, Sharia standards, and instructions of the regulators related to Sharia auditing.
- Provide Sharia remedies for violations, if any, in transactions, contracts, activities, and securities dealings, or methods of implementing them, and specify a timeframe for implementing these remedies in accordance with the decisions of the adopted Sharia reference.
- Conduct field visits and communicate with departments via e-mail and audio-visual means of communication.
- Determine the External Sharia Audit procedures to reach the results of this report.
- Review the report of the Internal Sharia Audit Unit.
- Evaluate the efficiency and effectiveness of Sharia risk management procedures.
- Evaluate the extent of the licensed person's compliance with the relevant resolutions of the Capital Markets Authority (CMA).
- State the reference followed by the licensed person's Sharia standards in the event that they differ from the Sharia standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

## Fifth: Audit Procedures and Results

1. Organizational structure was reviewed.
2. Bank accounts were reviewed.
3. Internal Sharia auditor's report was reviewed.
4. Financial statement items were reviewed.
5. Investment portfolios and their components were examined.
6. Dividends were examined, and it was confirmed that profits were cleansed during the period. (N/A).
7. Resolutions of the Sharia Supervisory Board were reviewed.
8. Activities, contracts and agreements implemented during the period were reviewed.
9. Securities transactions were reviewed.
10. The Sharia Supervisory Board approval of new or amended policies and procedures during the period was reviewed.

## Sixth: Evaluating the Efficiency and Effectiveness of Sharia Risk Management Procedures:

No.	Risk Classification	Definition of Sharia Risks and their Forms
1	High Sharia Risk	<p><b>Definition:</b> It is considered a Sharia risk in financial transactions if it adversely affects the client's activities, investments, and reputation, which necessitates retaining profits.</p> <p><b>Evaluation Criteria:</b></p> <ul style="list-style-type: none"> <li>Set aside illicit revenues generated by the company.</li> <li>Violating the approved procedures for transactions from a Sharia perspective.</li> <li>Failure to implement the resolutions of the Sharia Supervisory Board or the instructions of the regulators related to the Sharia aspect, thus affecting the financial aspect.</li> <li>Gross damage to the company's reputation as a result of activity that violates the provisions of Islamic Sharia.</li> <li>Company's violation of the policy of presenting new or amended contracts to the Sharia Supervisory Board, with Sharia violations in these contracts.</li> <li>Continuing without rectifying a medium-risk violation for more than six months.</li> </ul>
2.	Medium Sharia Risk	<p><b>Definition:</b> This affects the transaction but does not lead to its invalidation. Rather, it can be passed and freed from anything that affects it. It may or may not require the purification of the profits generated, and it may affect the client's reputation.</p> <p><b>Evaluation Criteria:</b></p> <ul style="list-style-type: none"> <li>Limited impact on the profits of some transactions as a result of a Sharia error in their implementation.</li> <li>Violating the approved procedures without affecting the legal aspects of the transactions.</li> <li>Limited impact on the company's reputation as a result of its involvement in activities that violate the rules of Islamic Sharia without a financial impact.</li> <li>Company's violation of the policy of presenting new or amended contracts to the Sharia Supervisory Board (and there was no Sharia violation in the contracts or amendments).</li> <li>Violating the policy of obtaining Sharia approvals for new products and commissions before dealing with them (without any violation of Sharia).</li> <li>Violating the policy of presenting advertising flyers to the Internal Sharia Audit, along with the existence of a Sharia violation in those flyers.</li> <li>Continuing without rectifying a low-risk violation for more than 6 months.</li> </ul>

3.	Low Sharia Risk	<p><b>Definition:</b> Does not lead to the invalidation of transactions, does not affect them, and does not require the purification of profits, but is considered contrary to the first and best, and may affect reputation.</p> <p><b>Evaluation Criteria:</b></p> <ul style="list-style-type: none"> <li>Violating the resolutions of the Sharia Supervisory Board without financial or reputation impact on the company.</li> <li>Violating compliance with the improvement recommendations of the Sharia Supervisory Board without any Sharia effect.</li> <li>Violating the policy of presenting advertising flyers to the Internal Sharia Audit without any Sharia violation in those flyers.</li> <li>Procedural violations of transactions are identified that can be rectified without affecting their legality.</li> </ul>
----	-----------------	---

- Classification and description of Sharia risks were reviewed.
- Internal Sharia Audit Department carries out audit tasks in accordance with Sharia risks.

It has been confirmed that the company's Sharia risk procedures are efficient and effective.

## Seventh: Adopted Sharia Reference:

In the adopted reference, the company relied on the resolutions of the Sharia Supervisory Board appointed at the General Assembly.

## Eighth: Final Opinion and Recommendations:

Having reviewed the transactions, contracts, activities, and securities transactions carried out by the responsible units, the External Sharia Audit Office arrived at the final opinion that there were no observations on the transactions carried out during the aforementioned financial period in accordance with the resolutions of the Sharia Supervisory Board, the approved Sharia standards, and the relevant resolutions of the Capital Markets Authority (CMA).

External Sharia Auditor

**Dr. Abdul Aziz Khalaf Al-Jarallah**

**Audit Committee Report for the fiscal year  
ending on 31 December 2023**

# Audit Committee Report for the fiscal year ending on 31 December 2023

## • Introduction

Audit Committee as of December 31, 2023 consists of:

No.	Name	Member Status in the BOD	Member Status in the Committee
1	Mr. Abdulaziz Nassir Almarzouq	Non-Executive Member	Chairman of the Committee
2	Mr. Talal Mohamed Redha Bahbahani	Independent Member	Committee Member
3	Mr. Nassir Ibraheem Bouresly	Non-Executive Member	Committee Member

## • Committee Meetings and Achievements:

The Audit Committee was formed on March 15, 2023. During the year 2023, the committee held 4 (four meetings). Its major achievements are as follows:

- Review and approve the Audit plan based on Risk Assessment.
- Review the Internal Audit work related to the implementation of the approved Internal Audit plan.
- Review, discuss and make recommendations on the Internal Auditor's reports.
- Review, discuss and make recommendations on the Sharia Auditor's reports.
- Discuss the internal control systems report and make the necessary recommendations to rectify the observations contained in the reports.
- Follow up on reports received from regulators and the actions taken by the Executive Management to rectify any observations contained in those reports.
- Meet with the External Auditor periodically and discuss the interim financial information to determine the company's financial position accurately.
- Discuss several company's Policies and Procedures Manuals.
- Ensure the independence of the Audit and review work carried out in the company.

## Opinion of the Committee Regarding the Company's Internal Control Environment:

Through the committee's follow-up and supervision in 2023 of the internal audit work based on Risk Assessment, Committee believes that the company has an adequate and effective control environment to ensure independence for various audit and review works. Committee was able to follow up the inference and review the extent of compatibility of the policies and procedures applied in the company, whether through internal reports or observations of the regulators, fulfill the requirements, and make the necessary recommendations to address them.

Audit Committee also carried out all the works assigned to it during the year in accordance with the approved Audit plan. There was no conflict between the recommendations of the Audit Committee and the resolutions of the Board of Directors during the year.

The committee noted the keenness of the Executive Management to implement internal control mechanisms and systems to ensure the protection of the company's assets in a way that ensures the validity of the financial statements, in addition to improving the control environment without affecting the efficiency of the company's operations and the efficiency of its financial and administrative aspects.

**Abdulaziz Nassir Almarzouq**

Chairman of the Audit Committee





# **Corporate Governance Report 2023**

## Table of Contents

---

- **Introduction**
- **Rule 1 : Construct a Balanced Board Composition.**
- **Rule 2 : Establish Appropriate Roles and Responsibilities.**
- **Rule 3 : Recruit Highly Qualified Candidates for Members of a Board of Directors and the Executive Management.**
- **Rule 4 : Safeguard the Integrity of Financial Reporting.**
- **Rule 5 : Apply Sound Systems of Risk Management and Internal Audit.**
- **Rule 6 : Promote Code of Conduct and Ethical Standards.**
- **Rule 7 : Ensure Timely and High-Quality Disclosure and Transparency.**
- **Rule 8 : Respect the Rights of Shareholders.**
- **Rule 9 : Recognize the Roles of Stakeholders.**
- **Rule 10 : Encourage and Enhance Performance.**
- **Rule 11 : Focus on the Importance of Corporate Social Responsibility.**

# The Corporate Governance Report 2023

## Introduction

In continuation of the approach of A'ayan Leasing & Investment Company over the past years, such approach is reflected in building a solid foundation for corporate governance. It is the main approach for all the company's business activities, which adopts mechanisms and systems that clarify the frameworks of the relationship between the company's Board of Directors, the Executive Management, Shareholders, Stakeholders, and other related parties. This approach is adopted in a manner that ensures the processes of oversight, accountability, proper administrative organization and adopting an approach to the principles of good governance, compliance and risk management, which contributed to enabling the company to continue providing its services to all customers, finding and entering into new investments, strengthening its position locally and in the Gulf, as well as maintaining and preserving the rights of shareholders and stakeholders.

This was one of the pillars that resulted in the company being promoted to the Premier Market (Elite Market) in the Kuwait Boursa (Stock Exchange) indices, thus enhancing the company's reputation locally, regionally and globally by attracting investments from various aspects locally, regionally and globally.

The company has pursued the consistent approach that ensures the evaluation of all aspects of business with the aim of achieving sustainability, transparency, confidentiality, accountability and justice. These elements constitute the main pillars in all its financial and commercial transactions and practices, while regulating the relationship with all of the shareholders, related parties and stakeholders of all spectrums. This approach also represents the daily conduct of A'ayan employees in their daily practices in order to achieve compliance with the laws, regulations, and rules of professional and ethical conduct, within the framework of the noble principles of Islamic Shari'a.

The guidelines and legal framework for A'ayan was represented in the provisions of the Companies Law and its Executive Regulations, the provisions of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority (CMA) and the regulation of dealing in securities, its Executive Regulations and their amendments, its memorandum and articles of association, in addition to the board-approved policy and procedures manuals, in a manner consistent with Sound professional practices and in accordance with the principles of good governance.

## Rule 1

### Construct a Balanced Board Composition.

#### Board Composition:

The company is managed by an elected Board of Directors. The Articles of Association determine the method of its composition, the number of its members, and the term of membership in a balanced manner that supports the Board's performance of its roles and responsibilities and the formation of the necessary number of committees emanating from it in accordance with corporate governance requirements. When forming the Board, the diversity of professional and academic experience and special skills, was taken into account to ensure full understanding of all the company's business and the risks to which the company's financial position may be exposed. The aim is to support the sound decision-making process at the appropriate time.

The Board of Directors of A'ayan Company consists of a Chairman and Vice-Chairman of the Board elected by secret ballot, a majority of Non-Executive Board members, and a sufficient number of independent members at a rate of not less than 20% of the total number of members, not exceeding half of the number of members. In accordance with the relevant legal requirements, they are entrusted with advisory roles related to the company's various activities in a way that supports making impartial and sound decisions that serve the interests of the company and its shareholders, as follows:

# The Corporate Governance Report 2023

Name of Mr. Member	Member Position	Academic Qualifications and Practical Experience	Date of Election or Appointment
<b>Mr. Mansour Hamad Al-Mubarak</b>	Chairman of Board of Directors (Executive Member)	<p>Mr. Mansour Hamad Al-Mubarak has more than thirty-five years of professional experience in the financial and financing fields. He held numerous leadership positions throughout that period. Mr. Al-Mubarak holds/held the following positions:</p> <ul style="list-style-type: none"> <li>Member of the Board of Directors of A'ayan Real Estate Company.</li> <li>Member of the Board of Directors of Mashaer Holding Company.</li> </ul> <p>Mr. Al-Mubarak completed his studies in the United States of America, and was awarded a Bachelor's Degree in Business Administration - Finance from Western Michigan University in the United States. Mr. Al-Mubarak devoted his time and effort to developing and strengthening the company's financial position, maximizing revenues, and preserving shareholders' rights, as well as seeking to adhere to the company's financial restructuring plan.</p>	09/03/2023
<b>Mr. Fahad Ali Al-Ghanem</b>	Vice Chairman of the Board (Non-Executive Member)	<p>Mr. Fahad Ali Mohammad Thunayan Al-Ghanem has more than twenty years of professional experience in leadership positions for managing investment companies inside and outside the State of Kuwait in various financial and banking fields, investment and business activities, holding several positions in many financial and banking institutions and companies, mainly:</p> <ul style="list-style-type: none"> <li>Chairman of the Board of Directors of Ahli United Bank - United Kingdom since 2023.</li> <li>Member of the Board of Directors of Kuwait Finance House since 2014. He has served as a member of the Executive Committee and the Audit and Compliance Committee ever since. He has also served as Chairman of the Investment Committee since 2016. He has also been a member of the Merger Committee at Kuwait Finance House since 2018.</li> <li>Chairman of the Board of Directors of Ali Al-Ghanim &amp; Sons Automotive Company K.S.C.P. since 2021.</li> <li>Chairman of the Board of Directors of Automobility Car Importing LLC - Egypt since 2022.</li> <li>Chairman of the Board of Directors of Global Auto LLC. (BMW Egypt) since 2020.</li> <li>Chairman of the Board of Directors of Al Ahlia Heavy Vehicles Selling &amp; Import Company from 2022 and Vice Chairman of the Board of Directors since 2011.</li> <li>Member of the Board of Directors of the Kuwait Building Materials Manufacturing Company since 2004.</li> <li>Member of the Board of Directors and Treasurer of the Kuwait Sports Club since 2007.</li> <li>Member of the Kuwait Society of Engineers since 2003.</li> <li>CEO of Ali Alghanim &amp; Sons Automotive Company from 2005 until June 2022.</li> <li>Member of the Board of Directors of McLaren dealer representatives from 2010 to 2015.</li> <li>Member of the Board of Directors of the International Company for Electronic Payment Services from 2005 to 2010.</li> <li>Member of the Board of Directors of the First Slaughterhouse Company from 2003 to 2005.</li> </ul> <p>Mr. Al-Ghanim completed his academic studies in Kuwait by obtaining a civil engineering degree from Kuwait University. Then, he began his career by assuming the position of CEO of Ali Al-Ghanim &amp; Sons Group of Companies in the contracting sector from 2002 until 2005. Thereafter, he held many leadership positions in several companies and institutions, which had a significant impact on their profitability and maximization of their financial positions.</p>	09/03/2023

# The Corporate Governance Report 2023

Name of Mr. Member	Member Position	Academic Qualifications and Practical Experience	Date of Election or Appointment
<b>Mr. Abdulaziz Nassir Al-Marzouq</b>	Member of the Board of Directors (Non-Executive Member)	<p>Mr. Abdulaziz Nasser Al-Marzouq has more than twenty-five years of professional experience in the financial and banking fields, where he held several leadership positions in many institutions inside and outside the State of Kuwait in their various investment, commercial and financing activities over that period. Mr. Al Marzouq holds/ held several positions in various companies, mainly:</p> <ul style="list-style-type: none"> <li>Member of the Board of Directors and CEO of KFH Capital Investment Company.</li> </ul> <p>Mr. Al-Marzouq completed his studies in the United States of America, where he was awarded a Bachelor's degree in Finance from the University of San Jose in California, United States, and later awarded a Master's degree in Business Administration from London Business School - United Kingdom.</p>	09/03/2023
<b>Mr. Nassir Ibraheem Bouresly</b>	Member of the Board of Directors (Non-Executive Member)	<p>Mr. Nassir Bouresly has more than twenty-two years of professional experience in the financial and banking field, where he progressed through the career ladder at the Commercial Bank of Kuwait to hold the position of Deputy General Manager - Commercial Credit Sector. In addition, he has management experience in several functions through participation and management in many companies. Mr. Bouresly completed his studies in the United States of America, where he was awarded a Bachelor's degree in Management - with a focus on Public Administration from San Bernardino University in California, United States.</p>	09/03/2023
<b>Mr. Talal Mohamed Redha Bahbahani</b>	Member of the Board of Directors (Independent Member)	<p>Mr. Talal Bahbahani has professional investment and commercial experience that qualifies him to be an independent member of the Board of Directors of A'ayan Leasing &amp; Investment Company. He has more than twenty-eight years of experience, during which he held many executive and leadership positions in many banking and financial institutions inside and outside the State of Kuwait, of various investment and commercial activities. Mr. Bahbahani held many positions in several different companies, mainly:</p> <ul style="list-style-type: none"> <li>Chairman of the Board of Directors of Al Ahli Bank of Kuwait.</li> <li>Vice Chairman of the Board of Directors of Kuwait Insurance Company.</li> <li>General Manager of Mohamed Saleh and Reda Yousef Behbehani Company.</li> <li>General Manager of Behbehani Mercantile Automotive Company.</li> <li>Member of the Board of Directors of Al Mulla and Behbehani Motor Company.</li> <li>Vice Chairman of the Board of Directors - United Beverage Company K.S.C.C.</li> </ul> <p>Mr. Bahbahani completed his studies in the State of Kuwait by obtaining a degree from the College of Arts, majoring in English, from Kuwait University. He served as a member of the Board of Directors of the Industrial Bank of Kuwait from 2003 to 2007.</p>	09/03/2023
<b>Mr. Muhannad Mohamed Al-Sanee</b>	Member of the Board of Directors (Independent Member)	<p>Mr. Muhannad Al-Sanee has more than twenty years of professional experience in many investment and commercial fields, holding leadership positions. He served as Chairman of the Board of Directors and CEO of Al-Riyadah Finance and Investment Company K.S.C.C. He also serves as a member of the Board of Directors of KFH Financial Brokerage Company. In addition, he possesses administrative expertise in the fields of finance, financial and banking services (Burgan Bank, Ahli United Bank). Mr. Al-Sanea holds a Bachelor of Commerce degree - Accounting Department from Kuwait University, in addition to certificates (Real Estate Management, Leadership and Building of a Culture of Innovation, Developing Leadership Skills, Management Diploma) from Harvard Business School in the United States of America.</p>	09/03/2023



# The Corporate Governance Report 2023

Name of Mr. Member	Member Position	Academic Qualifications and Practical Experience	Date of Election or Appointment
<b>Dr. Yaqoub Ahmed Baqer Al-Abdullah</b>	Member of the Board of Directors (Independent Member)	<p>Dr. Yacoub Al-Abdullah has more than 15 years of professional experience in many scientific, academic and administrative fields, where he held many positions, the most important of which are:</p> <p>Faculty member at Kuwait University.</p> <p>Member of the Institute of Banking Studies.</p> <p>In addition, he has management experience in the field of risk management. Dr. Yaqoub holds a Bachelor's degree in Accounting from Kuwait University since 2008. In 2010, he was awarded a Master's degree in Business Administration from the University of Texas at Arlington in the United States. In 2014, Dr. Yaqoub obtained a Doctorate in Finance from the University of Missouri-Columbia in the United States.</p>	09/03/2023
<b>Mrs. Hala Abdul Rahman Al Duwaihi</b>	Secretary to the Board of Directors	<p>Mrs. Hala Al Dwaihi joined A'ayan Leasing &amp; Investment Company in 2018. She has more than thirty years of professional experience in the fields of auditing, compliance, governance, and anti-money laundering. She started in Audit at the State Audit Bureau and then moved on to assume the tasks of managing compliance, anti-money laundering, and the secretariat of the Board of Directors at one of the finance and investment companies affiliated with Kuwait Finance House. Then she moved on to assume the position of Assistant Secretary-General for the Financial Disclosure Sector at the Anti-Corruption Commission, where she established the Financial Disclosure Sector in the Authority and developed systems and controls for receiving, preserving and examining financial disclosure statements submitted by those concerned with the law.</p> <p>Then Mrs. Al-Duwaihi moved to A'ayan Leasing &amp; Investment Company and held the position of "Head of Compliance" in the Compliance and Anti-Money Laundering Department.</p> <p>Mrs. Al-Duwaihi completed her university studies by obtaining a Bachelor's degree - Accounting - from Kuwait University. She also holds a certified money laundering specialist certificate from the Association of Certified Anti-Money Laundering Specialists in the United States of America (CAMS), as well as a Certified International Compliance Specialist (CCO) certificate from the CISI Institute in Britain.</p>	15/03/2023

# The Corporate Governance Report 2023

## Board Meetings:

The Board of Directors holds no less than six periodic meetings during the financial year, attended by the majority of its members, upon invitation from the Chairman of the Board or upon a request submitted by at least two members. Board members are provided with the agenda and relevant documents at least three days before the meeting, so that members can study the topics raised at the meeting and take appropriate decisions regarding them. The company's AoA provide for the process of organizing members' attendance at meetings, as well as a mechanism for dealing with cases of irregularity in attended board meetings.

The Board of Directors was elected for a three-year tenor from 2023 to 2025 during the company's ordinary general assembly, which was held on 09/2023/03/. Board meetings for the financial year ended December 31, 2023 were according to the following presentation:

Name of Member	Mr. Mansour Hamad Al-Mubarak Chairman of Board of Directors	Mr. Fahad Ali Al-Ghanem Deputy Chairman of the Board	Mr. Abdulaziz Nassir Al-Marzouq Member of the Board of Directors	Mr. Nassir Ibraheem Boursly Member of the Board of Directors	Mr. Riyad Nasser Al-Bader Member of the Board of Directors	Mr. Talal Mohamed Redha Bahbahani Independent Board Member	Mr. Muhannad Mohamed Al-Sanee Independent Board Member	Dr. Yaqoub Al-Abdullah Independent Board Member
Meeting No. (1) 24/01/2023	✓	✓	✓	✓	✓ Membership expired on 09/03/2023	✓	✓	-
Meeting No. (2) 15/03/2023	✓	✓	✓	✓	-	✓	✓	✓ Membership started on 09/03/2023
Meeting No. (3) 07/05/2023	✓	✓	✓	✓	-	✓	✓	✓
Meeting No. (4) 24/07/2023	✓	✓	✓	✓	-	✓	✓	✓
Meeting No. (5) 16/08/2023	Excused	✓	Excused	✓	-	✓	✓	✓
Meeting No.(6) 05/11/2023	✓	✓	✓	Excused	-	Excused	✓	✓
Number of Meetings	5	6	5	5	1	5	6	5

# The Corporate Governance Report 2023

## Requirements for Registering and Archiving Minutes of Meetings of the Board

In line with the principles of good governance, the Board of Directors approved the appointment of a board secretary amongst the company's employees, to carry out his duties in accordance with a manual of roles and responsibilities approved by the Board that acknowledges and clarifies the duties of the Secretary in line with the corporate governance rules issued by the Kuwait Capital Markets Authority (CMA) within the executive regulations to Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and the regulation of dealing in securities and their amendments.

The Secretary is responsible for providing the board members with information and documents related to the items to be discussed at the board meetings during the periods scheduled in accordance with the relevant laws and regulations to enable them to study the topics raised to make appropriate and sound decisions regarding them, as well as recording all discussions of board members that take place at the meeting, documenting the same in dated and sequenced minutes in a special numbered register. The secretary to the board also records votes and reservations regarding the resolutions adopted during the meetings, and provides a statement of the attended members, their signatures, and the related parties present, on the minutes of the meetings.

In addition, the secretary ensures proper delivery and distribution of reports related to the work of the board, documents and agendas, and the possibility of full and immediate access by the board and its committees to all documents, information and periodic reports related to the company's various activities as issued by the company's executive management.

## Independent Member's Declaration of the Meeting Independence Controls:

The candidate, as an independent member, must submit a declaration to the Ministry of Commerce and Industry, acknowledging that he meets the independence controls stipulated in the executive regulations of the Capital Markets Authority.

Below are declarations by the independent members of the Board of Directors of A'ayan Leasing & Investment Company:

I, the undersigned, in my capacity as a member of the Board of Directors (independent) of A'ayan Leasing & Investment Company, hereby declare my full knowledge of the terms of independence contained in the instructions of the Capital Markets Authority, and I also acknowledge the following:

- I do not own 5% or more of the shares of A'ayan Leasing & Investment Company, nor do I represent any of the shareholders who own 5% of the company's shares.
- I do not have any first-degree relation with any of the members of the Board of Directors or the Executive Management of A'ayan Leasing & Investment Company or any of its group or the main parties related to the company.
- I am not a member of the Board of Directors of any company from the group of A'ayan Leasing & Investment Company.
- I am not an employee of A'ayan Leasing & Investment Company or any company in its group, or of any of the company's Stakeholders.
- I am not an employee of the legal persons who own controlling shares in A'ayan Leasing & Investment Company.
- I have no interest or relationship with A'ayan Leasing & Investment Company that may affect my independence.

I acknowledge that I am aware of the roles and responsibilities of an independent member of the Board of Directors, and I pledge to inform the Board of Directors immediately in the event of any change that may affect my independence. In accordance with the terms mentioned above, I bear responsibility for any obligation or penalty that may be imposed on the company due to my failure to notify the company of any change that may affect my independence.

**Talal Mohammed Reda Behbehani**

Board Member - Independent



**Muhannad Mohammed Abdullah Al-Sanea**

Board Member – Independent



**Dr. Yaqoub Ahmad Baqer Al-Abdullah**

Board Member – Independent



## Rule 2

### Establish Appropriate Roles and Responsibilities

#### Roles and Responsibilities of the Board of Directors:

The company's articles of association include a statement of the roles and responsibilities of the Board of Directors and its members, in line with the provisions of the Companies Law and Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and Regulating Securities Activities, its executive regulations and their amendments. Such statement is included in a way that crystallizes and defines the roles of the members and pours them into one document that reflects the details of its provisions. In addition, the Board approved its own internal bylaws detailing these roles and job descriptions for the Executive, Non-Executive and Independent Members of the Board of Directors, in addition to the positions of Chairman and Vice Chairman of the Board of Directors. The bylaws clarify the roles and responsibilities assigned to the positions and descriptions of the Board towards the company and its shareholders.

The A'ayan Board of Directors assumes all the necessary powers and authorities qualifying it to manage the company and supporting it in preserving its assets and maximizing its profits. On the other hand, the full responsibility for managing the company falls on the Board, even if it forms committees or delegates other parties or persons to do so. The members of the Board of Directors determine the general framework for Governance and Risk Management and supervise the mechanism for its implementation in accordance with the rules of Code of Conduct and Ethical Standards in a manner consistent with the principles and rules of Islamic Shari'a and in a way that enhances and preserves the rights of its shareholders.

#### Roles and Responsibilities of the Executive Management and the Powers and Authorities Vested therein:

The company's Executive Management has several roles and responsibilities within the framework of the powers and authorities vested therein by the Board of Directors. The main roles and responsibilities are: - Implementing the company's general strategy and annual action plans through the approved mechanisms to ensure the achievement of the planned objectives and in conformity with the policies, bylaws and regulations approved by the Board. - Preparing and submitting periodic reports, both financial and non-financial, regarding the progress achieved in implementing the strategy, plans and business results and presenting the same to the Board of Directors and stakeholders of the company. - Seeking to maximize profits, reduce expenses, and actively participate in building and developing a culture of ethical values within the company. - Ensuring the existence of an accurate accounting system that reflects in detail the financial statements and income accounts. The company's executive management frameworks are determined according to work policies approved by the Board of Directors.

On the other hand, and in support of the Executive Management to enable it to perfectly perform its tasks and responsibilities and to define the powers, authorities and responsibilities within its various administrative levels, the Board of Directors has approved the financial and administrative authority matrix that regulate the powers and authorities, as well as the delegations granted to the executive management to support rapid decision-making by those authorized, taking into account the distribution of powers to achieve the highest levels of assurance and control when implementing the resolutions in consistence with good governance practices.

#### Major achievements of the Board of Directors during the financial year ended December 2023:

- Approval of the action plan and annual budget for the financial year 2023.
- Approval of the company's Risk Appetite plan for the year 2023.
- Approval of the work plan for the Board of Directors and committee meetings for the year 2023.
- Implementing the General Assembly's resolution to distribute cash dividends of 7.5% (seven and a half percent) of the nominal per share, at 7.5 Fils (seven and a half Fils) per share, for the financial year ended December 31, 2022.
- Following up on the implementation of the General Assembly's resolution regarding dealing with the company's treasury shares.
- Forming new qualitative committees specialized in the fields of investment and credit, as well as a provisions committee for clients of the company's financing portfolio.
- Approving the establishment of an Information Security Office to be attached to the CEO and submit its recommendations to the Risk Management Unit.

# The Corporate Governance Report 2023

- Monitoring the performance of the company's various sectors and their most prominent updates periodically.
- Following up on the work and performance of the Board committees and identifying the most prominent issues discussed therein periodically.
- Approving the company's annual budget and annual business plan.
- Approving action plans for the Compliance Department and the Customer Complaints Unit.
- Discussing and approving the company's interim financial information according to the specified dates.
- Periodically reviewing and approving charters, work policies and procedures for the company's various sectors and following up on compliance with the same.
- Pursuing the performance of each member of the Board of Directors and Executive Management subject to Key Performance Indicators (KPI's).
- Monitoring the extent of the executive management's commitment to the instructions of the regulators, discussing the observations and violations received from those regulators, ensuring the measures taken to avoid them with the best practices, responding to the relevant authorities by the executive management regarding correcting those observations, and ensuring non-recurrence of the same.

## Formation of the committees emanating from the Board of Directors:

To enable it to perform the tasks assigned to it more effectively and to support ensuring good decision-making, the Board of Directors approved the formation of a sufficient number of specialized and independent committees, including the necessary number of independent and non-executive members, in accordance with the laws, regulations, systems and board-approved business work charters. Such bylaws clarify the tasks of these committees, their duration, and the powers vested in them, and ensuring the Board's oversight of their work, as well as their commitment to notifying the Board of the results of their work and the results they reach with absolute transparency, while bearing full responsibility for its work before the Board in a way that does not relieve the Board of Directors of its responsibility for the work of those committees and their follow-up. The A'ayan Board of Directors has approved the formation of six committees emanating from it, the duration of which is determined by the term of the board membership from the date of adopting the resolution to form them. These committees are:

### First: Audit Committee:

#### Duties of the Audit Committee:

1. Review periodic financial statements before presenting them to the Board of Directors, expressing an opinion and recommended regarding them and submitting them to the Board of Directors, with the aim of ensuring the fairness and transparency of financial reporting.
2. Recommend to the Board of Directors to appoint and reappoint or change the external auditors and determine their fees. Upon recommended appointment care must be taken to ensure their independence and review their appointment letters.
3. Follow up on the work of external auditors and ensure that they do not provide services to the company other than those required by the auditing profession.
4. Study the observations of the external auditors on the company's financial statements and follow up on what is done in this respect.
5. Study the adopted accounting policies, express an opinion and recommend to the Board of Directors in this regard.
6. Evaluate the adequacy of the internal control systems applied within the company and prepare a report that includes the opinion and recommendations of the committee in this regard.
7. Technical supervision of the company's internal audit department in order to verify its effectiveness in implementing the work and tasks specified by the Board of Directors.
8. Recommend the appointment, transfer, and dismissal of the Director of Internal Audit, and evaluate his performance and the performance of the Internal Audit Department.
9. Review and approve the audit plans proposed by the internal auditor and provide comments thereon.
10. Review the results of internal audit reports and ensure that the necessary corrective actions have been taken regarding the observations contained in the reports.
11. Review the results of the regulators' reports and ensure that the necessary measures have been taken in this regard.
12. Ensure the company's compliance with relevant laws, policies, regulations and instructions.

# The Corporate Governance Report 2023

## • Committee meetings during the financial year ended December 31, 2023:

During the financial year ended December 31, 2023, the Committee held 4 meetings as follows:

Meeting Serial Number	Members of the committee formed on 15/03/2023	Mr. Abdulaziz Nassir Almarzouq Chairman of the Committee	Mr. Talal Mohamed Redha Bahbahani Member	Mr. Riyad Nasser Al-Bader Member	Mr. Nassir Ibraheem Bouresly Member
	Date of Meeting				
1	23/01/2023	✓	✓	✓ Membership expires on 09/03/2023	-
2	04/05/2023	✓	✓	-	✓ Membership began on 15/03/2023
3	24/07/2023	✓	✓	-	✓
4	01/11/2023	✓	Excused	-	✓
<b>Number of Meetings</b>	4	4	3	1	3

## • Major achievements of the Audit Committee during the financial year ended December 31, 2023:

- Discuss the company's internal audit reports periodically by meeting with the internal auditor and making the necessary recommendations to correct the observations contained therein, as well as monitoring the progress made regarding the observations and reconciling the observations in previous reports.
- Discuss the internal control systems report and develop the necessary recommendations to correct the observations contained in the reports.
- Approve the company's annual audit plan.
- Review the results of the reports issued by the regulators, and follow up with the Executive Management regarding the measures taken to resolve the observations and ensure non-recurrence of the same in the future, as well as submitting those results to the Board.
- Meet with the external auditor periodically and discuss the interim financial statements to determine the company's financial position accurately.
- Meet with the internal Shari'a auditor and the external Shari'a supervisor on a regular basis and discuss the reports issued by them regarding compliance with the required Shari'a standards.
- Discuss several policy and procedures manuals related to the committee's work.
- Discuss the results of the examination reports of anti-money laundering and combating the financing of terrorism systems.
- Conduct the periodic review of the company's policies related to the committee's work and submit recommendations to the Board of Directors for approval.

# The Corporate Governance Report 2023

## Second: Risk Management Committee:

### • Roles of the Risk Management Committee:

1. Prepare and review strategies and policies related to the risk management process before being approved by the Board of Directors and ensure their implementation and suitability with the nature and size of the company's business activities.
2. Ensure the availability of adequate resources and systems for risk management.
3. Evaluate systems and mechanisms for identifying, measuring and following up on the various types of risks to which the company may be exposed, in order to identify their shortcomings.
4. Help the Board of Directors determine and evaluate the tolerable level of risk in the company and ensure that the company does not exceed this level of risk after being approved by the Board of Directors.
5. Review the organizational structure for risk management and make recommendations regarding it before being approved by the Board of Directors.
6. Ensure the independence of risk management employees from activities that expose the company to risks.
7. Ensure that risk management employees have a full understanding of the risks surrounding the company and seek to increase employees' awareness of the risk culture.
8. Prepare periodic reports on the nature of the risks to which the company is exposed, relevant studies and risk appetite, and submit the same to the company's Board of Directors.
9. Review issues raised by the Audit Committee that may affect risk management in the company.

### • Committee meetings during the financial year ended December 31, 2023:

The Risk Committee in the financial year ended December 31, 2023 held 4 meetings as follows:

Meeting Serial Number	Members of the committee formed on 15/03/2023	Mr. Talal Mohamed Redha Bahbahani Chairman of the Committee	Mr. Nassir Ibraheem Bouresly Member	Mr. Riyadh Nasser Al-Bader Member	Mr. Muhannad Mohamed Al-Sanee Member
	Meeting Date				
1	24/01/2023	✓	✓	✓ Membership expired on 09/03/2023	-
2	07/05/2023	✓	✓	-	✓ Membership began on 15/03/2023
3	16/08/2023	✓	✓	-	✓
4	20/11/2023	✓	✓	-	✓
<b>Number of Meetings</b>	4	4	4	1	3

### • Major achievements of the Risk Committee during the financial year ended December 31, 2023:

- Adopt some resolutions by circulation on issues related to the work of the committee.
- Review the CVs of candidates applying for membership in the company's Board of Directors and direct contacting the Capital Markets Authority to ensure the extent of compatibility of candidates with the requirements of the Authority.
- The committee reviewed job descriptions for registered positions and senior executives on an annual basis. Accordingly, the committee decided to adopt the descriptions and authorize the concerned department to complete the necessary approvals.
- Discuss the proposed amendment to the organizational structure by creating a unit concerned with information security and periodic assessment of cyber risks.



# The Corporate Governance Report 2023

- Discuss the annual report on the remuneration granted to the executive management by reviewing the results of the company's employee evaluation and making recommendations in this regard.
- Discuss the evaluation forms for the Board of Directors, members, and committees, according to the approved KPIs.

## Third: Nominations and Remuneration Committee:

### • Roles of the Nominations and Remuneration Committee:

1. Recommend acceptance of nomination and re-nomination for members of the Board of Directors and Executive Management.
2. Develop a clear policy for remuneration for members of the Board of Directors and Executive Management, with an annual review of the required skills requirements for membership of the Board of Directors.
3. Receive applications from those wishing to fill executive positions as needed, study and review these applications.
4. Determine the different segments of remuneration that will be granted to employees, such as the fixed remuneration segment, the performance-related remuneration segment, the bonus segment in the form of shares, and the end-of-service indemnity segment.
5. Develop job descriptions for the executive board members, non-executive members, and independent members.
6. Ensure that the independent member of the Board of Directors does not lack independence.
7. Determine the evaluation mechanisms on the basis of which the performance of the Board of Directors, its committees, and each of its members, is evaluated.
8. Review and propose training programs and workshops for members of the Board of Directors.
9. Prepare a detailed annual report on all remuneration granted to members of the Board of Directors and Executive Management and present it to the company's General Assembly for approval and to be read by the Chairman of the Board of Directors in accordance with the approved form.
10. Study and approve the guidelines for the mechanisms for evaluating the Board of Directors and the company's Executive Management.

### • Committee meetings during the financial year ended December 31, 2023:

During the financial year ended December 31, 2023, the Nominations and Remuneration Committee held two meetings as follows:

Meeting Serial Number	Members of the committee formed on 15/03/2023	Mr. Abdulaziz Nassir Almarzouq Chairman of the Committee	Mr. Mansour Hamad Almubarak Member	Mr. Talal Mohamed Redha Bahbahani Member	Dr. Yaqoub Ahmad Baqer Alabdullah Member
	Date of Meeting				
1	22/01/2023	✓	✓	Excused	-
2	07/05/2023	✓	✓	✓	✓ Membership began on 15/03/2023
<b>Number of meetings</b>	2	2	2	1	1



# The Corporate Governance Report 2023

## • Achievements of the Nominations and Remuneration Committee during the financial year ended December 31, 2023:

- Adopt certain resolutions by circulation regarding topics related to the business of the committee.
- Review the CVs of some candidates to assume senior executive positions before making the appointment decision and starting the registration work for the positions required to be registered with the Capital Markets Authority.
- The Committee reviewed the job descriptions for registered positions and senior executives on an annual basis. Accordingly, the Committee decided to approve the descriptions and authorize the concerned department to complete the necessary approvals.
- Discuss the annual report on the remuneration granted to the Executive Management by reviewing the results of the company's employee evaluation and making recommendations in this regard.
- Discuss the evaluation forms for the Board of Directors, members, and committees, according to the approved KPIs.

## Fourth: Investment Committee:

The committee was created after the election of the Board of Directors on 09/03/2023, due to the Board's appreciation of the need to strengthen its role through the initiation of specialized and specific committees related to the company's objectives and competencies, especially after the completion of the restructuring of the company's debt by the end of 2022.

## • Roles of the Investment Committee:

1. Prepare and review strategies and policies of managing investment in companies before they are approved by the Board of Directors and ensure that these strategies and policies are implemented and that they are commensurate with the nature and size of the company's investment activities.
2. Ensure the availability of adequate resources and systems to manage investment activities.
3. Follow up on the performance of the company's investment portfolio and review performance reports thereon.
4. Review asset allocation and investment concentration reports periodically and verify their consistency with the company's strategy and risk appetite approved by the Board of Directors.
5. Review investment asset evaluation reports, study the allocations submitted by the Executive Management, and submit recommendations thereon to the Board of Directors.
6. Review the company's investment plans periodically.

## • Committee meetings during the financial year ended December 31, 2023:

During the financial year ended December 31, 2023, the Investment Committee held one meeting as follows:

Meeting Serial Number	Members of the committee formed on 15/03/2023	Mr. Fahad Ali Alghanem	Mr. Mansour Hamad Almubarak	Mr. Abdulaziz Nassir Almarzouq
	Date of Meeting	Chairman of the Committee	Member	Member
1	19/06/2023	✓	✓	✓
Number of meetings	1	1	1	1

# The Corporate Governance Report 2023

## • Major tasks accomplished by the Investment Committee during the financial year ended December 31, 2023:

- Review the bylaws of the Investment Committee and submit a recommendation to the Board of Directors for approval.
- Propose the amendment of certain items in the financial and administrative authority matrix in accordance with the limits of the Investment Committee's authority.
- Review a set of investment opportunities available to A'ayan Leasing and Investment Company.

## Fifth: Credit Committee:

This committee was created after the election of the Board of Directors on 09/2023/03/ in order for the Board of Directors to assess the extent to which some of the company's objectives and competencies related to credit business are being activated, and the opportunities available to enhance the company's role as one of the leading Kuwaiti companies in the field of leasing.

## • Roles of the Credit Committee:

1. Review corporate finance management strategies and policies before they are approved by the Board of Directors and ensure that these strategies and policies are implemented and that they are commensurate with the nature and size of the company's financing activities.
2. Ensure the availability of adequate resources and systems to manage financing activities.
3. Propose and approve powers to make credit decisions.
4. Determine the types of acceptable collateral, their adequacy, and exceptions in this regard.
5. Establish the necessary foundations and rules for granting credit and risk centralization.
6. Assist the Board of Directors to determine and assess the financing limits acceptable to the company and ensure that the company does not exceed these limits after being approved by the Board.
7. Follow up on the performance of the company's financing portfolio and view performance reports thereon.
8. Verify the company's compliance with the instructions of the regulators regarding the financing portfolio.

## • Committee meetings during the financial year ended December 31, 2023:

During the financial year ended December 31, 2023, the Credit Committee held one meeting as follows:

Meeting Serial Number	Members of the committee formed on 15/03/2023	Mr. Mansour Hamad Almubarak Chairman of the Committee	Mr. Nassir Ibraheem Bouresly Member	Mr. Muhannad Mohamed Alsanee Member
	Date of Meeting			
1	05/12/2023	✓	✓	✓
Number of meetings	1	1	1	1

# The Corporate Governance Report 2023

## • Major tasks accomplished by the Credit Committee during the financial year ended December 31, 2023:

- Review the bylaws of the Credit Committee and submit a recommendation to the Board of Directors for approval.

## Sixth: Provisions Committee:

This committee was initiated after the election of the Board of Directors on 09/2023/03/ to be one of the committees that includes members of the company's Executive Management, as the Board of Directors appreciates the importance of activating the role of the Provisions Committee in reactivating the company's credit role over the forthcoming period, in consistence with the strategy approved by the Board of Directors and the relevant regulatory requirements.

## • Roles of the Provisions Committee:

1. Review the standards that the company relies on in the process of classifying customers and determining the required provisions before being approved by the Board of Directors and ensure that these standards are applied.
2. Determine and review the size of the required provisions in conformity with the requirements of the regulatory authorities, especially the instructions of the Central Bank of Kuwait.
3. Study the size of provisions set aside against rescheduled investment and financing transactions.
4. Follow up on the collection of non-performing debts, whether scheduled or referred to courts.
5. Review the evaluation of collateral or mortgages provided against debts.
6. Approval of the foundations and standards upon which the company relies in the customer classification process, which are required to be provided to the Central Bank of Kuwait.

## • Committee meetings during the financial year ended December 31, 2023:

During the financial year ended December 31, 2023, Provisions Committee held one meeting as follows:

Meeting Serial Number	Members of the committee formed on 15/03/2023	Mr. Nassir Ibraheem Bouresly Chairman of the Committee	Mr. Abdullah Mohammed Al-Shatti Member	Mr. Sayed Abu Taher Soloko Member
	Date of Meeting			
1	05/12/2023	✓	✓	✓
Number of meetings	1	1	1	1

## • Major tasks accomplished by the Provisions Committee during the financial year ended December 31, 2023:

- Review the bylaws of the Provisions Committee and submit a recommendation to the Board of Directors for approval.

## Board Members' Access to Information and Data

The company adopts direct and indirect communication mechanisms and channels that enable the members of the Board of Directors in general and the independent and non-executive members in particular to have full and immediate access to all information, documents and records related to the company's business. The company's Executive Management provides the Board of Directors and the committees emanating from it with all the required documents and information through an infrastructure of automated and information systems that provide comprehensive and accurate periodic reports or through direct communication with the concerned departments, as well as the reports issued by the committees emanating from the Board in order to enable the members of the Board of Directors to make decisions appropriately and effectively.

## Rule 3

### **Recruit Highly Qualified Candidates for Members of a Board of Directors and the Executive Management.**

#### **Nomination and Remuneration Committee:**

To ensure that the Board prepares recommendations related to nominations for the positions of members of the Board of Directors and Executive Management and the policies and regulations governing the granting of compensation and remuneration, the Board of Directors approved the formation of the Nominations and Remuneration Committee and vested in it the powers that enable it to perfectly carry out its role. The formation of the Nominations and Remuneration Committee was approved on 15/2023/03/ with the entry of another independent member into the formation of the committee. Its term was determined according to the period specified for the Board of Directors (three years) with a membership of four members and regular meetings with a minimum of one meeting during the financial year.

#### **Report on the remuneration granted to members of the Board of Directors and Executive Management:**

##### **• Summary of the company's remuneration and incentives policy:**

The company intends to work in accordance with the general framework approved to determine the remuneration of the members of the Board of Directors, in line with the provisions of Article No. (198) of Companies Law No. (1) of 2016, and what has been regulated within the provisions of Module Fifteen "Corporate Governance" of the Executive Regulations to Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority, by forming a committee with competency to approve policies related to remuneration and incentives and submit recommendations regarding the annual remuneration report for presentation to the Board of Directors, which in turn seeks to ensure that the remuneration report is presented to the General Assembly and approved to reward each of the proposed members of the Board of Directors, the Executive Management, and the managers. The data below include an explanation of the remuneration proposed for members of the Board of Directors and granted to the Executive Management according to the following criteria:

##### **- Fixed remuneration and benefits:**

include basic salaries and represent the annual sum of the basic monthly salary for job categories. Fixed benefits represent the annual total of fixed monthly allowances that the employee receives in accordance with the contract concluded with him, including (telephone allowance, car allowance, travel fare allowance, health insurance) according to the human resources bylaws and policy approved by the company.

##### **- Variable remuneration:**

includes annual remuneration linked to achieving gets in accordance with the annual performance appraisal mechanism, which is approved by the Board of Directors in coordination with the Nominations and Remuneration Committee.

##### **- Indirect remuneration:**

includes annual bonuses granted by other companies to A'ayan Company's representative on their boards of directors according to the annual appraisal and performance mechanism approved by the boards in those companies through the nominations and remuneration committees of the Board of Directors and approved by the general assemblies of those companies.

# The Corporate Governance Report 2023

## • Remuneration and benefits granted to members of the Board of Directors:

Total Number of Board Members	Remuneration and Benefits for Members of the Board of Directors							
	Remuneration and Benefits through the Parent Company				Remuneration and Benefits through Subsidiaries			
	Fixed Remuneration and Benefits (KD)		Variable Remuneration and Benefits (KD)		Fixed Remuneration and Benefits (KD)		Variable Remuneration and Benefits (KD)	
	Fixed Remuneration for Executive Members	Health Insurance	Annual Remuneration	Committee Remuneration	Total Monthly Salaries during the Year	Health Insurance	Annual Remuneration	Committee Remuneration
7	KD 34,000	0	KD 120,000	0	0	0	0	0
<b>Total</b>	<b>KD 34,000</b>	<b>0</b>	<b>KD 120,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

• Members of the Board of Directors of A'ayan Company, through its subsidiaries, did not receive any remuneration or financial benefits for the financial year ended December 31, 2023, except for the executive members of the Board of Directors of Aayan Company, who received a fixed remuneration for the financial year in the amount of KD 34,000 in exchange for the tasks they performed in accordance with the Board of Directors' resolution in this regard.

## • Remuneration and Benefits for the Executive Management Segment:

The Nominations and Remuneration Committee emanating from the Board of Directors approved the proposal for remuneration and benefits for the company's Executive Management. The following statement includes shows the remuneration and benefits granted to senior executives who received the highest remuneration, in addition to the CEO and the CFO, whether amounts, benefits or privileges granted to them directly and indirectly, whether by the company or its subsidiaries:

Total Number of Executive Positions	Total Remuneration and benefits granted to senior executives who received the highest remunerations in addition to the CEO and CFO															
	REMUNERATION AND BENEFITS THROUGH THE PARENT COMPANY							REMUNERATION AND BENEFITS THROUGH SUBSIDIARIES								
	Fixed Remuneration and Benefits (KD)							Variable Remuneration and Benefits (KD)	Fixed Remuneration and Benefits (KD)							Variable Remuneration and Benefits (KD)
	Monthly Salaries (Total)	Health Insurance	Annual Tickets	Housing Allowance	Car Allowance	Education Allowance for Children	Annual Remuneration	Monthly Salarie (Total)	Health Insurance	Annual Tickets	Housing Allowance	Car Allowance	Education Allowance for Children	Annual Remuneration		
7	388,783	11,796	73,488	0	31,200	10,000	365,677	0	0	0	0	0	0	15,000		
TOTAL	388,783	11,796	73,488	0	31,200	10,000	365,677	0	0	0	0	0	0	15,000		

• Shareholders can view remuneration reports by contacting the company's Investor Relations Unit.

A'ayan Leasing and Investment Company did not record any material deviations from the remuneration policy approved by the company's Board of Directors during the financial year ended December 2023.

# The Corporate Governance Report 2023

## Rule 4

### Safeguard the Integrity of Financial Reporting.

#### Integrity of Financial Reports:

The soundness and integrity of company financial statements and related reports is considered one of the main pillars and important indicators of transparency and credibility in the company's presentation of its financial position. This increases investors' confidence in statement and information. It allows them to pursue their rights, and to achieve this, the company has adopted mechanisms and frameworks that enhance the soundness and integrity of financial statements and related reports by establishing clear and specific mechanisms and systems in accordance with international accounting standards, which are supervised by the company's audit committee and reviewed by an independent external auditor appointed by The General Assembly of Shareholders. In addition, and to enhance the accountability process, the Executive Management submits pledges regarding the soundness and integrity of the financial reports prepared to the Board of Directors, who in turn provides the necessary pledges to shareholders regarding the soundness and integrity of the financial statements and related reports.

#### Board of Directors Undertaking to Ensure the Soundness and Integrity of Financial Statements and Related Reports:

##### To the shareholders of A'ayan Leasing and Investment Company:

Board of Directors acknowledges that it has reviewed the financial statements of A'ayan Leasing and Investment Company for the financial year ended December 31, 2023.

To the best of our knowledge, this report does not contain any misstatement of material information, nor has any material information been omitted that would be necessary to make these statements made misleading in light of the circumstances in which such statements are made in relation to the period covered by this report.

To the best of our knowledge, the financial statements and other financial information contained in this report present fairly, in all material respects, the financial condition, results of operations and recorded cash flows as of December 31, 2023 and for the period presented in this report.

We and the Executive Management are responsible for preparing and updating disclosure procedures as well as internal control systems for preparing the company's financial reports. We have conducted the following:

1. Prepare disclosure and transparency procedures in accordance with Law No. (7) of 2010 and its executive regulations and their amendments – Module 10 "Disclosure and Transparency".
2. Design internal control systems to ensure that we are informed and provided with material information related to the company, including its subsidiaries, as well as information provided to us by others within those entities, especially for the period for which this report was prepared.
3. Design systems for internal control over the financial reporting process under our supervision, to provide reasonable assurances regarding the reliability of financial reports and preparation of financial statements for external purposes in accordance with approved international financial reporting standards (IFRS).
4. Periodic evaluation of the effectiveness of internal control systems.








# The Corporate Governance Report 2023

This report includes our conclusion on the effectiveness of disclosure controls and procedures as of December 31, 2023 that are covered by this report based on these controls.

This report also disclosed any changes that occurred in the company's internal control systems and in the financial reporting process during the financial year ended December 31, 2023, which, in turn, may have a material impact on the company's internal control systems or the financial reporting process.

We and the Executive Management have also, based on the most recent evaluation of internal control over financial reporting, disclosed to the company's auditors all deficiencies and material weaknesses in the design or application of internal controls over the financial reporting process that may adversely affect the company's ability to record, process, summarize and prepare Financial Statements.

We also disclosed any cases of fraud or misguidance, whether material or not, involving a member of the Board of Directors, Executive Management, or other employees who have an important role in the company's internal control systems and the preparation of financial statements.

<b>Mansour Hamad Almubarak</b>	<b>Fahad Ali Mohammad Thunayan Al-Ghanem</b>	<b>Abdulaziz Nasser Al-Marzouq</b>	<b>Nassir Ibraheem Bouresly</b>	<b>Talal Mohamed Redha Bahbahani</b>	<b>Muhannad Mohamed Alsanee</b>	<b>Dr. Yaqoub Ahmed Alabdullah</b>
Chairman of the Board of Directors	Vice Chairman of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors - Independent	Member of the Board of Directors - Independent	Member of the Board of Directors - Independent
						

# The Corporate Governance Report 2023

## Executive Management Undertaking to the Soundness and Integrity of the Financial Reports Prepared:

### CEO's Undertaking to the Soundness and Integrity of Financial Reporting:

#### To the Members of the Board of Directors:

I, Abdullah Mohamed Al Shatti, in my capacity as CEO of the company, hereby acknowledge that I have reviewed the financial statements of A'ayan Leasing and Investment Company for the financial year ended December 31, 2023.

To the best of my knowledge, this report does not contain any misstatement of material information, nor has any material information been omitted that would be necessary to make the statements made misleading in light of the circumstances in which such statements are made in relation to the period covered by this report.

To the best of my knowledge, the financial statements and other financial information contained in this report present fairly, in all material respects, the financial condition, results of operations and recorded cash flows recorded as of December 31, 2023 and for the period presented in this report.

I, and the Executive Management, are responsible for preparing and updating disclosure procedures as well as internal control systems for preparing the company's financial reporting, and we have conducted the following:

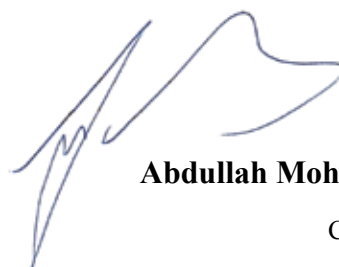
1. Prepared disclosure and transparency procedures in accordance with Law No. (7) of 2010 and its executive regulations and their amendments – Module 10 “Disclosure and Transparency”.
2. Designed internal control systems to ensure that we are informed and provided with material information related to the company, including our subsidiaries, as well as information provided to us by others within those entities, especially for the period for which this report was prepared.
3. Designed systems for internal control over the financial reporting process under our supervision, to provide reasonable assurances regarding the reliability of financial reports and preparation of financial statements for external purposes in accordance with approved international financial reporting standards (IFRS).
4. Periodic evaluation of the effectiveness of internal control systems.

This report includes our conclusion on the effectiveness of disclosure controls and procedures as of December 31, 2023 that are covered by this report based on these controls.

This report also disclosed any changes that occurred in the company's internal control systems and in the financial reporting process during the financial year ended December 31, 2023, which, in turn, may have a material impact on the company's internal control systems or the financial reporting process.

I, and the Executive Management, have also, based on the most recent evaluation of internal control over financial reporting, disclosed to the company's auditors and the audit committee emanating from the company's Board of Directors all deficiencies and material weaknesses in the design or application of internal controls over the financial reporting process that may adversely affect the company's ability to record, process, summarize and prepare Financial Statements.

We also disclosed any cases of fraud or misguidance, whether material or not, involving a member of the Board of Directors, Executive Management, or other employees who have an important role in the company's internal control systems and the preparation of financial statements.



**Abdullah Mohammed Al Shatti**

CEO



# The Corporate Governance Report 2023

## CFO's Undertaking to the Soundness and Integrity of Financial Reporting:

### To the members of the Board of Directors:

I, Muhyideen Seyed Abu Thahir Solukku, in my capacity as CFO of the company, acknowledge that I have reviewed the financial statements of A'ayan Leasing and Investment Company for the financial year ended December 31, 2023.

To the best of my knowledge, this report does not contain any misstatement of material information, nor has any material information been omitted that would be necessary to make the statements made misleading under the circumstances in which such statements are made in relation to the period covered by this report.

To the best of my knowledge, the financial statements and other financial information contained in this report present fairly, in all material respects, the financial condition, results of operations and recorded cash flows recorded as of December 31, 2023 and for the period presented in this report.

I, and the Executive Management, are responsible for preparing and updating disclosure procedures as well as internal control systems for preparing the company's financial reports, and we have conducted the following:

1. Prepared disclosure and transparency procedures in accordance with Law No. (7) of 2010 and its executive regulations and their amendments – Module 10 “Disclosure and Transparency”.
2. Designed internal control systems to ensure that we are informed and provided with material information related to the company, including our subsidiaries, as well as information provided to us by others within those entities, especially for the period for which this report was prepared.
3. Designed systems for internal control over the financial reporting process under our supervision, to provide reasonable assurances regarding the reliability of financial reports and preparation of financial statements for external purposes in accordance with approved international financial reporting standards (IFRS).
4. Periodic evaluation of the effectiveness of internal control systems.

This report includes our conclusion on the effectiveness of disclosure controls and procedures as of December 31, 2023 that are covered by this report based on these controls.

This report also disclosed any changes that occurred in the company's internal control systems and in the financial reporting process during the financial year ended December 31, 2023, which, in turn, may have a material impact on the company's internal control systems or the financial reporting process.

I, and the Executive Management, have also, based on the most recent evaluation of internal control over financial reporting, disclosed to the company's auditors all deficiencies and material weaknesses in the design or application of internal controls over the financial reporting process that may adversely affect the company's ability to record, process, summarize and prepare Financial Statements.

We also disclosed any cases of fraud or misguidance, whether material or not, involving a member of the Board of Directors, Executive Management, or other employees who have an important role in the company's internal control systems and the preparation of financial statements.

**Muhyideen Seyed Abu Thahir Solukku**

CFO



# The Corporate Governance Report 2023

## Audit Committee:

Board of Directors of A'ayan Company believes that the existence of an independent audit committee with qualified human and technical members is one of the main features indicating the application of the rules of good governance. This committee seeks to establish a culture of compliance within the company by ensuring the soundness and integrity of the company's financial reporting and ensuring the adequacy and effectiveness of the internal control systems applied in the company. Audit Committee was formed on 03/2023/15/ and its term was determined according to the term specified for the Board of Directors (three years), with three members. The committee meets periodically with a minimum of four meetings on a quarterly basis during the financial year.

In case of any conflict between the recommendations of the Audit Committee and the resolutions of the Board of Directors within the Internal Audit Policies and Procedures Manual approved by the Company's Board of Directors, clarification shall be made in a statement of the reasons that urge the Board of Directors not to adopt the recommendations of the Audit Committee. Note that during the financial year ended December 31, 2023, there was no conflict between the recommendations of the company's Audit Committee and the resolutions issued by the Board of Directors.

## Independence and Neutrality of the External Auditor:

A'ayan Company has complied with the appointment of an external auditor registered and accredited by the Capital Markets Authority, independent of the company and its Board of Directors, after the company's General Assembly issued a resolution approving his appointment. The Audit Committee, based on meeting the conditions for independence, submitted a recommendation to the Board of Directors to propose appointing Mr. Waleed Al-Osaimi - Al-Aiban, Al-Osaimi & Partners - Ernst & Young, as an external auditor for the company to provide review and audit services on the financial statements for the financial year ended December 31, 2023, due to his high professionalism and competence in this field, and as recognized globally, regionally and locally.

## Rule 5

### Apply Sound Systems of Risk Management and Internal Audit.

#### Risk Unit:

Within the pillars of the company's organizational structure is a technically independent unit for risk management in line with the instructions of the Capital Markets Authority regulating this area. Those in charge of its operations have a sufficient degree of competence, professionalism, and technical capabilities that qualify them to carry out that role, in addition to enjoying complete independence, with the risk management unit reporting directly to Board Risk Management Committee. The unit primarily undertakes its role in seeking to measure, follow up and mitigate all types of risks and variables facing the company through the exercise of its activities, and endeavors to submit recommendations to the Board of Directors regarding the deals and transactions proposed for the company to carry out with related parties, as well as other tasks assigned to it. After the issuance of amendments to the Capital Markets Authority law regarding the permissibility of assigning an external entity to carry out the duties of some functions required for registration, the company's management decided to assign an external entity to carry out the function of the risk management officer. It contracted with an office licensed by the Capital Markets Authority to assume the duties of the risk management unit officer with experience, competence and professionalism under the supervision of the CEO, within the unit that reports to the Risk Management Committee emanating from the Board of Directors in a way that ensures independence and compliance with the provisions of the laws and regulations.

The Risk Management Unit submits periodic reports on its work with regard to analyzing the risks to which the company may be exposed to the Risk Committee, which in turn submits them to the Board of Directors.

#### Risk Committee:

To ensure the ability to understand and analyze the nature and size of the risks facing the company's activities in order to mitigate them as much as possible and recommend the appropriate actions to confront and deal with them, to determine the internal and external factors

# The Corporate Governance Report 2023

that led or may lead to the occurrence of such risks and to develop methods for confronting them, the Board of Directors approved the formation of the Risk Committee to assist it in carrying out this main role. The Risk Committee was formed on 15/2023/03/ for the same period prescribed for the Board of Directors (three years) with three members headed by a non-executive board member and without the membership of the Chairman of the Board of Directors, with a minimum of four periodic meetings during the financial year.

## **Internal Control Systems:**

The company has adopted an internal control system that provides reasonable assurance of effective and appropriate operations and covers various controls, including financial controls, operations, and compliance with applicable regulations, laws, and systems. The Board of Directors regularly reviews these procedures through its main committees. The effectiveness of controls is reviewed from time to time within the company's relevant business units through regular review and internal audit of the company's various departments.

## **Internal Audit Department:**

The administrative organization of A'ayan Company adopts the formation of a technically independent department specialized in internal audit activity and reporting to the audit committee emanating from the Board of Directors. Director of the Audit Department is appointed by the Board of Directors based on the nomination by the Audit Committee. The responsibilities and roles of the Internal Audit Department are determined and approved by the Board of Directors. Internal Audit Department is mainly responsible for monitoring the effectiveness and efficiency of the company's internal control systems and the validity and integrity of the financial statements and administrative processes as well as comparing the extent of the development of the company's risk factors and existing systems to determine the efficiency of daily business and facing unexpected changes in the market.

## **Rule 6**

### **Promote Code of Conduct and Ethical Standards.**

#### **Standards and Determinants of Professional and Ethical conduct**

One of the basic pillars of business implementation within the company is the process of promoting a culture of Code of Conduct and Ethical Standards. The Board of Directors pays great attention to the necessity of verifying the compliance of all employees, whether members of the Board of Directors or members of the company's management and executive staff, with the applicable internal policies and regulations and the Charter of Code of Conduct and Ethical Standards approved within the framework of the principles of Islamic Sharia, without neglecting the legal and regulatory requirements issued by the various regulators that regulate the company's business. It proves that this pillar is one of the basic pillars that contribute positively to achieving the interests of all parties related to the company, especially the shareholders, taking into account the absence of conflict of interests and with a high degree of clarity and transparency.

#### **Policies and Mechanisms to Minimize Conflicts of Interests:**

The Board of Directors has adopted a policy to prevent conflict of interests, consistent with the rules of corporate governance, to ensure that the company provides its services in a fair and sound manner, not to negatively exploit transactions in which any of the company's stakeholders are a party, and to address cases that may arise between the company and its stakeholders, as well as cases that may arise between the company's clients and ensuring that the General Assembly is informed of business and contracts with related parties.

## Rule 7

### Ensure Timely and High-Quality Disclosure and Transparency.

#### Disclosure and Transparency:

The principles of disclosure and transparency have an effective role in ensuring the integrity and credibility of the trader in the stock market, to the best interest of the company's shareholders, the trading public, and stakeholders, and reflects positively on the company's reputation locally and regionally. Accordingly, the Board of Directors and Executive Management attach special importance to disclosure processes to ensure the highest levels of professionalism and expertise regarding that process. In this context, the Disclosure and Transparency Policy and Procedures Manual has been adopted in accordance with corporate governance rules to regulate the processes of disclosure of material information, transactions of insiders, disclosure of interests and other processes related to the disclosure process, so as to ensure complete transparency, integrity and fairness.

The company has a comprehensive record of disclosures with both the Kuwait Stock Exchange and the Capital Markets Authority, in addition to a record of disclosures on the company's website, which would enhance transparency, integrity and fairness.

#### Disclosures Related to Board Members, Executive Management, and Managers:

The company has within its records a special register that identifies insiders, including members of the board of directors, executive management, managers, and others whose capacity or relationship allows access to internal information that is not available to the public. The company also has a register dedicated to disclosures related to trading in securities issued by the company's members of the Board of Directors, the Executive Management, the managers, and their first-degree relatives, in a manner that governs the disclosure of the intention to deal and complete the transaction, and in a way that reflects the reality of the relationship and interests therewith, all in compliance with the instructions of the Capital Markets Authority regulating this area. This record shall be available at the Investor Relations Unit for all the company's shareholders to view without charge during the company's official working hours, and this record shall be subject to continuous periodic updating.

#### Investor Relations Unit:

Opening comprehensive communication channels with all shareholders and potential shareholders to provide reliable and comprehensive information within the framework of laws and regulations is the primary goal of adopting an independent unit for investor relations that reports to the Board of Directors. The company is undertaking its role in seeking to create close and comprehensive communication channels with all of the company's shareholders and providing the necessary data, information and reports, whether to current or potential shareholders and stakeholders, in a way that ensures dealing with transparency and equality between shareholders, enabling the company's shareholders to access reliable information in a timely manner, using approved means of disclosure, including the company's website and the data published on the company's page on the Bursa Kuwait website.

#### Developing the Information Technology Infrastructure for Disclosure Processes:

Over the past years, the company has worked to strengthen its information technology infrastructure and automate all its operations. It has made great strides in this regard, supporting the automation of all processes related to the daily activities of the company's various departments and ensuring easy access to information, data and documents. In addition, the company is keen to diversify the communication channels for shareholders, investors and stakeholders, and keep pace with the automation of the official disclosure channels approved by the Authority and the Bursa Kuwait Company by registering the relevant persons, the company as users of these systems and training them, updating the information on the company's website in accordance with its disclosure statements on the Kuwait Stock Exchange and Kuwait Capital Markets Authority websites, displaying all information, data and reports related to the company in an updated manner that reflects the current status of the company to both current and potential shareholders and stakeholders.

# The Corporate Governance Report 2023

## **Rule 8**

### **Respect the Rights of Shareholders.**

#### **Shareholders' Equity:**

The Board of Directors of A'ayan Leasing and Investment Company and the Executive Management are keen to represent the interests of all shareholders and respect their rights equally. This ensures the maintenance of all rights assigned to them and supports and promotes their confidence in the company by opening direct communication channels available to all shareholders to provide awareness about the company's activities, financial performance, and strategic directions. This enables them to access information, data, and reports related to the company's activity, in addition to building links between the Board of Directors and Executive Management on the one hand, and current and potential investors and interested parties on the other hand, through the company's Investor Relations Unit.

#### **Ownership Register:**

The company's shareholder register is kept with a clearing agency licensed by the competent authorities, recording the names of all the company's shareholders, their nationalities, and the number of shares owned by them to achieve continuous monitoring of shareholders' data. On the other hand, the company's Board of Directors has adopted a Shareholder Rights Protection Policy to guarantee all their rights.

#### **Encouraging Shareholders to Participate in General Assembly Meetings:**

The company encourages all shareholders to exercise their rights to actively participate in the company's general assembly meetings and to ensure that any inquiries from shareholders are answered to build a comprehensive view of the company, its activities and strategies, and to overcome all obstacles and facilitate the exercise of all their rights stipulated in the company's articles of association and guaranteed under the relevant laws and regulations, through the role assigned to the Investor Relations Unit in the company, with its powers and authorities in accordance with its work regulations approved by the Board of Directors.

The company was promoted to the Premier Market within the Kuwait Stock Exchange indices. The company has decided to hold its general assemblies in both in-person and electronic systems in order to provide appropriate options for shareholders to benefit from either in-person or electronic systems, in addition to responding to inquiries about electronic associations in a timely manner in order to ensure an adequate and comprehensive presentation of the inquiries by the shareholders.

## **Rule 9**

### **Recognize the Roles of Stakeholders.**

#### **Protecting and Recognizing the Rights of Stakeholders:**

In view of the great importance of stakeholders' contributions as they are an extremely important resource for building the company's competitiveness and maximizing and developing levels of profitability, Board of Directors has adopted, within the company's policies and procedures matrix, special policies and mechanisms for recognizing, regulating and protecting the rights of stakeholders. This may achieve cooperation between stakeholders and the company within the framework of applicable laws and regulations. This policy ensures that the same conditions are applied to all stakeholders without any preferential benefits and a compensation mechanism approved by regulations and guaranteed and protected by contracts. The aim is to strengthen mechanisms that enable the establishment of good relationships with customers and suppliers and settling complaints and disputes that may arise between the company and stakeholders.

# The Corporate Governance Report 2023

## Encouraging Stakeholders to Keep Track of the Company's Activities:

The company is committed to applying specific procedures characterized by transparency and clarity in dealing with stakeholders, in accordance with the stakeholder policy approved by the Board of Directors. This policy ensures that stakeholders are encouraged to participate and follow up on the company's various activities, develop open and transparent communication channels mainly through the company's website, and deal with stakeholders in a direct and clear manner on the basis of honesty and respect and adopting mechanisms that enable stakeholders to inform the Board of Directors of improper practices and provide them with the necessary protection in accordance with the reporting and whistleblower protection policy approved by the Board of Directors, in a way that works to enhance the confidence of the dealing public in the company and the various services and investment products it provides.

## Rule 10

### Encourage and Enhance Performance.

#### Training Programs for Members of the Board of Directors and Executive Management:

The policies and procedures related to training members of the Board of Directors and Executive Management aim to develop skills, consolidate knowledge, and hone skills to ensure that they are aware of the latest developments in the investment, financial, economic, and administrative fields, corporate governance, risk management, and aspects of anti-money laundering and combating the financing of terrorism, in order to keep pace with the latest global measures and developments in that field. The company's management is keen for its employees to obtain professional certificates accredited by the Capital Markets Authority to strengthen knowledge, hone skills, and provide requirements for registration processes for jobs that must be registered when necessary.

#### Performance Evaluation:

The performance of the members of the Board of Directors and the Executive Management is evaluated through the guide of KPIs for the members of the Board of Directors, its committees and the Executive Management, which was approved by the Board of Directors in accordance with the rules of corporate governance. It adopts financial and non-financial measurement tools to measure the development of the company's performance and progress to achieve its goals and evaluate the performance and effectiveness of the Board of Directors and executive management.

#### Corporate Value Creation:

Establishing a culture of compliance with laws and regulations is among the basic objectives that the company's management is working on, in a way that enhances and develops institutional values and development plans, achieves the company's strategic goals, and improves performance rates by adding value to the company's brand and increasing the confidence of shareholders, stakeholders, and stakeholders in the company.

The company seeks to devote its efforts towards achieving its goals, encouraging self-monitoring, increasing employees' self-confidence, enabling them to know the work values and introducing them to others, adopting a greater spirit of responsibility, and raising the level of professionalism and craftsmanship in performance. With the continuous development of the reporting systems in place in the company to become more comprehensive, which helps both members of the Board of Directors and the company's executive staff to make decisions based on a sound methodology and a thoughtful understanding of the company's various activities.

# The Corporate Governance Report 2023

## **Rule 11**

### **Focus on the Importance of Corporate Social Responsibility.**

#### **Social Responsibility:**

As part of the social responsibility action that has been extended since its establishment, A'ayan has committed itself to its employees, the community in which it operates, and the environment in completing its corporate social responsibility work and the sustainable approach that the company seeks to ensure in its various activities and operations, to be one of the active parties in implementing the country's national development plan and working to achieve sustainable development goals for the private sector.

Aayan continued to align some strategic objectives with its mission, vision, and core values of social responsibility to ensure that its operations and practices contribute positively to the community in which it operates, provide added value to various stakeholders, and reduce any harmful effects that may result.

In order to achieve effective participation in the field of community service, the company takes a basic pillar of working to build human capabilities and enhance the energies and skills of individuals in various cultural, sports, health, educational, and economic fields by providing full support to its employees and aligning the work environment with the best standards of good corporate governance to provide a business environment qualified to achieve sustainable development, as is evident in the following.

#### **Overview of Programs and Mechanisms Used to Highlight the Company's Efforts Exerted in the Field of Social Work:**

##### **“Building Human Capacity for a Sustainable Future”**

In order to complete its responsible role towards its employees to ensure the development of skills and enhance their expertise, the company continued to adopt professional and technical training programs for all employees to enable them to obtain international professional certificates to keep pace with global developments in the economic, financial and regulatory fields and to hold educational seminars in cooperation with recognized international and regional bodies. This will have a positive impact on the professional level of workers and enhance the labor market in the country with high-quality professional competencies in this area.

##### **«Nutritional Health and Fitness»**

Paying attention to the health and physical fitness aspect, the company is keen to provide various sports activities for its employees, especially group sports, and to provide modern mechanisms for nutritional health by providing healthy meal services to employees and their families by providing special offers after contracting with local entities that have expertise and efficient services in this field.

##### **«Sustainable Energy»**

The company believes in the importance of moving forward in supporting the country's efforts to support sustainable energy, rationalize consumption, and preserve the environment. The company has relied on sensitive lighting systems within most of its headquarters and facilities to rationalize electricity consumption, in addition to adopting the same systems for water outlets in most of its headquarters and facilities to support the process of rationalizing the consumption of water resources. A specific program has been approved to circulate this to all the company's headquarters and facilities in the coming years, and to develop plans and visions to attain mechanisms that support sustainable energy.

**A'AYAN LEASING & INVESTMENT CO. K.S.C.P  
AND ITS SUBSIDIARIES**

**AUDITORS' REPORT 2023**





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

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P.**

### **Report on the Audit of Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of A'ayan Leasing and Investment Company K.S.C.P. (the "Parent company") and subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the Central Bank of Kuwait for use by the State of Kuwait.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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 reports, 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)**

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

#### **Key Audit Matters (continued)**

##### *Fair value measurement of investment properties*

Investment properties represent a significant part of the total assets of the Group with a carrying value of KD 30,603,517 at the reporting date. The fair values of the Group's investment properties have been determined by external real estate appraisers. The determination of fair value of the 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 17 to the consolidated financial statements.

Given the size and complexity 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 considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- ▶ We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' 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 based on evidence of comparable market transactions and other publicly available information.
- ▶ We evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of investment properties.
- ▶ Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.
- ▶ We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 17 to the consolidated financial statements highlighting the estimation and uncertainty involved in valuation.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)**

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

#### **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 the Central Bank of Kuwait for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)**

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)**

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

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

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, 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, nor 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.

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 organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



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

1 February 2024  
Kuwait

**A'AYAN LEASING & INVESTMENT CO. K.S.C.P  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2023**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
<b>INCOME</b>			
Income from leasing operations	6	14,204,297	12,685,130
Net real estate income	7	5,561,954	3,882,519
Net income from investments and saving deposits	8	3,991,873	616,361
Share of results of associates	16	1,262,089	821,953
Advisory and management fees	26	258,449	258,093
Islamic finance income		14,257	18,806
Other income	9	242,499	822,826
		<u>25,535,418</u>	<u>19,105,688</u>
<b>EXPENSES</b>			
Net reversal (charge) of finance costs	23	108,121	(112,976)
Net impairment losses, expected credit losses and provisions	10	(1,672,874)	(156,041)
Staff costs		(6,483,517)	(5,771,248)
Depreciation	19	(443,651)	(387,436)
Net foreign exchange differences		(29,640)	(143,382)
Other expenses	11	(2,238,249)	(1,927,639)
		<u>(10,759,810)</u>	<u>(8,498,722)</u>
<b>PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION</b>		<b>14,775,608</b>	<b>10,606,966</b>
Zakat & NLST		(564,051)	(233,111)
KFAS		(10,704)	-
Taxation from subsidiaries		(429,861)	(236,042)
Directors' remuneration	27	(120,000)	(120,000)
<b>PROFIT FOR THE YEAR</b>		<b><u>13,650,992</u></b>	<b><u>10,017,813</u></b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		12,368,024	9,002,288
Non-controlling interests		1,282,968	1,015,525
<b>PROFIT FOR THE YEAR</b>		<b><u>13,650,992</u></b>	<b><u>10,017,813</u></b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	12	<b><u>18.63 fils</u></b>	<b><u>13.18 fils</u></b>

\* The attached notes 1 to 32 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### As at 31 December 2023

	Note	2023 KD	2022 KD
<b>PROFIT FOR THE YEAR</b>		<b>13,650,992</b>	10,017,813
<b>Other comprehensive loss</b>			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(819,661)	(1,699,674)
		<b>(819,661)</b>	(1,699,674)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive loss of associates	16	(216,090)	(280,063)
<b>Total other comprehensive loss</b>		<b>(1,035,751)</b>	(1,979,737)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>12,615,241</b>	8,038,076
<b>Attributable to:</b>			
Equity holders of the Parent Company		11,813,414	8,015,170
Non-controlling interests		801,827	22,906
		<b>12,615,241</b>	8,038,076

\* The attached notes 1 to 32 form part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 KD	2022 KD
<b>ASSETS</b>			
Cash and cash equivalents	13	19,733,927	17,014,416
Financial assets at fair value through profit or loss	14	11,686,885	9,694,274
Investment in associates	16	18,060,910	20,091,871
Investment properties	17	30,603,517	31,216,201
Other assets	18	8,576,756	11,431,287
Property and equipment	19	65,131,540	61,306,585
Leasehold property	20	-	501,111
Goodwill		-	91,005
<b>TOTAL ASSETS</b>		<b>153,793,535</b>	<b>151,346,750</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	66,403,882	66,403,882
Statutory reserve	22	3,020,077	1,713,799
Asset revaluation surplus		8,755,469	8,755,469
Foreign currency translation reserve		(1,263,038)	(924,518)
Effect of changes in reserve of associates		475,197	691,287
Retained earnings		20,665,193	14,583,738
<b>Equity attributable to equity holders of the Parent Company</b>		<b>98,056,780</b>	<b>91,223,657</b>
Non-controlling interests	5	12,316,947	12,250,888
<b>Total equity</b>		<b>110,373,727</b>	<b>103,474,545</b>
<b>Liabilities</b>			
Islamic finance payables	23	11,370,449	14,460,726
Other liabilities	24	32,049,359	33,411,479
<b>Total liabilities</b>		<b>43,419,808</b>	<b>47,872,205</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>153,793,535</b>	<b>151,346,750</b>

Mansour Hamad Al-Mubarak  
Chairman

Abdullah Mohammed Al Shatti  
Chief Executive Officer

\* The attached notes 1 to 32 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 31 December 2023

	Attributable to equity holders of the Parent Company					Effect of changes		Non-controlling interests	Total equity
	Share capital KD	Statutory reserve KD	Asset revaluation surplus KD	Foreign currency translation reserve KD	In reserve of associates KD	Retained earnings KD	Subtotal KD		
As at 1 January 2023	66,403,882	1,713,799	8,755,469	(924,518)	691,287	14,583,738	91,223,657	12,250,888	103,474,545
Profit for the year	-	-	-	-	-	12,368,024	12,368,024	1,282,968	13,650,992
Other comprehensive loss	-	-	-	(338,520)	(216,090)	-	(354,610)	(481,141)	(1,035,751)
Total comprehensive (loss) income for the year	-	-	-	(338,520)	(216,090)	12,368,024	11,813,414	801,827	12,615,241
Transfer to reserve	-	1,306,278	-	-	-	(1,306,278)	-	-	-
Dividend (Note 22)	-	-	-	-	-	(4,980,291)	(4,980,291)	(758,272)	(4,980,291)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(758,272)	(758,272)
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	22,504	22,504
<b>As at 31 December 2023</b>	<b>66,403,882</b>	<b>3,020,077</b>	<b>8,755,469</b>	<b>(1,263,038)</b>	<b>475,197</b>	<b>20,665,193</b>	<b>98,056,780</b>	<b>12,316,947</b>	<b>110,373,727</b>
As at 1 January 2022	71,403,882	778,259	8,755,469	(229,464)	949,747	6,596,360	88,254,253	12,983,077	101,237,330
Profit for the year	-	-	-	-	-	9,002,288	9,002,288	1,015,525	10,017,813
Other comprehensive loss	-	-	-	(707,055)	(280,063)	-	(987,118)	(992,619)	(1,979,737)
Total comprehensive (loss) income for the year	-	-	-	(707,055)	(280,063)	9,002,288	8,015,170	22,906	8,038,076
Partial reduction of share capital	(5,000,000)	-	-	-	-	-	(5,000,000)	-	(5,000,000)
Transfer to reserve	-	935,540	-	-	-	(935,540)	-	-	-
Transferred to retained earnings upon disposal/derecognition	-	-	-	-	21,603	(21,603)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(878,264)	(878,264)
Change in ownership interest in subsidiaries	-	-	-	12,001	-	(57,767)	(45,766)	123,169	77,403
<b>As at 31 December 2022</b>	<b>66,403,882</b>	<b>1,713,799</b>	<b>8,755,469</b>	<b>(924,518)</b>	<b>691,287</b>	<b>14,583,738</b>	<b>91,223,657</b>	<b>12,250,888</b>	<b>103,474,545</b>

\* The attached notes 1 to 32 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
<b>OPERATING ACTIVITIES</b>			
Profit before tax and directors' remuneration		14,775,608	10,606,966
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation and amortisation		10,888,223	10,676,495
Net allowance of expected credit losses and other provisions	10	1,672,874	156,041
Gain on sale of investment properties	17	(962,958)	(58,130)
Valuation (gain) losses from investment properties	17	(543,325)	44,384
Gain on disposal of property and equipment	9	-	(358,738)
Income from investments and saving deposits	8	(3,991,873)	(320,590)
Income from disposal of investment in associates	8	-	(295,771)
Share of results of associates	16	(1,262,089)	(821,953)
Redemption from investments in associates	9	(113,820)	(182,950)
Net foreign exchange differences		29,640	143,382
Provision for employees end of service benefits		545,337	461,328
Net (reversal) charge of finance costs		(86,200)	163,980
		<b>20,951,417</b>	<b>20,214,444</b>
<i>Changes in operating assets and liabilities:</i>			
Islamic finance receivables		70,150	86,953
Other assets		(12,531,208)	(20,740,263)
Other liabilities		(104,643)	184,202
Cash flows from (used in) operations		<b>8,385,716</b>	<b>(254,664)</b>
Employees end of service benefits paid		(60,683)	(90,365)
Taxes paid		(1,238,715)	(661,748)
<b>Net cash flows from (used in) operating activities</b>		<b>7,086,318</b>	<b>(1,006,777)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of associates	16	(1,178,611)	(10,508,067)
Purchase of financial assets at fair value through profit & loss		(442,541)	(8,580,489)
Proceeds from sale/redemption of financial assets at fair value through profit or loss		30,859	501,765
Proceeds from sale/redemption of associates		-	1,561,659
Proceed from fully impaired Investments in associate	9	113,820	182,950
Purchase of investment properties	17	(2,027,958)	(2,550,000)
Proceeds from disposal of investment properties	17	3,599,790	1,970,000
Income received from investment and savings deposits		483,847	415,802
Dividend received		791,580	262,102
Dividend and capital reduction proceed received from associates		5,341,900	862,215
Purchase of property and equipment	19	(176,909)	(83,333)
Proceeds from disposal of property and equipment		-	396,878
Movement in restricted bank balance	13	(9)	37,102
<b>Net cash flows from (used in) investing activities</b>		<b>6,535,768</b>	<b>(15,531,416)</b>
<b>FINANCING ACTIVITIES</b>			
Payments towards capital reduction		(309,516)	(4,956,984)
Dividend paid	22	(4,830,212)	-
Finance costs paid		(586,731)	(56,670)
Proceeds from Islamic finance payables		-	10,000,000
Repayment of Islamic finance payables		(3,148,425)	(145,729)
Payment of lease liabilities	24	(1,291,932)	(1,392,244)
Dividends paid to non-controlling interests		(758,272)	(878,264)
Net movement in non-controlling interests		22,504	77,403
<b>Net cash flows (used in) from financing activities</b>		<b>(10,902,584)</b>	<b>2,647,512</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,719,502</b>	<b>(13,890,681)</b>
Cash and cash equivalents as at 1 January		<b>16,998,405</b>	<b>30,889,086</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>13</b>	<b>19,717,907</b>	<b>16,998,405</b>
<b>Non-cash transactions</b>			
Additions to right of use asset	19	(69,312)	(1,527,480)
Additions to lease liabilities	24	69,312	1,527,480
Transfer from inventory	19	30,614,744	32,859,651
Transfer to inventory (net of depreciation)	19	(16,617,470)	(16,179,681)

\* The attached notes 1 to 32 form part of these consolidated financial statements.

**A'AYAN LEASING & INVESTMENT CO. K.S.C.P  
AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2023**

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

## 1 CORPORATE INFORMATION

The consolidated financial statements of A'ayan Leasing and Investment Company K.S.C.P. (the "Parent Company") and 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 on 1 February 2024, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are listed on Boursa Kuwait. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") and the Capital Markets Authority ("CMA") as a finance and investment company, respectively.

The Parent Company's head office is located at Mohamad Bin Al Qasim Street, Al Rai 13027, State of Kuwait and its registered postal address is P.O. Box 1426, Safat 13015.

Information on the Group's structure is provided in Note 5. Information on other related party relationships of the Group is provided in Note 27.

## 2 PRINCIPAL ACTIVITIES

The Group principally operates in Kuwait and engages in financial investments, trading properties, investment properties and leasing activities as follows:

- ▶ Provide lease financing product in all its forms and manifestations.
- ▶ Acts as financial intermediary and broker.
- ▶ Engage in activities related to granting of credit facilities to consumers.
- ▶ Participate in establishment of companies of different types and purposes inside and outside the State of Kuwait and dealing in the shares of these companies on its behalf and on behalf of third parties.
- ▶ Represent the foreign companies that are similar in purpose with the purposes of the Parent Company in order to market their products and services including financial benefit of the parties and in accordance with the provisions of the relevant Kuwaiti legislation.
- ▶ Engage in activities relating to investment securities.
- ▶ Portfolio management on behalf of the customers.
- ▶ Investment in real estate property in industrial, agricultural and other sectors.
- ▶ Development of residential land and commercial property for generating rental income.
- ▶ Conducting research and studies and related activities on behalf of customers.
- ▶ Establish investment funds and management of the funds.

The Group carries out its activities in accordance with the principles of Islamic Sharī'a as approved by the Parent Company's Fatwa and Sharī'a Supervisory Board.

### 3.1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss and investment properties and leasehold land classified under property and equipment that have been measured at fair value.

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

The Group presents its consolidated 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 30.



### 3.2 CHANGES IN ACCOUNTING POLICIES AND INTERPRETATION

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2023. 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 than EUR 750 million/year.

### 3.3 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 IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020 and October 2022, 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

### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

##### **Amendments to IAS 1: *Classification of Liabilities as Current or Non-current* (continued)**

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 2024 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.

#### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION

##### **3.4.1 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 results 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 other comprehensive income ("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 upon 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 consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest in the consolidated statement of financial position. Non-controlling interest in the acquiree is measured at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on changes in non-controlling interests without loss of control are recorded in equity.



### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.4.2 Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets acquired and financial 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 consolidated statement of profit or loss.

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

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

A contingent liability 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.

#### 3.4.3 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. The Group has generally concluded that it is the principal in its revenue arrangements.

##### *Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

##### *Rendering of services*

The Group generate revenue from maintenance services. The performance obligation is satisfied over-time and payment is generally due upon completion of the maintenance services.

##### *Fee income*

The Group earns fee income from a diverse range of financial services it provides to its customers. Fee 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.



### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.4.3 Revenue recognition (continued)

##### *Fee income (continued)*

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.

##### *Revenue from sale of real estate*

Income from the sale of real estates is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

##### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when control of the goods are transferred to the customer, generally on delivery of the goods.

#### 3.4.4 Finance income and expense

Finance income and expense are recognised in the consolidated statement of profit or loss for all profit-bearing financial instruments using the effective interest method.

#### 3.4.5 Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting ("AGM"). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

#### 3.4.6 Dividend income

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

#### 3.4.7 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, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

##### *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.

##### *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.

##### *Taxation on overseas subsidiaries*

Taxation on overseas subsidiaries is provided in accordance with fiscal regulations applicable to each country of operation.

### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### 3.4.8 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, cash at banks, cash held in investment portfolios and short-term highly liquid deposits with a maturity of twelve 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, with a maturity of three months and restricted balances, as they are considered an integral part of the Group's cash management.

##### 3.4.9 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment

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 interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI 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

### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.4.9 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

##### i) Financial assets (continued)

##### a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) 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 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 statement of profit or loss.

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 interest or dividend income, are recognised in the consolidated statement of 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.

#### 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:

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

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

#### Impairment of financial assets other than credit facilities

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 interest 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).



### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.4.9 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

##### i) Financial assets (continued)

##### Impairment of financial assets (continued)

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.

##### Impairment of credit facilities

Credit facilities granted by the Group consist of loans and advances. Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

##### Provisions for credit losses in accordance with the CBK instructions

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

Category	Criteria	Specific provision
Watch list	Irregular for a period up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

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

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

##### ii) Financial liabilities

##### Initial recognition and measurement

The Group's financial liabilities include trade and other payables and loans and borrowings.

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 (including Islamic finance payables)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### 3.4.9 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

###### ii) *Financial liabilities (continued)*

###### **Subsequent measurement (continued)**

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

###### ***Financial liabilities at amortised cost***

###### *Islamic finance payables*

After initial recognition, profit-bearing loans and 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 statement of profit or loss.

###### *Accounts payable and accruals*

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 statement of profit or loss.

###### 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.

##### 3.4.10 Fair value measurement

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

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.4.10 Fair value measurement (continued)

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.

#### 3.4.11 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate 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 since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. 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.

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

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary adjustments are made to bring the accounting policies inline with those of the Group.

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

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

#### 3.4.12 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 the consolidated statement of profit or loss in the period in which they arise. Fair values are evaluated annually and recorded at the lower of the valuations assessed by at least two accredited external independent valuers for local properties and for foreign properties, it is based on a valuation by an accredited external independent valuator.



### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.4.12 Investment properties (continued)

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 the consolidated statement of profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Transfer from properties under development are made upon completion of the work and the property being ready for its intended use at carrying value and subsequently fair valued at reporting date.

#### 3.4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is the weighted average cost and includes those expenses incurred in bringing each product to its present location and condition. Net realisable value is estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

#### 3.4.14 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Leasehold lands are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuation is performed every year to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in consolidated statement of profit or loss, the increase is recognised in the consolidated statement of profit and loss. A revaluation deficit is recognised in the consolidated statement of statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

On disposal the related revaluation surplus is credited directly to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

► Buildings	20-40 years
► Furniture and fixtures	3-5 years
► Tools and office equipment	3-5 years
► Motor vehicles	1-4 years
► Leased motor vehicles	over lease term

For accounting policy relating to recognition and depreciation of right-of-use assets, refer to 'Leases' accounting policy.

When the leased motor vehicles are subsequently held for sale, typically after the end of the rental contract, they are transferred to inventories at the net realisable value as on the date of transfer.

Capital work-in-progress is stated at cost. 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. Following completion, capital work-in-progress is transferred into the relevant classification of property and equipment.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.4.14 Property and equipment (continued)

An item of property 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 statement of profit or loss when the asset is derecognised.

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

#### 3.4.15 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *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 are 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 presented under 'property and equipment' in the consolidated statement of financial position and 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 policy in section '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 interest 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 interest 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.

The Group's lease liabilities are included in 'other liabilities' in the consolidated statement of financial position.



### 3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.4.15 Leases (continued)

##### 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) and lease of low-value assets. 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 statement of profit or loss 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.

#### 3.4.16 Impairment of non-financial assets

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

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

The Group bases its impairment calculation on most recent 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 statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

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 statement of profit or loss 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.

**3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)****3.4.17 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 also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

**3.4.18 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 expenses.

**3.4.19 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.

**3.4.20 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 consolidated statement of 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 consolidated statement of 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 consolidated statement of other comprehensive income or consolidated statement of profit or loss are also recognised in consolidated statement of other comprehensive income or consolidated statement of 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.



**3.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)****3.4.20 Foreign currencies (continued)***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 consolidated 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 consolidated statement of other comprehensive income. On disposal of a foreign operation, the component of consolidated statement of other comprehensive income relating to that particular foreign operation is reclassified in consolidated statement of 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.

**3.4.21 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.

**3.4.22 Segment information**

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

**4 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 amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as 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. In the process of applying the Group's accounting policies, management has made the following judgements and 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.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

**4.1 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:

***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).

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS****4.1 Significant judgments (continued)*****Determining the lease term of contracts with renewal and termination options – Group as lessee (continued)***

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). 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.

***Operating lease commitments–Group as lessor***

The Group has entered into commercial property leases on its investment property portfolio and commercial operating leases on its motor vehicle fleet portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and fleet, and accordingly accounts for the contracts as operating leases.

***Classification of financial assets***

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

***Classification of real estate properties***

Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

***Contingencies***

Contingent assets and liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of inflow or outflow respectively of resources embodying economic benefits is remote, which requires significant judgement.

***Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)***

The Group considers that it controls Mubarrad Holding Company K.S.C.P. ("Mubarrad") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Mubarrad with a 41.3% equity interest. The remaining 58.7% of the equity shares in Mubarrad are held by many other shareholders who, individually, in view of the management has widely dispersed shareholding. Furthermore, the Parent Company has a majority representation on the board of directors of Mubarrad.

***Classification of entities as associates in which the Group holds less than 20% of the voting rights***

The Group considers that it exerts significant influence over A'ayan Real Estate Company K.S.C.P. ("AREC") even though it owns less than 20% of the voting rights through its collective voting rights, its nominated directors' active participation on AREC's board of directors and decision making over operations in accordance with IAS 28: Investments in Associates and Joint Ventures.

**4.2 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 consolidated financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

***Impairment of associates***

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



**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.2 Estimates and assumptions (continued)*****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.

***Impairment of leasehold rights***

The carrying amounts of the leasehold rights are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The management assesses the leasehold rights for impairment based on market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

***Impairment of property and equipment***

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- ▶ significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- ▶ significant changes in the technology and regulatory environments;
- ▶ evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

***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 property are set out in Note 17.

***Provision for expected credit losses of trade receivables***

The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost (other than credit facilities). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For trade receivables, 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.

***Impairment losses on financing receivables – as per CBK guidelines***

The Group reviews its financing receivables on a regular basis to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 December 2023

### 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### 4.2 Estimates and assumptions (continued)

##### *Valuation of unquoted equity investments*

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

- ▶ Recent arm's length market transactions;
- ▶ Current fair value of another instrument that is substantially the same;
- ▶ An earnings multiple;
- ▶ The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- ▶ Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

##### *Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest 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 interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

##### *Revaluation of leasehold land*

The Group measures leasehold land at revalued amount with changes in fair value being recognised in other comprehensive income. The Group engaged an independent valuation specialist to assess fair value at the reporting date. Leasehold land was valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

### 5 GROUP INFORMATION

The consolidated financial statements of the Group include:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>% equity interest</i>		<i>Principal activities</i>
		<i>2023</i>	<i>2022</i>	
Mubarrad Holding Company K.S.C.P. ("Mubarrad") <sup>1</sup>	Kuwait	<b>41.3%</b>	41.3%	Logistic services and real estate
A'ayan Leasing Holding Company K.S.C. (Holding) ("ALH")	Kuwait	<b>100%</b>	100%	Leasing activities
East Gate Real Estate Company S.P.C.	Kuwait	<b>100%</b>	100%	Real estate
Jahraa Mall – JV	Kuwait	<b>77.1%</b>	77.1%	Real estate

58The Group's ownership interest in Mubarrad has less than 50% of the equity of Mubarrad. However, the management determined that it still controls the investee because the Group continues to hold the majority of the voting rights in view of the widely dispersed shareholding structure and the absence of evidence of minority shareholder acting in concert. The Group also holds the majority of the seats on the BOD, and accordingly, considers that it exercises de facto control over Mubarrad, based on IFRS 10: Consolidated Financial Statements criteria analysis.

##### **Material partly owned subsidiary:**

The Group had concluded that Mubarrad is the only subsidiary with non-controlling interests that is material to the consolidated financial statements.

Financial information of subsidiary that have material non-controlling interests are provided below:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 December 2023

### 5 GROUP INFORMATION (continued)

#### Proportion of equity interest held by non-controlling interest:

	2023	2022
Mubarak Holding Company K.S.C.P.	58.7%	58.7%

#### Accumulated balances of material non-controlling interest:

	2023 KD	2022 KD
Mubarak Holding Company K.S.C.P.	12,217,420	12,060,871

#### Profit allocated to material non-controlling interests:

	2023 KD	2022 KD
Mubarak Holding Company K.S.C.P.	1,117,967	889,143

Summarised financial information of subsidiary is provided below. This information is based on amounts before eliminating intra group transactions and consolidation related adjustments.

	2023 KD	2022 KD
<i>Summarised statement of profit or loss</i>		
Income	2,884,087	2,184,143
Expenses	(873,374)	(582,935)
Profit for the year	2,010,713	1,601,208
Other comprehensive loss for the year	(819,661)	(1,652,340)

	2023 KD	2022 KD
<i>Summarised statement of financial position</i>		
Total assets	23,413,899	23,247,995
Total liabilities	2,542,931	2,617,779
Total equity	20,870,968	20,630,216

	2023 KD	2022 KD
<i>Summarised cash flow information</i>		
Operating	1,102,663	856,907
Investing	(441,412)	2,308,476
Financing	(1,150,036)	(1,310,575)
Net (decrease) increase in cash and cash equivalents	(488,785)	1,854,808

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 6 INCOME FROM LEASING OPERATIONS

	2023 KD	2022 KD
Operating lease rental income	20,514,595	18,231,373
Service, maintenance, and other income	1,288,549	1,056,034
Gain on disposal of motor vehicles	3,878,983	3,702,619
	<u>25,682,127</u>	<u>22,990,026</u>
Less: depreciation of motor vehicles (Note 19)	(9,015,973)	(8,187,860)
Less: maintenance and other expenses	(2,461,857)	(2,117,036)
	<u>14,204,297</u>	<u>12,685,130</u>

#### 7 NET REAL ESTATE INCOME

	2023 KD	2022 KD
Gain on sale of investment properties (Note 17)	962,958	58,130
Valuation gain (losses) from investment properties (Note 17)	543,325	(44,384)
Rental income from investment properties	3,532,415	3,443,755
Rental income from leasehold rights	2,820,033	3,055,411
Depreciation of right-of-use assets relating to leasehold rights (Note 19)	(927,488)	(1,157,440)
Amortisation of a leasehold rights (Note 20)	(501,111)	(943,759)
Finance costs on lease liabilities (Note 24)	(21,921)	(51,004)
Real estate related expenses (Note 17)	(238,996)	(192,464)
Leasehold rights related expenses	(607,261)	(285,726)
	<u>5,561,954</u>	<u>3,882,519</u>

#### 8 NET INCOME FROM INVESTMENTS AND SAVING DEPOSITS

	2023 KD	2022 KD
Investment deposits and savings profits	483,847	415,802
Dividend income	791,580	262,102
Gain on disposal of investment in associates	-	295,771
Net gain (loss) from financial assets at FVTPL	2,716,446	(357,314)
	<u>3,991,873</u>	<u>616,361</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 9 OTHER INCOME

	2023 KD	2022 KD
Proceed from fully impaired Investments in associate	113,820	182,950
Gain on disposal of property and equipment	-	358,738
Other income	128,679	281,138
	<u>242,499</u>	<u>822,826</u>

#### 10 NET IMPAIRMENT LOSSES, EXPECTED CREDIT LOSSES AND PROVISIONS

	2023 KD	2022 KD
Reversal of provision for impairment of Islamic finance receivables (Note 15)	(70,150)	(86,953)
Reversal of impairment losses on other assets (Note 18)	(26,495)	(34,965)
ECL on trade receivables (Note 18)	254,171	277,959
Impairment of investment/ goodwill	1,028,456	-
Allowance for provision for legal cases	486,892	-
	<u>1,672,874</u>	<u>156,041</u>

#### 11 OTHER EXPENSES

	2023 KD	2022 KD
Premises expenses	407,712	433,406
Legal and professional fees	651,285	544,395
Marketing and advertising expenses	503,282	385,306
BOD remuneration of subsidiaries	66,183	55,000
Subscription, Bank Charges & Technical support	375,863	317,044
Other expenses	233,924	192,488
	<u>2,238,249</u>	<u>1,927,639</u>

#### 12 EARNINGS PER SHARE (EPS)

Basic EPS 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 outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2023	2022
Profit for the year attributable to the equity holders of the Parent Company (KD)	<u>12,368,024</u>	<u>9,002,288</u>
Weighted average number of shares outstanding during the year (shares) *	<u>664,038,824</u>	<u>682,805,947</u>
<b>Basic and diluted earnings per share attributable to the equity holders of the Parent Company (fils)</b>	<u>18.63</u>	<u>13.18</u>

\* The weighted average number of shares takes into account the reduction in share capital during the prior year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 12 EARNINGS PER SHARE (EPS) (continued)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

#### 13 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Cash at banks and on hand	5,192,032	7,183,061
Short-term placements with financial institutions	14,541,895	9,831,355
<b>Cash and short-term deposits</b>	<b>19,733,927</b>	<b>17,014,416</b>
Less: restricted balances	(16,020)	(16,011)
<b>Cash and cash equivalents</b>	<b>19,717,907</b>	<b>16,998,405</b>

Short-term deposits are made for varying periods and can be early terminated on demand, depending on the immediate cash requirements of the Group, and earn average returns at the respective short-term deposit at local bank, rates ranging from 3.5% to 5.25% (2022: 1% to 5%) per annum.

Cash and cash equivalents amounting to KD 111,468 (2022: KD 191,188) is maintained with a major shareholder (Note 27).

#### 14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Local quoted equity securities	9,397,884	7,853,982
Local funds	466,180	466,173
Foreign portfolio	451,770	451,768
Local unquoted equity securities	1,149,108	890,524
Foreign quoted equity securities	-	31,827
Foreign unquoted equity securities	221,943	-
	<b>11,686,885</b>	<b>9,694,274</b>

The hierarchy for determining and disclosing the fair values are presented in Note 32.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 15 ISLAMIC FINANCE RECEIVABLES

	<i>Musawama KD</i>	<i>Ijara KD</i>	<i>Tawaruq KD</i>	<i>Total KD</i>
<b>2023</b>				
Gross receivables	4,873,369	2,019,914	1,101,634	7,994,917
Less: deferred income	(825,498)	(321,422)	(94,711)	(1,241,631)
	<u>4,047,871</u>	<u>1,698,492</u>	<u>1,006,923</u>	<u>6,753,286</u>
Less: impairment losses				
- General	-	-	-	-
- Specific	<u>4,047,871</u>	<u>1,698,492</u>	<u>1,006,923</u>	<u>6,753,286</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross amount of credit facilities individually determined to be impaired	<u>4,873,369</u>	<u>2,019,914</u>	<u>1,101,634</u>	<u>7,994,917</u>
<b>2022</b>				
Gross receivables	4,976,800	2,046,391	1,101,634	8,124,825
Less: deferred income	(844,592)	(327,227)	(94,711)	(1,266,530)
	<u>4,132,208</u>	<u>1,719,164</u>	<u>1,006,923</u>	<u>6,858,295</u>
Less: impairment losses				
- General	-	-	-	-
- Specific	<u>4,132,208</u>	<u>1,719,164</u>	<u>1,006,923</u>	<u>6,858,295</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross amount of credit facilities individually determined to be impaired	<u>4,976,800</u>	<u>2,046,391</u>	<u>1,101,634</u>	<u>8,124,825</u>

Expected credit losses on credit facilities determined computed under IFRS 9 in accordance with CBK guidelines amounted to KD 6,753,286 as at 31 December 2023 (2022: KD 6,858,295), which is same as the provision required by CBK instructions. As a result, no additional provision has been made.

Set out below is the movement in the provision for impairment of Islamic finance receivables as per CBK instructions during the year:

	<i>Specific 2023 KD</i>	<i>2022 KD</i>
As at 1 January	6,858,295	6,945,248
Net reversals during the year (Note 10)	(70,150)	(86,953)
Write-Off	<u>(34,859)</u>	<u>-</u>
As at 31 December	<u>6,753,286</u>	<u>6,858,295</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 December 2023

### 16 INVESTMENT IN ASSOCIATES

The principal associates of the Group are as follows:

Name of associate	Country of incorporation	% equity interest		Principal activities	Carrying amount	
		2023	2022		2023 KD	2022 KD
Oman Integral Logistics Company O.S.C.C ("Oman Integral") <sup>1</sup>	Oman	50%	50%	Logistics	3,804,803	3,758,102
A'ayan Real Estate Company K.S.C.P. ("AREC") <sup>2</sup>	Kuwait	9.8%	9.8%	Real estate	2,345,172	2,313,851
Tawazun Holding Company K.S.C (Closed) ("Tawazun") <sup>3</sup>	Kuwait	43.8%	43.8%	Holding Company	9,579,667	13,853,918
Light Fields Catering Company W.L.L. <sup>1&amp;4</sup>	Kuwait	30%	-	Food supplies	2,165,266	-

<sup>1</sup> Included in the carrying amount of the investment in the associate is goodwill of KD 115,822 (2022: KD 112,822).

<sup>2</sup> The Group management has determined that it exerts significant influence over the investee through both its collective voting rights and its nominated directors' active participation on AREC's BOD. As a result, the Group has accounted for interest in AREC i.e. 9.8 % for the year ended 31 December 2023 (2022: 9.8%) as an investment in associate using the equity method of accounting in accordance with IAS 28: Investments in Associates and Joint Ventures.

<sup>3</sup> The Extraordinary General Meetings ("EGM") of the shareholders of Tawazun held on 22 May 2023 and 05 November 2023 approved a partial reduction of share capital amounting to KD 7,100,000 & KD 2,800,000 respectively by way of cash distribution to the shareholders (2022: KD 5,000,000 cash distribution and KD 1,967,312 extinguishment of accumulated losses) from KD 68,032,688 to KD 58,132,688 (2022: from 75,000,000 to KD 68,032,688). During the year, Tawazun completed its partial capital reductions by way of cash distribution to its existing shareholders and reducing the outstanding number of shares at par value. As at reporting date, the Parent Company's portion out of capital reductions amounts to KD 4,337,214 (2022: KD 738,322).

<sup>4</sup> During the year, the Group acquired 30% of Light Fields Catering Company W.L.L. for a consideration of KD 2,250,000.

A reconciliation of the summarised financial information to the carrying amount of the associates is set out below:

Reconciliation to carrying amounts	2023 KD	2022 KD
As at 1 January	20,091,871	11,141,315
Additions	2,303,611	10,508,067
Share of results	1,262,089	821,953
Share of other comprehensive loss	(216,090)	(280,063)
Dividend received from associates	(1,008,208)	(125,425)
Capital reduction from associates	(4,337,214)	(738,322)
Sale of associates	-	(1,265,888)
Foreign currency translation adjustments	(35,149)	30,234
<b>As at 31 December</b>	<b>18,060,910</b>	<b>20,091,871</b>

#### Summarised financial information for associates

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the consolidated financial statements of the relevant associates and not the Group's share of those amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 16 INVESTMENT IN ASSOCIATES (continued)

2023	AREC KD	Tawazun KD	Light Fields KD	Oman Integral KD
Total assets	96,526,442	60,146,157	3,365,293	10,367,314
Total liabilities and non-controlling interests	(35,692,252)	(928,061)	(2,721,501)	(2,983,354)
Equity attributable to Parent Company	60,834,190	59,218,096	643,792	7,383,960
Contingent liabilities and commitments	25,102	-	-	-
2023	AREC KD	Tawazun KD	Light Fields KD	Oman Integral KD
Profit (loss)	2,717,654	2,133,172	(282,449)	264,139
Other comprehensive loss	(296,899)	(386,708)	-	(70,302)
Total comprehensive consolidated income (loss)	2,420,755	1,746,464	(282,449)	193,837
2022	AREC KD	Tawazun KD	Oman Integral KD	
Total assets		93,259,704	70,334,151	10,573,317
Total liabilities and non-controlling interests		(32,734,210)	(1,359,784)	(3,282,757)
Equity attributable to Parent Company		60,525,494	68,974,367	7,290,560
Contingent liabilities and commitments		27,554	-	-
2022	AREC KD	Tawazun KD	Oman Integral KD	
Profit		2,487,695	1,826,739	209,361
Other comprehensive loss		(304,681)	(694,397)	-
Total comprehensive income		2,183,014	1,132,342	209,361

The fair value of one of the associates is KD 2,925,121 (2022: KD 3,144,810), which is higher than its carrying value. The fair value of investment in the remaining associates could not be reliably measured as the associates are unquoted and do not have a published quoted price. Management considers that the fair value is unlikely to be materially different from the carrying value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 17 INVESTMENT PROPERTIES

	2023 KD	2022 KD
As at 1 January	31,216,201	32,000,157
Additions	2,027,958	2,550,000
Disposals	(2,636,832)	(1,911,870)
Valuation gain (losses) from investment properties (Note 7)	543,325	(44,384)
Exchange differences	(547,135)	(1,377,702)
As at 31 December	<u>30,603,517</u>	<u>31,216,201</u>

Investment properties held by the group are developed properties located in Kuwait, Kingdom of Saudi Arabia and Egypt.

During the current year, the Group has sold investment properties with an aggregate carrying value of KD 2,636,832 (2022: KD 1,911,870) for a total cash consideration of KD 3,599,790 (2022: KD 1,970,000) resulting in a gain on sale amounting to KD 962,958 (2022: KD 58,130) recognised in the consolidated statement of profit or loss under real estate income (Note 7).

Investment properties with a carrying value of KD 6,250,000 (2022: KD 6,250,000) have been pledged as a collateral for Islamic finance payables. (Note 23).

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, under the Level 3 fair value hierarchy, 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, and is measured under Level 2 fair value hierarchy. The unit of comparison applied by the Group is the price per square meter ('sqm').

The Group classifies its investment properties as level 2 and level 3 in the fair value measurement hierarchy.

Amounts recognised in the consolidated statement of profit or loss for investment properties are as follows:

	2023 KD	2022 KD
Change in fair value of investment properties (Note 7)	543,325	(44,384)
Gain on sale of investment properties (Note 7)	962,958	58,130
Rental revenues (Note 7)	3,532,415	3,443,755
Real Estate related expenses (Note 7)	(238,996)	(192,464)

The fair value hierarchy for the investment properties are as follow:

	2023 KD	2022 KD
Significant observable inputs (Level 2 "Market approach")	2,499,082	2,479,945
Significant unobservable inputs (Level 3 "Income capitalisation approach")	28,104,435	28,736,256
	<u>30,603,517</u>	<u>31,216,201</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 17 INVESTMENT PROPERTIES (continued)

The sensitivity analysis for Level 2 and Level 3 input are as follows:

##### a) Level 2 "Market Approach"

	2023	2022
Estimated market price (per sqm) (KD)	<b>463</b>	389

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation:

	<i>Changes in valuation assumptions</i>	<i>Impact on profit for the year</i>	
		2023 KD	2022 KD
Estimated market price (per sqm) (KD)	+ 5%	<b>124,954</b>	123,997

##### b) Level 3 "Income Capitalisation Approach"

	2023	2022
Average monthly rent (per sqm) (KD)	<b>19.40</b>	17.94
Average yield rate	<b>11.96%</b>	11.20%
Occupancy rate	<b>100.00%</b>	100.00%

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation:

	<i>Changes in valuation assumptions</i>	<i>Impact on profit for the year</i>	
		2023 KD	2022 KD
Average monthly rent (per sqm)	+ 5%	<b>1,405,223</b>	1,436,803
Average yield rate	+ 5%	<b>(1,349,594)</b>	(1,380,840)
Occupancy rate	- 5%	<b>(1,405,220)</b>	(1,436,822)

#### 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:

	2023 KD	2022 KD
As at 1 January	<b>28,736,256</b>	28,142,510
Additions	<b>2,027,958</b>	2,550,000
Disposals	<b>(2,550,000)</b>	(1,911,870)
Remeasurements recognised in profit or loss	<b>(109,778)</b>	(44,384)
As at 31 December	<b>28,104,436</b>	28,736,256



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 18 OTHER ASSETS

	2023 KD	2022 KD
Trade receivables, net	1,988,570	2,546,806
Prepaid expenses	1,266,112	1,139,212
Amounts due from related parties (Note 27)	476,341	171,925
Advances for investment securities and to suppliers	141,148	1,390,889
Inventories	3,418,147	4,591,847
Refundable deposits	835,851	1,052,992
Other receivables, net	450,587	537,616
	<u>8,576,756</u>	<u>11,431,287</u>

As at 31 December 2023, the Group's carrying amount of trade receivables is net of an allowance for expected credit losses of KD 8,072,944 (2022: KD 8,268,908), Amounts due from related parties is net of an allowance for expected credit losses of KD 381,224 (2022: KD 381,224) and other receivables is net of an allowance for expected credit losses of KD 4,938,149 (2022: KD 4,990,944).

Set out below is the movement in the allowance for expected credit losses of trade receivables, amount due from related parties and provision for impairment of other assets:

	2023 KD	2022 KD
As at 1 January	13,641,076	13,432,350
Reversal of other assets (Note 10)	(26,495)	(34,965)
Allowance for expected credit losses (ECL) on trade receivables (Note 10)	254,171	277,959
Write-offs	(476,435)	(34,268)
As at 31 December	<u>13,392,317</u>	<u>13,641,076</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

19	PROPERTY AND EQUIPMENT							
	<i>Leasehold lands KD</i>	<i>Buildings KD</i>	<i>Furniture and fixtures KD</i>	<i>Tools and office equipment KD</i>	<i>Motor vehicles KD</i>	<i>Leased motor vehicles KD</i>	<i>Right-of-use asset KD</i>	<i>Total KD</i>
<b>Cost and valuation</b>								
As at 1 January 2023	11,681,000	2,660,853	603,387	2,945,304	1,685,098	56,558,200	6,570,978	82,704,820
Additions	-	-	88,287	88,622	-	-	69,312	246,221
Transfer from inventory	-	-	-	-	314,001	30,300,743	-	30,614,744
Transfer to inventory	-	-	-	-	(325,960)	(23,713,021)	-	(24,038,981)
Derecognition	-	-	-	-	-	-	(102,623)	(102,623)
<b>As at 31 December 2023</b>	<b>11,681,000</b>	<b>2,660,853</b>	<b>691,674</b>	<b>3,033,926</b>	<b>1,673,139</b>	<b>63,145,922</b>	<b>6,537,667</b>	<b>89,424,181</b>
<b>Depreciation and impairment</b>								
As at 1 January 2023	-	491,870	572,767	2,850,935	1,308,388	10,962,694	5,211,581	21,398,235
Depreciation charge for the year	-	100,332	69,618	50,064	108,283	8,907,690	1,151,125	10,387,112
Transfer to inventory	-	-	-	-	(189,296)	(7,232,215)	-	(7,421,511)
Derecognition	-	-	-	-	-	-	(71,195)	(71,195)
<b>As at 31 December 2023</b>	<b>-</b>	<b>592,202</b>	<b>642,385</b>	<b>2,900,999</b>	<b>1,227,375</b>	<b>12,638,169</b>	<b>6,291,511</b>	<b>24,292,641</b>
<b>Net book value</b>								
As at 31 December 2023	11,681,000	2,068,651	49,289	132,927	445,764	50,507,753	246,156	65,131,540

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 19 PROPERTY AND EQUIPMENT (continued)

	<i>Leasehold lands KD</i>	<i>Buildings KD</i>	<i>Furniture and fixtures KD</i>	<i>Tools and office equipment KD</i>	<i>Motor vehicles KD</i>	<i>Leased motor vehicles KD</i>	<i>Right-of-use asset KD</i>	<i>Total KD</i>
Cost and valuation								
As at 1 January 2022	11,681,000	2,660,853	582,609	3,737,507	1,544,225	46,800,326	5,043,498	72,050,018
Additions	-	-	20,778	62,555	-	-	1,527,480	1,610,813
Transfer from inventory	-	-	-	-	293,564	32,566,087	-	32,859,651
Transfer to inventory	-	-	-	-	(152,691)	(22,808,213)	-	(22,960,904)
Disposals	-	-	-	(854,758)	-	-	-	(854,758)
As at 31 December 2022	11,681,000	2,660,853	603,387	2,945,304	1,685,098	56,558,200	6,570,978	82,704,820
Depreciation and impairment								
As at 1 January 2022	-	389,918	556,800	3,628,985	1,275,882	9,588,563	3,823,192	19,263,340
Depreciation charge for the year	-	101,952	15,967	38,568	80,895	8,106,965	1,388,389	9,732,736
Transfer to inventory	-	-	-	-	(48,389)	(6,732,834)	-	(6,781,223)
Disposals	-	-	-	(816,618)	-	-	-	(816,618)
As at 31 December 2022	-	491,870	572,767	2,850,935	1,308,388	10,962,694	5,211,581	21,398,235
Net book value								
As at 31 December 2022	11,681,000	2,168,983	30,620	94,369	376,710	45,595,506	1,359,397	61,306,585

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

## 19 PROPERTY AND EQUIPMENT (continued)

### *Operating lease commitments – Group as a lessor*

The Group has entered into commercial leases for its motor vehicles fleet in the normal course of business. Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2023 KD	2022 KD
Within one year	13,469,217	12,474,282
After one year but not more than five years	8,020,577	7,312,240
	<u>21,489,794</u>	<u>19,786,522</u>

The depreciation charge for the year has been allocated in the consolidated statement of profit or loss as follows:

	2023 KD	2022 KD
Depreciation of motor vehicles (Note 6)	9,015,973	8,187,860
Depreciation expense of right-of-use asset relating to leasehold rights (Note 7)	927,488	1,157,440
Depreciation expense of right-of-use assets (included with depreciation expense in the consolidated statement of profit or loss)	223,637	230,949
Depreciation expense included in the consolidated statement of profit or loss	220,014	156,487
	<u>10,387,112</u>	<u>9,732,736</u>

### *Revaluation of leasehold lands*

Notwithstanding the contractual term of the leases, management considers that, the agreements of leasehold land are renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease and, consequently, as is common practice in Kuwait these leases have been accounted for as leasehold land. Leasehold lands are recognised at fair value using the market comparable approach. During the current year, the fair valuation was conducted by two independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of leasehold land being valued. The change in fair value was calculated based on the lower of the two values and does not differ materially from its fair value. Under the market comparable approach, the property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm). The significant assumption used in the determination of fair value was the market price (per sqm). A decrease of 5% (2022: 5%) in the estimated market price (per sqm) will reduce the value by KD 584,050 (2022: KD 584,050). The fair value was determined based on sales comparison method and is measured under the Level 2 fair value hierarchy.

Significant unobservable valuation input	Range
Price per square metre	KD 800 – KD 1,350

## 20 LEASEHOLD RIGHTS

	2023 KD	2022 KD
As at 1 January	501,111	1,444,870
Amortisation (Note 7)	(501,111)	(943,759)
As at 31 December	<u>-</u>	<u>501,111</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 20 LEASEHOLD RIGHTS (continued)

Leasehold rights represents the Group's investment in a real estate project. Leasehold rights is amortised over the remaining lease term expiring on September 2023 and is stated at cost net of accumulated amortisation and accumulated impairment losses, if any. Leasehold rights was capitalised in February 2017 after receiving the notification of commencement of operations.

#### 21 SHARE CAPITAL

	<i>Number of shares</i>		<i>Authorised, issued and fully paid</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
			<i>KD</i>	<i>KD</i>
Shares of 100 fils each (paid in cash)	<b>664,038,824</b>	664,038,824	<b>66,403,882</b>	66,403,882

#### 22 RESERVES AND DIVIDEND

##### Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. 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. During the year, KD 1,306,278 was transferred to statutory reserve.

##### Dividend

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved in the annual general assembly meeting ("AGM") of the shareholders of the Parent Company held on 9 March 2023 and a cash dividend of 7.5% (2021: Nil%) amounting to KD 4,980,291 (2021: Nil) was approved for the year ended 31 December 2021. As on 31 December 2023, the unclaimed dividend amounting to KD 215,382, relating to parent company, is recorded in other liabilities (Note 24).

The Board of Directors of the Parent Company has proposed a cash dividend of 7.5% for the year ended 31 December 2023 of the paid up share capital. This proposal is subject to the approval of the ordinary general assembly of the shareholders of the Parent Company.

#### 23 ISLAMIC FINANCE PAYABLES AND DEBT SETTLEMENT

	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
Relating to the Parent Company <sup>1</sup>	<b>6,217</b>	2,952,189
Relating to subsidiaries <sup>2</sup>	<b>11,364,232</b>	11,508,537
	<b>11,370,449</b>	14,460,726
	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
Gross amount	<b>12,737,058</b>	15,608,144
Deferred payable	<b>(1,366,609)</b>	(1,147,418)
Net payable	<b>11,370,449</b>	14,460,726



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

### 23 ISLAMIC FINANCE PAYABLES AND DEBT SETTLEMENT (continued)

<sup>1</sup> Islamic finance payables of the Parent Company are previously restructured debt. On 19 August 2020, the Court of Cassation had issued its final verdict approving the debt restructuring plan ("proposed plan") ratified by the Central Bank of Kuwait and the suspension of litigation and enforcement procedures related to the remaining debt exposure until the end of 2024. Subsequent to the final verdict, the Parent Company reached a settlement with lenders amounting KD 136,935,662 of the total outstanding Islamic finance payables. Furthermore, during the year ended 31 December 2023, the Parent Company settled Islamic finance payable amounting to KD 2,945,982.

<sup>2</sup> Islamic finance payables relating to one of the subsidiaries of the Group include KD 1,290,191 (2022: KD 1,473,400) are secured against collaterals in the form of investment properties amounting to KD 6,250,000 (2022: KD 6,250,000) (Note 17). These balances are due to one of the major shareholder (Note 27).

Islamic finance payables relating to the one of the subsidiaries of the Group include KD 10,074,041 (2022: KD 10,035,137) under Tawaruq agreements are unsecured and repayable within 1 to 5 years. The amount due is settled on a deferred payment basis and currently carrying profit at 5.75 % per annum (2022: 4.75%).

### 24 OTHER LIABILITIES

	2023 KD	2022 KD
Trade payables	7,251,852	7,035,547
Real estate payables	700,000	700,000
Advances from customers and security deposits	1,169,872	1,308,420
Provision for employees' end of service benefits and accrued staff leave	4,801,053	4,221,158
Dividends payable	368,962	296,038
Capital reduction payable	404,077	713,593
Amount due to related parties (Note 27)	74,546	85,915
Provisions and other accruals	11,673,469	12,023,347
Lease liabilities	251,038	1,471,871
KFAS payable	93,032	146,446
Other payables	5,261,458	5,409,144
	<u>32,049,359</u>	<u>33,411,479</u>

Set out below, are the carrying amount of the Group's lease liabilities and the movement during the year:

	2023 KD	2022 KD
As at 1 January	1,471,871	1,264,462
Additions	69,312	1,527,480
Payments	(1,291,932)	(1,392,244)
Finance costs	33,213	72,173
Derecognition	(31,426)	-
As at 31 December	<u>251,038</u>	<u>1,471,871</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 24 OTHER LIABILITIES (continued)

The following are the amounts recognised in consolidated statement of income:

	2023 KD	2022 KD
Depreciation of right-of-use assets relating to leasehold rights (included under Note 7)	927,488	1,157,440
Depreciation of right-of-use assets (included with depreciation expense in the consolidated statement of profit or loss)	223,637	230,949
Finance costs on lease liabilities (included under Note 7)	21,921	51,004
Finance costs on lease liabilities (included under finance cost in the consolidated statement of profit or loss)	11,292	21,169
Total amount recognised in consolidated statement of profit or loss	<u>1,184,338</u>	<u>1,460,562</u>

#### 25 CONTINGENCIES

At 31 December 2023, the Group's bankers have provided bank guarantees, amounting to KD 392,854 (2022: KD 1,027,433) from which it is anticipated that no material liabilities will arise.

The Group has commitments in respect of purchase of investment securities amounting to KD NIL (2022: KD 1,125,000).

#### 26 FIDUCIARY ASSETS

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.

The Group manages client asset in a fiduciary capacity. The client assets have no recourse to the general assets of the Group and the Group has no recourse to the assets under management. Accordingly, assets under management are not included in the consolidated financial statements, as they are not assets of the Group. As at 31 December 2023, assets under management amounted to KD 26,003,019 (2022: KD 39,058,502). Income earned from fiduciary assets amounted to KD 258,449 for the year ended 31 December 2023 (2022: KD 258,093), out of which KD 247,592 (2022: KD 241,519) is income earned from related parties (Note 27).

#### 27 RELATED PARTY DISCLOSURES

These represent transactions with certain related parties (major shareholders, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence) entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 27 RELATED PARTY DISCLOSURES (continued)

The aggregate value of transactions and outstanding balances with related parties were as follows:

	<i>Major shareholders KD</i>	<i>Associates KD</i>	<i>Other related parties KD</i>	<i>Total 2023 KD</i>	<i>Total 2022 KD</i>
Finance costs	75,897	-	-	75,897	56,670
Advisory and management fees	-	(17,205)	264,797	247,592	241,519
Dividend Income	34,226	-	497,428	531,654	168,710
	<i>Major shareholders KD</i>	<i>Associates KD</i>	<i>Other related parties KD</i>	<i>Total 2023 KD</i>	<i>Total 2022 KD</i>
Cash and cash equivalents (Note 13)	111,468	-	-	111,468	191,188
Amount due from related parties (Note 18)	39,753	144,537	292,051	476,341	171,925
Financial assets at FVTPL	1,173,676	-	7,461,943	8,635,619	6,851,806
Islamic finance payables (Note 23)	1,290,191	-	-	1,290,191	1,473,400
Trade Payables	-	-	995,103	995,103	508,604
Amount due to related parties (Note 24)	-	74,546	-	74,546	85,915
				<i>Other related parties Total 2023 KD</i>	<i>Total 2022 KD</i>
Other transactions					
Purchases of inventories				2,774,118	1,591,574

During the year, the Group purchased back units in Sudan Portfolio from various investors, including a related party, in return to transferring certain shares in Spot Mall – Egypt which have been classified as FVTPL. In the Parent Company books, investment in Sudan Portfolio has been fully impaired. Due to this swap transaction, there has been a fair valuation gain recognised on investment in Spot Mall and impairment loss on the acquired stake of investments in Sudan Portfolio. Net impact from this swap transaction in the consolidated statement of profit or loss is Nil.

#### Terms and conditions of transactions with related parties

Except for Islamic finance payables, outstanding balances at the year-end are unsecured, non-profit bearing and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2023, the Group has not recognised any additional allowance for expected credit losses relating to amounts owed by related parties (2022: KD Nil) as the Group has assessed its related parties to have low credit risk based on its strong liquidity position to meet its contractual cash flow obligations in the near term and therefore it does not expect to incur any significant credit losses on receivables from related parties.

#### Transactions with key management personnel

Key management personnel comprise of the 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.

	<i>2023 KD</i>	<i>2022 KD</i>
Directors' remuneration	120,000	120,000
Salaries and other short term benefits	1,240,719	1,040,430
Employees end of service benefits	231,451	116,968
	<u>1,592,170</u>	<u>1,277,398</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 27 RELATED PARTY DISCLOSURES (continued)

Directors' remuneration of the Parent company amounting to KD 120,000 for the year ended 31 December 2023 (2022: KD 120,000) is subject to approval of shareholders at the Annual General Meeting. Directors' remuneration of the Parent company amounting to KD 120,000 for the year ended 31 December 2022 was approved in the AGM of the shareholders of the Parent Company held on 9 March 2023.

#### 28 SEGMENT INFORMATION

For management purposes, the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- ▶ **Islamic financing:** Providing a range of Islamic products to corporate and individual customers
- ▶ **Leasing Sector:** Leasing of vehicle and equipment to corporate and individual customers and investments with similar or related operations
- ▶ **Real estate:** Buying, selling, and investing in real estate
- ▶ **Proprietary investment and assets management:** Operations of Group's subsidiaries and associates (excluding leasing related subsidiaries and associates) and managing funds and portfolios.

## 28

[illegible]



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2023**

**28 SEGMENT INFORMATION (continued)**

	<i>Islamic financing KD</i>	<i>Leasing sector KD</i>	<i>Real estate KD</i>	<i>Proprietary investment and assets management KD</i>	<i>Others KD</i>	<i>Total KD</i>
<i>2022</i>						
Total assets	-	70,552,070	20,794,865	48,634,012	11,365,803	151,346,750
Total liabilities	-	22,642,154	3,904,342	3,648,747	17,676,962	47,872,205
Goodwill	-	-	-	91,005	-	91,005

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 December 2023

### 28 SEGMENT INFORMATION (continued)

	<i>Islamic financing KD</i>	<i>Leasing sector KD</i>	<i>Real estate KD</i>	<i>Proprietary investment and assets management KD</i>	<i>Others KD</i>	<i>Total KD</i>
<i>Year ended 31 December 2022</i>						
Revenue	18,806	12,896,406	2,249,444	3,941,032	-	19,105,688
Segment profit (loss)	73,767	7,519,427	1,813,724	1,955,820	(1,344,925)	10,017,813
Depreciation	-	(8,562,223)	(1,161,975)	(8,538)	-	(9,732,736)
Amortisation of leasehold rights	-	-	(943,759)	-	-	(943,759)
Net impairment losses, expected credit losses and provisions	86,953	(277,891)	(92,783)	(68)	127,748	(156,041)
Share of results of associates	-	-	-	821,953	-	821,953
Other disclosures:						
Capital expenditure	-	685,022	911,905	-	13,886	1,610,813
Investment in associates	-	-	-	20,091,871	-	20,091,871

### Geographical information

The majority of the Group's assets and revenue is based in the State of Kuwait.

### 29 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

#### 29.1 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 and other receivables) and from its financing activities, including deposits with banks and financial institutions.

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
Cash and short-term deposits	19,733,927	17,014,416
Trade receivables	1,988,570	2,546,806
Receivables from related parties	476,341	171,925
Refundable deposits, dividend receivables and other receivables*	1,286,438	1,590,608
	<u>23,485,276</u>	<u>21,323,755</u>

\* excluding advances and prepayments

#### *Cash and short-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. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

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

#### *Trade receivables and other receivables*

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables and other 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 and other 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

## 29 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 29.1 Credit risk (continued)

#### *Trade receivables and other receivables (continued)*

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

2023	Trade receivables			
	Current KD	Days past due		Total KD
		91-180 days KD	>180 days KD	
Gross carrying amount	1,991,416	346,167	7,723,931	10,061,514
Estimated credit loss	595,921	184,712	7,292,311	8,072,944
Expected credit loss rate	30%	53%	94%	80%

2022	Trade receivables			
	Current KD	Days past due		Total KD
		91-180 days KD	>180 days KD	
Gross carrying amount	2,276,510	559,772	7,979,432	10,815,714
Estimated credit loss	654,374	269,510	7,345,024	8,268,908
Expected credit loss rate	29%	48%	92%	76%

#### *Amounts due from related parties*

The net outstanding balance of amounts due from related parties 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 on the outstanding balances was immaterial.

#### **Significant increase in credit risk**

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess as whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk. In addition to the above quantitative criteria, the Group applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

#### **Measurement of ECLs**

ECLs are probability-weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk assumptions, nature and value of collaterals, forward-looking macro-economic scenarios, etc.

The Group calculates ECL on credit facilities classified in stage 3 at 100% of the defaulted exposure net of value of eligible collaterals after applying applicable haircuts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

## 29 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 29.1 Credit risk (continued)

#### PD estimation process

The probability of default (PD) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The Group utilises the internal credit standings of its Islamic financing customers and other measures and techniques which seek to take account of all aspects of perceived risk in estimating the PD for IFRS 9. Furthermore, the Group also considers CBK's requirements on flooring of PD for credit facilities.

#### Exposure at default

Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers EAD based on CBK's guidelines on credit conversion factors to be applied on utilised portions for cash facilities.

#### Loss given default

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based CBK's guidelines on eligible collaterals with prescribed haircuts for determining LGD.

### 29.2 Liquidity risk

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 has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

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

2023	<i>Less than 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Islamic finance payables	2,442,915	1,258,041	9,036,102	12,737,058
Lease liabilities	51,785	168,420	32,249	252,454
Other liabilities*	7,812,168	3,952,624	15,187,318	26,952,110
	<u>10,306,868</u>	<u>5,379,085</u>	<u>24,255,669</u>	<u>39,941,622</u>
2022	<i>Less than 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Islamic finance payables	5,537,507	1,215,507	8,855,130	15,608,144
Lease liabilities	393,120	892,250	219,680	1,505,050
Other liabilities*	6,349,448	5,445,214	15,788,585	27,583,247
	<u>12,280,075</u>	<u>7,552,971</u>	<u>24,863,395</u>	<u>44,696,441</u>

\* excluding advances and provision for employees' end of service benefits



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

## 29 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 29.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long- and short-term changes in fair value.

#### 29.3.1 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio. Equity price risk is managed by the direct investment department of the Parent Company. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on Group's profit (as a result of a change in the fair value of financial assets at fair value through profit or loss) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2023		2022	
	<i>Change in equity price %</i>	<i>Effect on profit KD</i>	<i>Change in Equity price %</i>	<i>Effect on profit KD</i>
<b>Stock Prices</b>				
Boursa Kuwait	5%	288,530	5%	250,045

#### 29.3.2 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market profit rate.

The Group's profit rate risk primarily arises from its borrowings. The Group is subject to limited exposure to profit rate risk due to the fact that this comprises of Islamic finance payables which are fixed-rate instruments and may be repriced immediately based on market movement in profit rates.

#### 29.3.3 Foreign currency risk

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

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 Group does not have significant foreign currency exposures at 31 December 2023 and 31 December 2022 as its monetary assets and liabilities are primarily denominated in Kuwaiti Dinar.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 30 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.

2023	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
<b>ASSETS</b>						
Cash and cash equivalent	19,717,907	-	-	16,020	-	19,733,927
Financial assets at FVTPL	80,000	-	986,134	3,158,784	7,461,967	11,686,885
Investment in associates	1,171	-	-	-	18,059,739	18,060,910
Investment properties	-	-	-	-	30,603,517	30,603,517
Other assets	6,472,870	896,669	1,207,217	-	-	8,576,756
Property and equipment	4,078,570	5,093,968	10,510,934	30,401,798	15,046,270	65,131,540
<b>TOTAL ASSETS</b>	<b>30,350,518</b>	<b>5,990,637</b>	<b>12,704,285</b>	<b>33,576,602</b>	<b>71,171,493</b>	<b>153,793,535</b>
<b>2023</b>	<b>Within 3 months KD</b>	<b>3 to 6 months KD</b>	<b>6 to 12 months KD</b>	<b>1 to 3 years KD</b>	<b>Over 3 years KD</b>	<b>Total KD</b>
<b>LIABILITIES</b>						
Islamic finance payables	2,370,449	-	1,000,000	4,000,000	4,000,000	11,370,449
Other liabilities	8,320,652	2,065,939	2,268,465	14,854,479	4,539,824	32,049,359
<b>TOTAL LIABILITIES</b>	<b>10,691,101</b>	<b>2,065,939</b>	<b>3,268,465</b>	<b>18,854,479</b>	<b>8,539,824</b>	<b>43,419,808</b>
<b>NET</b>	<b>19,659,417</b>	<b>3,924,698</b>	<b>9,435,820</b>	<b>14,722,123</b>	<b>62,631,669</b>	<b>110,373,727</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 30 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2022	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
<b>ASSETS</b>						
Cash and cash equivalent	16,998,405	-	-	16,011	-	17,014,416
Financial assets at FVTPL	-	-	727,550	3,077,458	5,889,266	9,694,274
Investment in associates	695,634	-	-	-	19,396,237	20,091,871
Investment properties	-	-	-	-	31,216,201	31,216,201
Other assets	7,733,411	1,137,845	2,560,031	-	-	11,431,287
Property and equipment	4,182,234	3,105,810	9,414,149	30,074,225	14,530,167	61,306,585
Leasehold properties	165,201	167,037	168,873	-	-	501,111
Goodwill	-	-	-	-	91,005	91,005
<b>TOTAL ASSETS</b>	<b>29,774,885</b>	<b>4,410,692</b>	<b>12,870,603</b>	<b>33,167,694</b>	<b>71,122,876</b>	<b>151,346,750</b>
<b>2022</b>						
	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
<b>LIABILITIES</b>						
Islamic finance payables	5,460,726	-	1,000,000	4,000,000	4,000,000	14,460,726
Other liabilities	7,235,145	3,392,718	3,141,718	17,048,188	2,593,710	33,411,479
<b>TOTAL LIABILITIES</b>	<b>12,695,871</b>	<b>3,392,718</b>	<b>4,141,718</b>	<b>21,048,188</b>	<b>6,593,710</b>	<b>47,872,205</b>
<b>NET</b>	<b>17,079,014</b>	<b>1,017,974</b>	<b>8,728,885</b>	<b>12,119,506</b>	<b>64,529,166</b>	<b>103,474,545</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 31 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 shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

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, Islamic finance payables less cash and short-term deposits. Capital represents equity attributable to the equity holders of the Parent Company.

	2023 KD	2022 KD
Islamic finance payables	11,370,449	14,460,726
Less: cash and short-term deposits	(19,733,927)	(17,014,416)
<b>Net debt</b>	<b>(8,363,478)</b>	<b>(2,553,690)</b>
Equity attributable to the equity holders of the Parent Company	98,056,780	91,223,657
<b>Capital and net debt</b>	<b>89,693,302</b>	<b>88,669,967</b>
Gearing ratio	-	-

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

#### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

##### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of its assets and liabilities by valuation technique:

- ▶ 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; and
- ▶ Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments 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 unquoted equity investments.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

## 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### 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 bid 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.

#### Unquoted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. Unquoted equity securities are valued based on dividend discount model and book value and price to book multiple method, multiples using latest financial statements available of the investee entities after considering for Discount for lack of marketability (DLOM) in the range of 40%-50%. The Group classifies the fair value of these investments as Level 3.

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.

#### Funds and portfolio

The Group invests in managed funds and portfolio, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds and portfolio as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the Net Asset Value (NAV) of these investee funds and portfolio may be used as an input into measuring their fair value. The Group classifies these funds and portfolio as Level 3.

The following table shows an analysis of the assets measured at fair value by level of the fair value hierarchy:

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable input (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<b>2023</b>				
Assets measured at fair value:				
Financial assets at FVTPL				
Local quoted equity securities	9,397,884	-	-	9,397,884
Local funds	-	-	466,180	466,180
Foreign portfolio	-	-	451,770	451,770
Local unquoted equity securities	-	-	1,149,108	1,149,108
Foreign unquoted equity securities	-	-	221,943	221,943
	<u>9,397,884</u>	<u>-</u>	<u>2,289,001</u>	<u>11,686,885</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2023

#### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable input (Level 2) KD	Significant unobservable inputs (Level 3) KD	
2022				
Assets measured at fair value:				
Financial assets at FVTPL				
Local quoted equity securities	7,853,982	-	-	7,853,982
Foreign quoted equity securities	31,827	-	-	31,827
Local funds	-	-	466,173	466,173
Foreign portfolio	-	-	451,768	451,768
Local unquoted equity securities	-	-	890,524	890,524
	<u>7,885,809</u>	<u>-</u>	<u>1,808,465</u>	<u>9,694,274</u>

There was a transfer from level 1 to level 3 of the fair value hierarchy during 2023 due to a de-listing of one investment.

#### 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:

	<i>Financial assets at FVTPL KD</i>
As at 1 January 2023	1,808,465
Transfer from Level 1	26,562
Addition	200,000
Disposal	(1,135,517)
Remeasurements recognised in profit or loss	1,389,491
<b>As at 31 December 2023</b>	<b><u>2,289,001</u></b>
	<i>Financial assets at FVTPL KD</i>
As at 1 January 2022	1,943,759
Additions	150,000
Disposal	(32,186)
Remeasurements recognised in profit or loss	(253,108)
<b>As at 31 December 2022</b>	<b><u>1,808,465</u></b>

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short term maturity or re-priced immediately based on market movement in profit rates.

### 32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### Description of significant unobservable inputs to valuation

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of inputs to the fair value
Unquoted equity securities	► Multiple approach	DLOM*	30% - 40%	Increase (decrease) in the discount would decrease (increase) fair value

\* Discount for lack of marketability (DLOM) represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or re-priced immediately based on market movement in interest rate.

For assets classified as level 3, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models. The Group has also performed a sensitivity analysis by varying these input factors by 5%. Based on such analysis, no significant changes in fair values were noted.

## **REPORT ON AUDITORS REMUNERATION**

## Report on Auditors Remuneration

Remuneration incurred for various services provided by statutory auditors of Aayan Leasing & Investment company KSCP and its subsidiaries for the year

	in '000 KWD	
	Year 2023	Year 2022
Audit and Review services	61	60
Non Audit/Review services	8	8
Total Remuneration for the year	69	68

Ernst and Young (EY) Kuwait is the statutory auditor for Aayan Leasing & Investment Company KSCP and its subsidiaries companies based in Kuwait.

The Audit Committee has considered non-audit/review services provided by auditors and is satisfied that the services and the level of fees are compatible with maintaining auditor independence. All services were satisfied by the audit committee in accordance with the approved policies and procedures. Auditors also have confirmed that the existence of specific internal processes and policies in place to ensure auditors independence.