

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Consolidated Financial Statements and Independent Auditor's Report
For the financial year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hayat Invest Company K.S.C ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated financial statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group and its subsidiary as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the financial year ended 31 December 2022 were audited by another auditor who expressed unqualified opinion on these consolidated financial statements on 26 March 2023.

Other information

Management is responsible for the other information. The other information comprises the report of the Board of Directors but does not include the consolidated financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Hayat Invest Company K.S.C. (Closed)
State of Kuwait**

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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 be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than those 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 the Group's management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, we will determine 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 will 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 will be 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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Hayat Invest Company K.S.C. (Closed)
State of Kuwait**

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures. Further, evaluate 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 entity 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.

Report on Other Legal and Regulatory Requirements

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

Furthermore, in our opinion, we report that nothing has come to our attention indicating any material violations of the provisions of Law No. 32 of 1968 as amended, concerning currency, the central bank of Kuwait and the organization of banking business and its related regulation or of the provisions of Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, during the financial year ended 31 December 2023, that might have had a material effect on the business of the Parent Company or its consolidated financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 4 March 2024

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

**Consolidated Statement of Financial Position
As at 31 December 2023**

		2023	2022	1 January
	Notes	KD	*(Restated)	2022
			KD	*(Restated)
				KD
ASSETS				
Cash and cash equivalents	5	2,549,312	1,564,387	2,222,935
Time deposits		-	4,379,280	-
Financial assets at fair value through other comprehensive income ("FVOCI")	6	3,325,438	2,916,806	3,165,856
Financial assets at fair value through profit or loss ("FVTPL")	7	7,016,463	7,682,794	14,061,879
Islamic financing receivables	8	8,654,020	5,189,399	5,507,470
Investment property	9	3,320,400	3,363,801	3,663,817
Equity-accounted investee	10	2,508,847	2,840,294	3,394,315
Due from a related party	11	1,032,999	1,276,425	-
Other assets	12	273,936	349,312	109,917
		<u>28,681,415</u>	<u>29,562,498</u>	<u>32,126,189</u>
Assets held for sale		-	-	821,535
Total assets		<u>28,681,415</u>	<u>29,562,498</u>	<u>32,947,724</u>
LIABILITIES AND EQUITY				
Liabilities				
Other Liabilities	13	1,900,589	1,921,891	1,629,508
Total liabilities		<u>1,900,589</u>	<u>1,921,891</u>	<u>1,629,508</u>
Equity				
Share capital	14	15,000,000	15,000,000	15,000,000
Statutory reserve	15	6,922,594	6,811,129	6,582,386
Voluntary reserve	16	4,422,594	4,311,129	4,082,386
Foreign currency translation reserve		146,458	142,532	5,034,809
Fair value reserve		(234,107)	(266,913)	20,850
Retained earnings		523,287	1,642,730	597,785
Total equity		<u>26,780,826</u>	<u>27,640,607</u>	<u>31,318,216</u>
Total liabilities and equity		<u>28,681,415</u>	<u>29,562,498</u>	<u>32,947,724</u>

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

*Some of the comparative figures presented here are not consistent with the consolidated financial statements and reflect the adjustments made as detailed in Note 22.

Dr. Nabeel A. Al-Mannae
Chairman & CEO

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Consolidated Statement of Profit or Loss
For the financial year ended 31 December 2023

	Notes	2023 KD	2022 KD
Continuing operations			
Income			
Net investment income/(loss)	17	2,325,099	(1,313,610)
Fees and commission income	20	4,666	4,211
Share of loss of equity-accounted investee	10	(335,373)	(558,853)
Foreign exchange (loss) / gain		(30,454)	76,413
Total operating income / (loss)		<u>1,963,938</u>	<u>(1,791,839)</u>
Expenses			
Staff costs		(603,808)	(636,331)
Depreciation and amortization		(56,802)	(56,718)
Finance costs		(14,217)	(1,915)
Other expenses	18	(174,458)	(120,600)
Total expenses		<u>(849,285)</u>	<u>(815,564)</u>
Profit / (loss) for the year from continuing operations before deductions		1,114,653	(2,607,403)
Kuwait Foundation for the Advancement of Sciences		(10,032)	-
Zakat		(12,134)	-
Board of directors' remuneration	21&11	(39,000)	(35,000)
Net profit / (loss) for the year from continuing operations		<u>1,053,487</u>	<u>(2,642,403)</u>
Discontinued operations			
Loss from discontinued operations		-	(8,777)
Reclassification of foreign currency translation reserve on			
Liquidation of an equity accounted investee		-	4,903,611
Total profit on discontinued operations		<u>-</u>	<u>4,894,834</u>
Net profit for the year		<u>1,053,487</u>	<u>2,252,431</u>
Basic and diluted earnings per share attributable to the Shareholders of the Parent Company (fils)	19	<u>7.02</u>	<u>15.02</u>

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Consolidated Statement of Profit or loss and Other Comprehensive Income
For the financial year ended 31 December 2023

	<u>2023</u>	<u>2022</u>
	KD	KD
Net profit for the year	<u>1,053,487</u>	<u>2,252,431</u>
Other comprehensive income / (loss)		
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Reclassification of foreign currency translation reserve on		
Liquidation of an equity accounted investee	-	(4,903,611)
Foreign currency translation differences	3,926	11,334
Change in fair value of Sukuk at fair value through other comprehensive income	20,955	(271,749)
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	<u>11,851</u>	<u>(16,014)</u>
Other comprehensive income / (loss) for the year	<u>36,732</u>	<u>(5,180,040)</u>
Total comprehensive income / (loss) for the year	<u><u>1,090,219</u></u>	<u><u>(2,927,609)</u></u>

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2023

	Share Capital KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2022 (as previously stated)	15,000,000	6,582,386	4,082,386	5,036,896	20,850	971,916	31,694,434
Adjustments:							
Previously years adjustments (Note 22)	-	-	-	(2,087)	-	(374,131)	(376,218)
Balance at 1 January 2022 (Restated)	15,000,000	6,582,386	4,082,386	5,034,809	20,850	597,785	31,318,216
Net profit for the year	-	-	-	-	-	2,252,431	2,252,431
Other comprehensive loss for the year	-	-	-	(4,892,277)	(287,763)	-	(5,180,040)
Total Comprehensive loss	-	-	-	(4,892,277)	(287,763)	2,252,431	(2,927,609)
Transfer to reserves	-	228,743	228,743	-	-	(457,486)	-
Cash dividends (Note 21)	-	-	-	-	-	(750,000)	(750,000)
Balance as at 31 December 2022 (Restated)	15,000,000	6,811,129	4,311,129	142,532	(266,913)	1,642,730	27,640,607
Balance as at 1 January 2023 (Restated)	15,000,000	6,811,129	4,311,129	142,532	(266,913)	1,642,730	27,640,607
Net profit for the year	-	-	-	-	-	1,053,487	1,053,487
Other comprehensive Income for the year	-	-	-	3,926	32,806	-	36,732
Total comprehensive Income for the year	-	-	-	3,926	32,806	1,053,487	1,090,219
Transfer to statutory reserves	-	111,465	111,465	-	-	(222,930)	-
Cash dividends (Note 21)	-	-	-	-	-	(1,950,000)	(1,950,000)
Balance as at 31 December 2023	15,000,000	6,922,594	4,422,594	146,458	(234,107)	523,287	26,780,826

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Consolidated Statement of Cash Flows (Continued)

For the financial year ended 31 December 2023

	Notes	2023 KD	2022 KD
Cash flows from operating activities			
Profit / (loss) for the year from continuing operations		1,053,487	(2,642,403)
Profit for the year from discontinued operations		-	4,894,834
<i>Adjustments for:</i>			
Profit from deposits with banks	17	(143,902)	(56,758)
Profit from investment trust account	17	(94)	(124)
Change in fair value of investment property	9&17	43,401	300,016
(Gain)/loss on sale of financial assets at fair value through profit or loss	17	(230,910)	684,209
Gain from redemption of financial assets at fair value through profit or loss	17	(2,808)	(24,401)
Change in fair value of financial assets at fair value through profit or loss	7 & 17	(1,041,325)	643,717
Dividends from financial assets carried at fair value through profit or loss	17	(63,394)	(96,385)
Profit from Islamic finance receivables	17	(778,081)	(122,207)
Gain from sukuk	6 & 17	(133,792)	(158,989)
Share of loss of equity-accounted investee	10	335,373	558,853
Depreciation and amortization		56,802	56,718
Loss from discontinued operations		-	8,777
Reclassification of foreign currency translation reserve on			
Liquidation of an equity accounted investee		-	(4,903,611)
KFAS		38,744	-
Zakat		46,088	-
Finance costs		14,217	1,915
Provision for end of service indemnity for employees		65,726	99,684
Provision for expected credit losses		13,551	61,051
Investment costs		12,255	83,481
		(714,662)	(611,623)
Change in operating assets and liabilities			
Due from related party		243,426	(1,337,476)
Other assets		(3,781)	930,534
Other liabilities		(7,614)	2,887
Net cash used in operations		(482,631)	(1,015,678)
Zakat payment		(42,981)	-
End of service indemnity for employees paid		(29,646)	-
Net cash flows used in operating activities		(555,258)	(1,015,678)
Cash flows from investing activities			
Profit from deposits with banks received		170,833	15,842
Paid for purchase of property and equipment		(5,494)	(673)
Time deposits		4,379,280	(4,379,280)
Islamic finance receivables	8	(2,970,534)	-
Proceed from Islamic financing receivables	8	270,443	313,053
Paid for purchase of financial assets at fair value through other comprehensive income	6	(371,880)	-
Paid for purchase of financial assets at fair value through profit or loss		(2,516,576)	(5,596,279)
Proceeds from redemption of financial assets at fair value through profit or loss		160,001	2,422,503
Proceeds from sale of financial assets at fair value through profit or loss		4,297,825	8,249,460
Gain from Sukuk received	6	129,846	120,277
Investment costs		(12,255)	(83,141)
Dividends income received		64,530	95,365
Net cash flows from investing activities		3,596,019	1,157,127

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Consolidated Statement of Cash Flows (Continued)
For the financial year ended 31 December 2023

	Note	2023 KD	2022 KD
Cash flows from financing activities			
Lease rental payment		(55,776)	(55,776)
Dividends paid		(2,000,060)	(744,221)
Net cash flows used in financing activities		<u>(2,055,836)</u>	<u>(799,997)</u>
Net Increase / (decrease) in cash and cash equivalents		984,925	(658,548)
Cash and cash equivalents at the beginning of the year		1,564,387	2,222,935
Cash and cash equivalents at the end of the year	5	<u>2,549,312</u>	<u>1,564,387</u>
Non-cash transactions:			
Other assets		124	-
Financial assets at fair value through profit or loss		(124)	-
Transfer to due from related party from finance receivables		-	127,225
Transfer from finance receivables to due from related party		-	(127,225)

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

1. INCORPORATION AND ACTIVITIES

Hayat Invest Company K.S.C. (Closed) ("the Parent Company") is a closed Kuwaiti shareholding company incorporated in the State of Kuwait on 21 December 2008. The Company was registered as an investment company with the Central Bank of Kuwait ("the CBK") on 17 February 2009 and is regulated by the Capital Markets Authority under Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities, as amended, and its Executive Regulations.

The Company was registered with the commercial register of the Ministry of Commerce and Industry on 30 December 2008 under registration number 330034.

The registered address of the Company is Al Jon Tower – 11th & 12th Floors, Fahad Al Salem Street, State of Kuwait.

The objectives of the Company are as follows:

1. Investing in the commercial, real estate, industrial, agricultural, service and other economic sectors, by contributing to the establishment of companies or purchasing the shares and bonds of these companies.
2. Managing the funds of companies, institutions, public and private bodies, and individuals, and investing these funds in various economic sectors, including the management of financial and real estate portfolios.
3. Providing and preparing technical, economic and evaluation studies and consultations, studying investment-related projects, preparing studies and establishing companies for others.
4. Mediation in financing operations.
5. Carrying out the work related to the functions of issuance manager for shares and sukuk issued by companies, authorities, and governmental and non-governmental agencies, and carrying out the work of investment trustees, including managing issues and managing subscription operations in them, and receiving and covering subscriptions.
6. Financing and mediation in international trade operations.
7. Granting financing to others, taking into account the principles of financial soundness in granting financing, and while preserving the sound continuity of the company's financial position in accordance with the conditions, rules and limits set by the Central Bank of Kuwait and in accordance with the provisions of Islamic Sharia.
8. Dealing and trading for the account of the parent company only in the foreign sector market and the precious metals market inside and outside Kuwait for the account of the company and others.
9. Carrying out all business related to the trading and custody of securities, including the sale and purchase of securities, sukuk, stocks, bonds and sukuk of companies and governmental, local and international bodies, at home and abroad.
10. Carrying out all services that help develop and support the capacity of the financial and monetary market in the State of Kuwait and meet its needs, within the limits of the law and the relevant instructions and decisions of the Central Bank of Kuwait.
11. Owning industrial property rights, patents, commercial and industrial trademarks, commercial graphics, literary and intellectual property rights related to programs, and exploiting and leasing them.
12. Managing international portfolios and investing and developing funds in commercial operations for its own account and for the account of third parties in accordance with relevant laws and procedures.
13. Investing its funds in various aspects of investment approved by the Central Bank of Kuwait, mainly financing by the methods of Murabaha and Ijarah, including movable and immovable assets, leasing and selling them as Murabaha.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

1. INCORPORATION AND ACTIVITIES (CONTINUED)

14. Establishing investment funds for its own account and for the account of others, offering its units for subscription, and acting as investment trustee or manager for investment funds at home and abroad in accordance with the laws and decisions in force in this regard.

The Parent Company has the right to conduct the above activities inside and outside State of Kuwait directly or through agency and the Parent Company may have an interest or participate with others having similar activities or assist it in accomplishing its activities inside or outside Kuwait or purchase these companies. This must be in accordance with the provisions of Islamic Sharia.

The consolidated financial statements for the financial year ended 31 December 2023 includes the financial statements of the Parent Company and its subsidiaries (together referred to as "the Group") (Note 3.1).

The consolidated financial statements were authorized for issuance by the Parent Company's Board of Directors on 4 March 2024 and are subject to the approval of the Shareholders' General Assembly. The Shareholders of the Parent Company have the power to amend these consolidated financial statements after issuance at the Shareholders' Ordinary General Assembly.

1.1 Basis of preparation

The consolidated financial statements have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties that have been measured at fair value.

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

1.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations relating to financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require measurement of expected credit losses according to the expected credit losses of credit facilities in accordance with IFRS 9 in compliance with the instructions of the Central Bank of Kuwait or the required provisions according to the instructions of the Central Bank of Kuwait, whichever is higher, and the resulting impact on the relevant disclosures, and the application of all other requirements of IFRS Accounting standards issued by the International Accounting Standards Board (together referred to as "International Financial Reporting Standards Accounting applicable for use in the State of Kuwait").

The preparation of consolidated financial statements in compliance with adopted IFRS Accounting Standards requires the use of certain material accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas of material estimates and assumptions made in preparing the consolidated financial statements and their effect are disclosed in (Note 4).

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (ACCOUNTING STANDARDS)

a) New standards, interpretations, and amendments effective from 1 January 2023

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

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

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 did not have any material impact on the Group's consolidated financial statements.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

This standard did not have any impact on the Group's consolidated financial statements.

Amendments to IAS 8 - Definition of Accounting Estimates

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.

This standard did not have a material impact on the Group's consolidated financial statements.

There are other amendments related to IAS 12 "Income Taxes" that has no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

**2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS
(ACCOUNTING STANDARDS) (Continued)**

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- *Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);*
- *Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements);* and
- *Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)*

The following amendments are effective for the period beginning 1 January 2025:

- *Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)*

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the Group has no convertible debts issued and outstanding. The Group does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Group.

3. MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiary.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any realised gains, losses, expenses, income and balances arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

**Hayat Invest Company K.S.C (Closed) and its subsidiary
State of Kuwait**

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.1 Basis of consolidation (CONTINUED)

The consolidated financial statements include the financial statements of Hayat Invest Company K.S.C (Closed) and its subsidiary as follows:

Name of subsidiary	Country of incorporation	Principal Activities	Ownership (%)	
			2023	2022
Hayat Construction SAL	Lebanon	Construction	100%	100%

The financial information of the subsidiary was consolidated through financial information prepared by the Management as of 31 December 2023.

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- Has power over the investee.
- Is exposed, or has rights, to variable returns from its involvement with the investee.
- Has the ability to use its power to affect the investee's returns.

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

When the Group holds a percentage less than the majority of voting rights in the investee, it shall have the power over the investee in case of its voting rights have the sufficient practical ability to direct the relevant activities of the investee. In determining the adequacy of the investee voting rights, the Group considers all relevant facts and circumstances, including:

- The Group's voting rights in proportion to distribution of the voting rights attributable to others.
- The potential voting rights held by the Company, holders of other votes or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances indicate to the financial ability of the Company to direct the relevant activities when the decision is taken, including the patterns of voting in the previous meetings of Shareholders.

3.2 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former stakeholders of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in consolidated statement of profit or loss as incurred. At the acquisition date, the assets and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Business combination (Continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37, provisions, contingent liabilities and assets, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of profit or loss.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments

3.3.1 Financial assets

i. Classification and measurement of financial assets

Financial assets carried at amortised cost

The financial assets are measured at amortised cost if both of the following conditions are met and are not designated at fair value through profit or loss:

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

Subsequent Measurement

These assets are subsequently measured at amortised cost using the effective return method. The amortised cost is reduced by impairment losses. return income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

The financial assets at amortised cost consist of “cash and cash equivalents” and “Time deposits” and “Islamic finance receivables” and “due from a related party” and “other debit balances included within other assets”.

Cash and cash equivalents

Cash and cash equivalents item comprise of cash on hand, cash at banks, cash at investment portfolio and short term deposits due within three months period from deposit.

Debtors and other debit balances and due from a related party

Debtors and other debit balances and due from a related party are amounts due from customers for services completed in the ordinary course of business and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the expected credit losses. For further details on the expected credit losses please refer to (Note 23).

Islamic finance receivables

Islamic finance receivables are represented in an agreement under which the Group provides a client with an amount of money to be invested according to specified conditions against fixed return. The client is liable for repaying the amount in case of default, negligence or violation of any conditions of Islamic finance. For further details on the expected credit losses please refer to (Note 23).

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

i. Classification and measurement of financial assets (Continued)

Equity investment at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as financial asset recognised at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not recognised at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

These assets are subsequently measured at fair value. Net profits and losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss.

Debt Securities (Sukuk) at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Subsequent Measurement

Debt Securities (Sukuk) at FVOCI are subsequently measured at fair value. Sukuk income is calculated using the effective yield method, foreign exchange gains and losses and impairment losses are recognised in the consolidated statement of profit or loss. Fair value changes which are not part of an effective hedging relationship are recognised in other comprehensive income and presented in the fair value reserves as part of equity until the asset is derecognised or reclassified. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss.

Equity investment at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Subsequent measurement

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net profits and losses are recognised in other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

ii. Impairment of financial assets

IFRS 9 requires the Group to make provision for ECL for all debt instruments, which are not carried 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment loss of the financial assets carried at amortised cost is reversed at the subsequent periods.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for cash and cash equivalents (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The Group has elected to measure; using the simplified approach, loss allowances for other debit balances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 180 days past due.

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

ii. Impairment of financial assets (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of the expected credit losses (ECL)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each consolidated reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to Islamic finance receivables and other debit balances are presented separately in the consolidated statement of profit or loss.

Islamic finance receivables and other debit balances

Further details on calculation of ECLs related to Islamic finance receivables and other debit balances on adoption of IFRS 9 are presented in (Note 23). The Group takes into consideration the model and some assumptions used to calculate credit losses expected as key sources of uncertainty.

The ECLs were calculated based on actual credit loss experience over the past 3-5 years. The Group performed the calculation of ECL rates for its customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the Islamic finance receivables and other debit balances.

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

ii. Impairment of financial assets (Continued)

Derecognition of financial assets

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

3.3.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or loans. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value. Borrowings are recognised initially at fair value, net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In that case, fees shall be posted until the withdrawal is carried out.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Classification and subsequent measurement

The Group's financial liabilities include "other liabilities except end of service indemnity for employees".

Lease liabilities

The Group recognises lease liabilities at the commencement date of the lease and are measured by the present value of the lease payments to be paid during 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 when the Group is reasonably certain that this option is exercised, and payments of penalties for terminating a lease if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (Continued)

3.3.2 Financial liabilities (Continued)

Classification and subsequent measurement (Continued)

Lease liabilities (Continued)

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 the lease liabilities is re-measured if there is an amendment or change in the lease term or a change in the content of the fixed lease payments or a change in the evaluation that is made to determine whether the underlying assets will be purchased.

Liabilities

Liabilities are recognised for the amount to be paid in the future for goods or services received, whether billed or not. Other liabilities are subsequently measured at amortised cost using the effective yield method.

Derecognition of financial liabilities

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

3.4 Offsetting

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

3.5 Investment in equity-accounted investee

The Group's interests in equity-accounted investees comprise of interests in joint ventures. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investment in a joint venture is accounted for using the equity method and is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investee, until the date on which joint control ceases.

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment properties also include property that is being constructed or developed for future use as investment properties.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

Subsequent to initial recognition, investment properties are re-measured at fair value.

The fair value of investment properties reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the consolidated statement of profit or loss. Investment properties are derecognised when they have been disposed.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss.

3.7 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 fair value. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term.

3.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.8 Property and equipment (Continued)

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss in the period in which they occur.

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Office equipment	5
Office furniture and decorations	5
Computers	3

The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

3.9 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually. Whenever there is an indication that the asset may be impaired, its recoverable amount is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

For a non-financial asset, other than goodwill, in which impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.10 Provision for end of service indemnity

The Group provides end of service indemnity 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 provisions of Labor Law and related contracts of employees. The expected costs of these benefits are accrued over the period of employment. This liability which is unfunded represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and the costs to settle has been reliably estimated.

3.12 Revenue recognition

Revenues are measured based on the consideration to which it is expected by the Group to be entitled through the contract with customer as the amounts that have been collected on behalf of the other parties are excluded. Revenues are recognised when the control over goods or services is transferred to the customer.

Control shall be transferred at a specific time if any of the criteria required for transferring goods or service is not met over a period of time. The following items should be considered by the Group whether or not control is transferred:

- The Group shall have immediate right in payments against the asset.
- The customer shall have a legal right in the asset.
- The Group shall transfer the physical possession to the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

Group's revenue streams arise from the following activities:

Management fee and commission income

Fees and commission income earned for the provision of services over a period of time are accrued over that period. These include management fees, advisory fees and commission income, arising from the Group's management of portfolios, funds, custody and similar trust and fiduciary activities.

Islamic finance income

Islamic finance income is recognised on proportion basis to realise a constant periodic rate of return on the outstanding balance based on the effective yield rate method.

Returns income

Returns income is recognised on accrual basis using the effective yield method.

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.12 Revenue recognition (Continued)

Group's revenue streams arise from the following activities (Continued):

Dividends

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

Other income

Other income is recognised on accrual basis.

3.13 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat

Contribution to KFAS, and Zakat represent levies/taxes imposed on the Parent Company at fixed percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for the purposes of the consolidated financial statements.

Statutory levy/Tax

Percentage

Contribution to Kuwait Foundation for the Advancement of Sciences 1% of net profit, less permitted deductions.

Zakat

1% of net profit, less permitted deductions.

3.14 Foreign currencies translation

Functional and presentation currency

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is also functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of comprehensive income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the consolidated financial statements reporting period.

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.14 Foreign currencies translation (Continued)

Foreign operations (Continued)

On consolidation, assets and liabilities have been translated into KD at the closing rate at the consolidated financial statements date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the exchange average rate over the consolidated financial statements period. Exchange differences are charged to the consolidated statement of comprehensive income and recognised in the consolidated statement of equity under the currency translation reserve. On disposal of a foreign operation, the related cumulative translation differences recognised in the consolidated statement of equity are reclassified to the consolidated statement of comprehensive income and are recognised as part of the consolidated statement of profit or loss on disposal.

3.15 Contingent liabilities

Contingent liabilities are not recognised in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. However, the contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

3.16 Fiduciary assets

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

4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the consolidated financial statements period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Material accounting judgments

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

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2023

4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)

Material accounting judgments (Continued)

Classification of financial instruments

On acquisition of a financial asset, the Group decides whether it should be classified as “at fair value through profit or loss”, “at fair value through other comprehensive income” or “at amortised cost”. IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group’s business model for managing the assets of the instrument’s contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets.

Classification of properties

The Group decides on acquisition of a real estate property whether it should be classified as trading, property held for development, investment property or property, plant and equipment. The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Leases

Significant opinions on requirements for applying IFRS 16 include, among others, the following:

- Determine whether the contract (part thereof) contains a lease.
- Determine whether it is reasonably certain that extension or termination option will be exercised
- Classification of lease agreements (when the entity is the lessor).
- Determine whether the variable payments are substantially fixed.
- Determine whether there are multiple leases in the arrangement.
- Determine the sale price of leased and non-leased items.

Useful lives of property and equipment

As described in the accounting policies, the Group reviews the estimated useful lives over which its property and equipment are depreciated. The Group’s management is satisfied that the estimates of useful lives are appropriate.

Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated financial statements date, that have a significant impact causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted financial assets

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

- Recent arm’s length market transactions.
- Current fair value of other instruments that are substantially the same.
- Earnings multiples.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (Continued)

Valuation of unquoted financial assets (Continued)

- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Price to book value model.
- other valuation models.

The determination of the cash flows, earnings multiple, price to book value multiple and discount factors for unquoted shares requires significant estimation.

Provision for expected credit losses for Islamic finance receivables and other debit balances

The Group has reassessed its significant judgments and estimates in respect of expected credit losses including probability of default, loss rate on default and incorporation of forward looking information.

The Group uses a provision matrix to calculate ECLs for Islamic finance receivables and other debit balances. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalisation) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Valuation of investment properties

The Group carries its investment properties at fair value where changes in the fair value are recognised in the consolidated statement of profit or loss, three basic methods are used for determining the fair value of the investment properties:

- a) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.
- b) Income capitalisation: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of profit from the property as per market inputs, which is known as capitalisation rate.
- c) Comparative analysis: using values of actual deals transacted recently by other parties for properties in a similar location and condition and relying on expertise of independent real estate appraiser.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (Continued)

Fair value measurement and valuation techniques

The Group has updated the fair value studies relating to investments in unquoted shares as a result of the negative impacts on the fair value of unquoted financial investments.

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group's management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability, the management uses market observable data to the extent it is available. In case no market observable data are available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in (Note 24).

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Determination whether matching the criteria of revenue recognition in accordance with IFRS 15 and the policy of revenue recognition disclosed in (Note 3.12) require significant judgments.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

5. CASH AND CASH EQUIVALENTS

	2023	2022
	KD	KD
Cash on hand	528	528
Cash at banks	249,002	467,680
Cash at portfolios	49,782	216,180
Short term deposits*	2,250,000	879,999
	<u>2,549,312</u>	<u>1,564,387</u>

* This represents Kuwaiti Dinar denominated short term deposits with a local Islamic bank carries an effective return rate of 4.60% (2022: 4.41%) per annum. This term deposit has maturity of three months or less from the date of deposit.

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6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2023</u>	<u>2022</u>
	KD	KD
Foreign unquoted equity security	466,359	82,628
Sukuk	<u>2,859,079</u>	<u>2,834,178</u>
	<u>3,325,438</u>	<u>2,916,806</u>

The movement during the year is as follows:

	<u>2023</u>	<u>2022</u>
	KD	KD
Balance as at the beginning of the year	2,916,806	3,165,857
Additions	371,880	-
Gain from sukuk	133,792	158,989
Gain from Sukuk received	(129,846)	(120,277)
Change in fair value	32,806	(287,763)
Balance as at the end of the year	<u>3,325,438</u>	<u>2,916,806</u>

Sukuk represents investment in Sukuk issued by Boubyan Bank K.S.C.P. and it is listed in Euronext Dublin. The tenor of the Sukuk is perpetual and callable after six years of issuance with profit rate 3.95% paid on a semi-annual basis and the call option date is 1 April 2027. The Group intends to hold the asset to collect contractual cash flows and sell and its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and profit on the principal amount outstanding.

During the year ended 31 December 2023, the company invested KD 371,880 in a foreign private equity investment through an investment portfolio managed by a foreign investment corporation.

The fair value of financial assets was disclosed in (Note 24).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2023</u>	<u>2022</u>
	KD	KD
Local fund	1,646	158,775
Foreign funds	2,533,146	3,955,977
Foreign quoted securities	2,707,911	2,158,938
Foreign unquoted securities	<u>1,773,760</u>	<u>1,409,104</u>
	<u>7,016,463</u>	<u>7,682,794</u>

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The movement during the year is as follows:

	<u>2023</u>	<u>2022</u>
	KD	KD
Balance as at the beginning of the year	7,682,794	14,062,003
Additions	2,516,576	5,596,279
Disposals at fair value	(4,457,826)	(10,671,963)
Realized gain/(loss) on disposals	233,718	(659,808)
Change in fair value	1,041,325	(643,717)
Reclass to other assets	(124)	-
Balance as at the end of the year	<u>7,016,463</u>	<u>7,682,794</u>

During the year ended 31 December 2023, the Group sold financial assets at fair value through profit or loss with an amount of KD 4,457,826 resulting in gain from sale with an amount of KD 233,718. (2022: sold financial assets at fair value through profit or loss with an amount of KD 10,671,963 resulting in loss from sale with an amount of KD 659,808).

During the year ended 31 December 2023, the Group recognized an amount of KD 1,041,325 as unrealized gain from change in fair value of the financial assets at fair value through profit or loss (2022: unrealized loss of KD 643,593).

During the year ended 31 December 2023, the group purchased investment units amounting to KD 2,454,920 in a real estate investment trust listed in the Saudi market through a portfolio managed by an investment company in Kingdom of Saudi Arabia. Later, the company sold some units of the REIT and bought equity shares listed in the Saudi market through the same portfolio.

During the year ended 31 December 2023, the group increased its investment in foreign unquoted securities by KD 61,656.

The fair value of financial assets was disclosed in (Note 24).

8. ISLAMIC FINANCE RECEIVABLES

	<u>2023</u>	<u>2022</u>
	KD	KD
Murabaha	8,486,980	5,272,493
Add: Accrued profit	604,509	321,443
Less: provision for expected credit losses	(437,469)	(404,537)
	<u>8,654,020</u>	<u>5,189,399</u>

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8. ISLAMIC FINANCE RECEIVABLES (CONTINUED)

The movement in Islamic finance receivables is as follows:

	2023	2022
	KD	KD
Balance at 1 January	5,189,399	5,507,470
Additions during the year	2,970,534	-
Profit for the year	398,665	397,578
Proceed during the year	(270,443)	(313,053)
Transfer to due from related party	-	(127,225)
Impact of foreign currency revaluation	379,416	(275,371)
provision for expected credit losses	(13,551)	-
Balance at 31 December	8,654,020	5,189,399

On 25 July 2022, the Group held an Executive Management Committee meeting for termination of Wakala facility with Hayat Villas Company L.L.C. and the classification of the outstanding balance as amounts due from a related party. The Wakala facility was originally extended to Hayat Villas L.L.C. in June 2020 as part of a larger facility amounting to SAR 3 million that was contributed equally by both shareholders of Hayat Villas Company L.L.C. The purpose of extending the facility was to repay outstanding balances to the developer, Oroub Investment, and to complete the construction of sold but unfinished villa units.

Both shareholders of Hayat Villas Company L.L.C. have expressed their desire to terminate the Wakala facilities and classify the outstanding amount as amount due to related parties (non-profit bearing).

- i. On 10 May 2021, the Parent Company (as a seller) entered into first Master Murabaha agreement with Hayat Invest SCS Company (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 16,250,000 (equivalent to KD 5,571,621). On the same date, the Parent Company entered into a pledge agreement with HOCHT Partners Securitization Management S.a.r.L. Company ("HOCHT") and the purpose of the pledge agreement is for HOCHT to grant the Parent Company financial collateral over all shares owned by the HOCHT in Hayat General Partners S.a.r.L. Company and its partnership interest in Hayat Invest SCS Company to secure the payment to be made by the purchaser of the Master Murabaha agreement.

During the year ended 31 December 2023, both parties entered into 5 purchase contracts under the master Murabaha agreement dated 10 May 2021, which resulted in profit of Euro 1,050,655 (2022: Euro 1,202,159) equivalent to KD 349,475 (2022: KD 387,258) recognized in the consolidated statement of profit or loss. The Parent Company received Euro 388,856 (equivalent to KD 129,664) of principal amount of the Murabaha facility and Euro 405,153 (equivalent to KD 135,398) of the profit on the Murabaha facility.

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8. ISLAMIC FINANCE RECEIVABLES (CONTINUED)

- ii. On 20 December 2021, the Parent Company (as a seller) entered into another Murabaha agreement with Hayat Invest SCS (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 330,000 (equivalent to KD 113,147).

During the year ended 31 December 2023, both parties entered into 5 purchase contracts under the master Murabaha agreement dated 20 December 2021, which resulted in profit of Euro 21,422 (2022: Euro 21,203) equivalent to KD 7,126 (2022: equivalent to KD 6,830) recognized in the consolidated statement of profit or loss. The Parent Company received Euro 7,896 (equivalent to KD 2,632) of principal amount of the Murabaha facility and Euro 8,228 (equivalent to KD 2,749) of the profit on the Murabaha facility.

- iii. On 17 August 2023, the Parent Company (as a seller) entered into Master Murabaha agreement with Global Prime One Company (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 9,085,000 (equivalent to KD 2,970,534). Later, on 15 October 2023, a Murabaha transfer agreement was signed between the Parent Company (as a seller) and Global Prime One Company (as original purchaser) and Hayat Invest 2 SCS Company (as a new purchaser). Accordingly, the seller, the original purchaser and the new purchaser agreed that the original purchaser would transfer all its commitments amounting to Euro 9,085,000 to the new purchaser. On 16 October 2023, the Parent Company entered into a pledge agreement with HOCHT Partners Securitization Management S.a.r.L. Company ("HOCHT") and the purpose of the pledge agreement is for HOCHT to grant the Parent Company financial collateral over all shares owned by the HOCHT in Hayat General Partners S.a.r.L. Company and its partnership interest in Hayat Invest 2 SCS Company to secure the payment to be made by the purchaser of the Murabaha agreement.

During the year ended 31 December 2023, the seller and the new purchaser entered into purchase contract, which resulted in profit of Euro 126,461 (equivalent to KD 42,064) recognized in the consolidated statement of profit or loss.

The Group intends to hold the assets to collect contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and profit on the principal amount outstanding.

The movement in the provision for expected credit losses is as follows:

	2023	2022
	KD	KD
Balance at 1 January	404,537	432,416
Charge during the year	13,551	-
Transfer to due from related party	-	(6,058)
Foreign currency revaluation difference	19,381	(21,821)
Balance at 31 December	437,469	404,537

The expected credit losses for the year calculated as per IFRS 9 according to the CBK guidelines as at 31 December 2023 amounted to KD 437,469 (2022: KD 404,537), which is higher than the provisions computed as required by the CBK instructions amounting to KD 90,915 (2022: KD 55,939).

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9. INVESTMENT PROPERTY

	2023	2022
	KD	KD
Balance at 1 January	3,363,801	3,663,817
Change in fair value of investment property (Note 17)	(43,401)	(300,016)
Balance at 31 December	3,320,400	3,363,801

The investment property represents land and building located in Lebanon Republic.

The fair value of investment property is determined based on valuation performed as at 31 December 2023 and 2022 by accredited independent valuer, who is the industry specialist in valuing this type of investment property.

The fair value measurement for investment property has been categorised under Level 3 based on the inputs to the valuation techniques used. For the purpose of measuring fair value, the market approach has been used by the valuer which reflects the current market expectations about the future estimated sale price in the country in which the investment property is located.

10. EQUITY ACCOUNTED INVESTEE

The Group's investment in the equity accounted investees have been accounted for as joint ventures in accordance with the agreement under which the joint ventures have been established, which requires the Group and the other investor to undertake all decisions jointly.

In accordance with the agreement under which Hayat Villas Company L.L.C. are established, the Group and the other investor in the joint venture have agreed to make 50% contribution each and to undertake any decisions jointly.

The following table summarizes the financial information of Hayat Villas Company L.L.C.

	2023	2022	1 January
	KD	(Restated) KD	2022 (Restated) KD
Current assets	9,013,325	11,015,290	12,322,563
Non-current liabilities	(2,200,215)	(2,687,066)	(3,065,022)
Current liabilities	(1,795,416)	(2,647,636)	(2,468,911)
Net assets	5,017,694	5,680,588	6,788,630
Group's share of net assets	2,508,847	2,840,294	3,394,315
Carrying amount of interest in joint venture	2,508,847	2,840,294	3,394,315
Revenue	2,880,003	1,995,218	3,484,599
Operating expenses	(3,550,749)	(3,112,924)	(1,472,469)
Total comprehensive loss	(670,746)	(1,117,706)	2,012,130
Group's share of total comprehensive (loss) / income	(335,373)	(558,853)	1,006,065
Carrying amount at beginning of the year	2,840,294	3,394,315	2,209,235
Group's share of total comprehensive (loss)/income	(335,373)	(558,853)	1,006,065
Foreign exchange impact	3,926	4,832	179,015
Carrying amount at end of the year	2,508,847	2,840,294	3,394,315

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11. RELATED PARTIES' TRANSACTIONS

Related parties represent major shareholders, directors and senior management personnel of the Group, and Companies controlled, or significantly influenced by such parties. The pricing policies and conditions for these transactions are approved by the Group's management.

The significant related parties' transactions are as follows:

A) Consolidated statement of financial position

	2023	2022
	KD	KD
Due from a related party	1,100,107	1,343,533
Allowance for expected credit loss	(67,108)	(67,108)
	<u>1,032,999</u>	<u>1,276,425</u>
Bank balances and time deposits	2,490,531	712,939
Financial assets at fair value through other comprehensive income	2,859,079	2,834,178
Financial assets at fair value through profit or loss	1,646	158,775
Other liabilities	731,532	687,821

B) Consolidated statement of profit or loss and other comprehensive income

	2023	2022
	KD	KD
Gain from financial assets at fair value through Other comprehensive income	133,792	158,989
Change in fair value of financial assets at fair value through other comprehensive income	20,955	(271,749)
Gain from redemption of financial assets at fair value through profit or loss	2,808	24,401
Change in fair value of financial assets at fair value through profit or loss	64	2,752
Gain from time deposits	134,731	880
Gain from wakala with a related party	-	3,490

C) Key management personnel

	2023	2022
	KD	KD
Salaries, allowances, and short-term benefits	335,910	335,326
Board of directors' remuneration (Note 21)	39,000	35,000

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12. OTHER ASSETS

	2023	2022
	KD	KD
Prepayments	17,265	16,069
Right-of-use assets	190,043	237,553
Property and equipment	12,321	16,118
Other debit balances	54,307	79,572
	<u>273,936</u>	<u>349,312</u>

13. OTHER LIABILITIES

	2023	2022
	KD	KD
Zakat payable	12,134	9,027
KFAS payable*	46,301	7,557
Lease Liabilities	195,994	237,553
Provision for end of service indemnity for employees	901,841	865,761
Other credit balances	744,319	801,993
	<u>1,900,589</u>	<u>1,921,891</u>

During the year ended 31 December 2023, the Parent Company recognized Zakat expense of KD 33,954 related to the years ended 31 December 2019, 2021, and 2022.

During the year ended 31 December 2023, the Parent Company submitted Zakat returns to the Ministry of Finance for the years ended 31 December 2016, 2017, 2018, 2019, 2020, 2021, and 2022 and made payment of KD 42,981 for the years ended 31 December 2016, 2019, 2021 and 2022.

* The movement on KFAS is as follows:

	2023	2022
	KD	KD
At 1 January	7,557	7,557
Charge for previous years**	28,712	-
Charge for current year	10,032	-
	<u>46,301</u>	<u>7,557</u>

** During the year ended 31 December 2023, the Parent Company recognized KFAS contribution expense of KD 28,712 related to the years ended 31 December 2015, 2019, 2021, and 2022.

During the subsequent period, the Parent Company paid amount KD 36,269 from KFAS payable related to the years ended 31 December 2015, 2016, 2019, 2021, and 2022.

14. SHARE CAPITAL

The parent company authorized, issued and fully paid up share capital amounted to KD 15,000,000 divided into 150,000,000 shares (31 December 2022: KD 15,000,000 divided into 150,000,000 shares) with a nominal value of 100 fils each and all shares are in cash.

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15. STATUTORY RESERVE

As required by the Companies' Law and the Parent Company's Articles of Association, 10% of the net profit for the year attributable to Shareholders of the Parent Company before calculation of the contribution to NLST, KFAS, Zakat and Board of Directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the statutory reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

It is not allowed to distribute statutory reserve to Shareholders; it is only allowed to use it to distribute profits to Shareholders up to 5% of paid-up share capital in the years when retained earnings are not sufficient for the payment of a dividend of that amount.

16. VOLUNTARY RESERVE

As required by the Parent Company's Article of Association, a percentage of the net profit for the year attributable to Shareholders of the Parent Company before calculation of the contribution to NLST, KFAS, Zakat and Board of Directors' remuneration. Voluntary reserve should be transferred based on the Board of Directors' recommendation that is subject to approval of the General Assembly of the Parent Company's Shareholders. Such annual transfers may be discontinued by the Parent Company based on a resolution of the Shareholders' General Assembly upon recommendation by the Board of Directors.

17. NET INVESTMENT INCOME/(LOSS)

	2023	2022
	KD	KD
Change in fair value of investment property (Note 9)	(43,401)	(300,016)
Profit from deposits with banks	143,902	56,758
Profit from investment trust account	94	124
Profit / (loss) on sale financial assets at fair value through profit or loss	230,910	(684,209)
Gain on redemption of financial assets at fair value through Profit or loss	2,808	24,401
Change in fair value of financial assets at fair value through profit or loss (Note 7)	1,041,325	(643,717)
Dividend from financial assets at fair value through profit or loss	63,394	96,385
Profit from Islamic financing receivables	778,081	122,207
Gain from Sukuk (Note 6)	133,792	158,989
Provision for expected credit losses	(13,551)	(61,051)
Investment costs	(12,255)	(83,481)
	<u>2,325,099</u>	<u>(1,313,610)</u>

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18. OTHER EXPENSES

	2023	2022
	KD	KD
Professional fees	46,371	44,415
Travel expenses	6,577	13,379
Fees and subscriptions	35,879	31,047
Others	85,631	31,759
	<u>174,458</u>	<u>120,600</u>

19. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing the net profit for the year by the weighted average number of ordinary parent company shares outstanding during the year. There are no potential dilutive ordinary shares.

The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2023	2022
	KD	KD
Profit for the year (KD)	1,053,487	2,252,431
Weighted average number of shares outstanding	150,000,000	150,000,000
Basic and diluted earnings per share (fils)	<u>7.02</u>	<u>15.02</u>

20. FIDUCIARY ASSETS

Fiduciary assets comprise investments managed by the Group on behalf of clients. These are not assets of the Group and accordingly are not included in the consolidated financial statements. As at the consolidated reporting date, total fiduciary assets managed by the Group amounted to KD 4,720,977 (2022: KD 4,228,682). The fees and commission earned on fiduciary assets amounted to KD 4,666 (2022: KD 4,211) recognized to the consolidated statement of profit or loss.

21. ANNUAL GENERAL ASSEMBLY

The parent company's Ordinary General Assembly was held on 13 April 2023 and approved the following matters:

- The Group consolidated financial statement for the year ended 31 December 2022.
- Distribution cash dividends to shareholders amount to KD 1,950,000 (13 fils per share) for the year ended 31 December 2022 (2021: KD 750,000).
- Payment of remuneration to the board of directors' amount to KD 39,000 for the year ended 31 December 2022 (2021: KD 35,000).

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22. RESTATEMENT TO PREVIOUS YEARS

The Group's consolidated financial statements for the year ended 31 December 2022 and preceding years have been restated due to adjusting the Share of results in equity-accounted investee.

The effect of this amendment to the consolidated statement of financial position:

	1 January 2022 (Before restatement) KD	Effect of restatement KD	1 January 2022 (After restatement) KD
<u>Consolidated Statement of Financial Position</u>			
Retained earnings	971,916	(374,131)	597,785
Equity-accounted investee	3,770,533	(376,218)	3,394,315
Foreign currency translation reserve	5,036,896	(2,087)	5,034,809
	31 December 2022 (Before restatement) KD	Effect of restatement KD	31 December 2022 (After restatement) KD
<u>Consolidated Statement of Financial Position</u>			
Retained earnings	2,016,861	(374,131)	1,642,730
Equity-accounted investee	3,216,512	(376,218)	2,840,294
Foreign currency translation reserve	144,619	(2,087)	142,532

23. CAPITAL MANAGEMENT AND FINANCIAL RISKS

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk.

The Group's sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets to reduce debt.

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23. CAPITAL MANAGEMENT AND FINANCIAL RISKS (Continued)

Financial risk

Categories of financial instruments

	2023	2022
	KD	KD
Cash and cash equivalents	2,549,312	1,564,387
Time deposits	-	4,379,280
Islamic finance receivables	8,654,020	5,189,399
Due from a related party	1,032,999	1,276,425
Financial assets at fair value through profit or loss	7,016,463	7,682,794
Financial assets at fair value through other comprehensive income	3,325,438	2,916,806
Other assets (excluding prepayments, right-of-use assets and (property and equipment)	54,307	79,572
Other liabilities (excluding provisions for staff benefits, lease liability and general provisions)	96,361	107,188

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency risk, profit rate risk and equity price risk will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The Group undertakes some transactions in foreign currencies, and hence the risk of exposure to fluctuations in currency rates arises. The management monitors the positions on a daily basis to ensure positions are maintained within established limits.

The net positions of the Group's major foreign currencies denominated assets and liabilities at the consolidated financial position date are as follows:

	2023	2022
	KD	KD
	(Equivalent)	(Equivalent)
USD	7,338,499	14,793,566
SAR	3,155,505	677,861
EURO	9,041,038	5,709,566
GBP	12	33,345
CHF	6	71,794

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23. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk

Market risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency rates used by the Group against the Kuwaiti Dinar. The effect of decrease in currency is expected to be equal and opposite to the effect of the increases shown below:

2023			
	Increase against Kuwaiti Dinar	Impact on the consolidated statement of profit or loss (KD)	Effect on consolidated other comprehensive income (KD)
USD	10%	725,566	8,284
SAR	10%	315,551	-
EURO	10%	865,752	38,352
GBP	10%	1	-
CHF	10%	1	-
2022			
	Increase against Kuwaiti Dinar	Impact on the consolidated statement of profit or loss (KD)	Effect on consolidated other comprehensive income (KD)
USD	10%	1,471,095	8,262
SAR	10%	67,786	-
EURO	10%	570,957	-
GBP	10%	3,335	-
CHF	10%	7,179	-

ii) Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in effective profit rate for Islamic financial instruments on the market. Management has established levels of profit rate risk by setting financing limits. The Group is not exposed to profit rate because all its financial instruments are Islamic financial instruments at a fixed profit rate.

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23. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Market risk (Continued)

iii) *Equity price risk*

Equity price risk arises from the changes in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as at the date of the consolidated financial statements. The effect of decreases in market prices is expected to be equal and opposite to the effect of the increases shown:

Description	2023		
	Increase against equity price	Effect on the consolidated statement of profit or loss	Effect on the consolidated statement of profit or loss and other comprehensive income
		KD	KD
Financial assets at fair value through profit or loss	5%	350,823	-
Financial assets at fair value through other comprehensive income	5%	-	166,272
Description	2022		
	Increase against equity price	Effect on the consolidated statement of profit or loss	Effect on the consolidated statement of profit or loss and other comprehensive income
		KD	KD
Financial assets at fair value through profit or loss	5%	384,140	-
Financial assets at fair value through other comprehensive income	5%	-	145,840

23. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate.

Risk of impairment of financial assets

Financial assets exposed to impairment include "cash and cash equivalents", "receivables", "due from a related party" and "Islamic finance receivables".

Cash and cash equivalents

Cash and cash equivalents are also subject to the requirements of ECLs in IFRS 9, Cash is placed with high credit rating financial institutions. Therefore, the Group's management believes that the impairment loss of cash and cash equivalents is insignificant.

Due from a related party and other debit balances

The Group adopts the simplified approach in accordance with IFRS 9 to measure the expected impairment losses through using provision for expected loss based on the period of ECLs for due from a related party. The Group recognized a provision for ECL of KD 67,108 (2022: KD 67,108) for balance due from related party in the consolidated statement of financial position.

Islamic finance receivables

The provision for ECLs for Islamic finance receivables that are computed in accordance with IFRS 9 in line with the CBK guidelines are higher than the provisions required under the CBK's instruction amounting to KD 90,915 (2022: KD 55,939). The Group recognized a provision for ECL of KD 437,469 (2022: KD 404,537) for Islamic finance receivables in the consolidated statement of financial position.

Credit risk exposure

The book values for financial assets represent the maximum exposure to credit risks. The maximum net exposure to credit risk for assets categories at the consolidated financial statements date was:

	2023	2022
	KD	KD
Cash and cash equivalents (excluding cash on hand)	2,548,784	1,563,859
Time deposits	-	4,379,280
Due from a related party	1,032,999	1,276,425
Islamic finance receivables	8,654,020	5,189,399
Other assets (excluding prepayments, property and equipment, and other right-of-use assets)	54,307	79,572
	<u>12,290,110</u>	<u>12,488,535</u>

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23. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Concentration of credit risk

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting in particular industry or geographical location.

Analysis of Group's financial assets that are exposed to credit risk by geographic segment and business sector is as follows:

	<u>2023</u>	<u>2022</u>
	KD	KD
<i>Geographical segment:</i>		
Gulf Cooperation Council ("GCC")	3,575,673	6,996,161
Others	8,660,130	5,412,802
	<u>12,235,803</u>	<u>12,408,963</u>
	<u>2023</u>	<u>2022</u>
	KD	KD
<i>Business sector:</i>		
Banks and financial institutions	2,543,784	5,938,139
Real estate	9,687,019	6,465,824
Government	5,000	5,000
	<u>12,235,803</u>	<u>12,408,963</u>

Liquidity risk

Liquidity risk is the risk that the Group will encounter to meet commitments associated with financial liabilities that result from (remote likelihood) that requires the Group to pay its commitments before they fall due.

Prudent management of liquidity risk includes maintaining adequate liquidity and providing finance through an adequate amount of committed credit facilities, and the ability to close market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available as well as the support from the Shareholders.

The maturity of liabilities as of reporting date is estimated to be within one year (2022: within one year), except for end of service indemnity and non-current portion of lease liabilities which is estimated to have maturity exceeding one year.

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24. FAIR VALUE MEASUREMENT

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the Group's management, the carrying values of the financial assets and liabilities as at 31 December 2023 and 2022 are not significantly different from their carrying value.

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (inputs relating to prices).
- Level 3: inputs are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The assets that are measured at fair value in the consolidated statement of financial position are classified under the fair value hierarchy as follows:

2023	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through profit or loss	5,241,057	1,775,406	-	7,016,463
Financial assets at fair value through other comprehensive income	2,859,079	383,520	82,839	3,325,438
Non-financial assets				
Investment properties	-	-	3,320,400	3,320,400
2022	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through profit or loss	6,114,915	1,567,879	-	7,682,794
Financial assets at fair value through other comprehensive income	2,834,178	-	82,628	2,916,806
Non-financial assets				
Investment properties	-	-	3,363,801	3,363,801

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24. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of Level 3 fair value measurements:

	Financial assets at fair value through other comprehensive income
	KD
31 December 2023	
As at 1 January 2023	82,628
Change in fair value	211
31 December 2023	82,839
31 December 2022	
As at 1 January 2022	98,642
Change in fair value	(16,014)
31 December 2022	82,628

Investment properties measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Adopted fair value measurement
	Significant unobservable inputs
	Level 3
	KD
31 December 2023	
Investment properties	3,320,400
31 December 2022	
Investment properties	3,363,801

The reconciliation of Level 3 fair value measurements of the investment properties is as follows:

	Investment properties
	KD
31 December 2023	
As at 1 January 2023	3,363,801
Change in fair value	(43,401)
31 December 2023	3,320,400
31 December 2022	
As at 1 January 2022	3,663,817
Change in fair value	(300,016)
31 December 2022	3,363,801

During the year there were no transfers between level 1, level 2 and level 3.