AL MANAR
FINANCING & LEASING

2023

Al Manar Financing and Leasing Company K.S.C. (Public)
and its Subsidiaries
State of Kuwait

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

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and its Subsidiaries
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Al Manar Financing and Leasing Company K.S.C. (Public)
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State of Kuwait

Consolidated Statement of Financial Position as at 31 December 2023

(All amounts are in Kuwaiti Dinars)

	Notes	2023	2022 (Restated)	1 January 2022 (Restated)
Assets				
Cash and cash equivalents	5	1,874,539	1,433,827	6,377,148
Investment in Murabaha and Wakala receivables	6	9,347,321	9,347,321	4,347,321
Investment in an associate	7	10,882,423	-	-
Finance receivables	8	14,892,316	14,984,479	13,796,070
Other receivables and prepayments	9	302,675	387,357	1,171,124
Investment in financial securities	10	10,536,688	11,008,092	7,536,644
Investment properties	11	4,412,000	4,510,000	4,472,000
Other assets		12,272	61,599	68,971
Total assets		**52,260,234**	**41,732,675**	**37,769,278**
Liabilities and equity				
Liabilities				
Accounts payable and other credit balances	12	1,513,613	2,175,900	681,650
Islamic financing payables	13	18,050,406	11,009,032	4,877,744
Provision for staff indemnity		303,289	331,005	550,478
Total liabilities		**19,867,308**	**13,515,937**	**6,109,872**
Equity				
Share capital	14	26,374,759	26,374,759	30,874,759
Treasury shares reserve		4,995	4,995	4,995
Statutory reserve	15	494,271	295,272	140,616
Voluntary reserve	16	494,271	295,272	140,616
Fair value reserve		(881,258)	(787,445)	(299,553)
Group’s share in associate’s reserve		(51,040)	-	-
Retained earnings		2,690,096	2,033,885	797,973
Equity attributable to shareholders of the Parent Company		29,126,094	28,216,738	31,659,406
Non-controlling interests		3,266,832	-	-
Total equity		**32,392,926**	**28,216,738**	**31,659,406**
Total liabilities and equity		**52,260,234**	**41,732,675**	**37,769,278**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Faisal Abdel Aziz Al-Nassar
Vice Chairman and CEO

Consolidated Statement of Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinars)

	Notes	2023	2022 (Restated)
Revenues			
Finance revenues		2,130,073	1,707,482
Bargain purchase gain from acquisition of an associate	7	1,499,231	-
Net gains/ (losses) from investment in financial securities	17	363,095	(131,922)
Share of associate's results	7	222,109	-
Income from investment properties	18	181,495	318,400
Other income	19	306,572	155,655
		4,702,575	**2,049,615**
Expenses			
Finance cost		781,656	275,780
Staff costs	20	761,173	740,455
Reversal of provisions for credit facilities	8	(86,187)	(1,051,772)
Other expenses	21	756,129	450,064
		2,212,771	**414,527**
Profit before deductions		2,489,804	1,635,088
NLST		63,515	38,628
Zakat		25,266	15,111
KFAS		17,910	13,919
Net profit for the year		**2,383,113**	**1,567,430**
Attributable to:			
The Parent Company's Shareholders		1,883,295	1,567,430
Non-controlling interests		499,818	-
Net profit for the year		**2,383,113**	**1,567,430**
Basic and diluted earnings per share (fils)	22	**7.14**	**5.53**

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinars)

	Notes	2023	2022 (Restated)
Net profit for the year		**2,383,113**	**1,567,430**
Items that will not be reclassified subsequently to consolidated statement of income:			
Change in fair value of equity investments at FVTOCI		(131,656)	(510,098)
Items that will be reclassified subsequently to consolidated statement of income:			
Group's share in associate's reserve		(72,914)	-
Other comprehensive loss for the year		(204,570)	(510,098)
Total comprehensive income		**2,178,543**	**1,057,332**
Attributable to:			
The Parent Company's Shareholders		1,700,599	1,057,332
Non-controlling interests		477,944	-
Total comprehensive income		**2,178,543**	**1,057,332**

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

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

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company									
	Share capital	Treasury shares reserve	Statutory reserve	Voluntary reserve	Fair value reserve	Group's share in associate's reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2022 (as previously stated)	30,874,759	4,995	140,616	140,616	(299,553)	-	198,948	31,060,381	-	**31,060,381**
Impact from restatement (note 28)	-	-	-	-	-	-	599,025	599,025	-	**599,025**
Balance at 1 January 2022 (Restated)	30,874,759	4,995	140,616	140,616	(299,553)	-	797,973	31,659,406	-	**31,659,406**
Reduction of share capital	(4,500,000)	-	-	-	-	-	-	(4,500,000)	-	**(4,500,000)**
Net profit for the year (Restated)	-	-	-	-	-	-	1,567,430	1,567,430	-	**1,567,430**
Other comprehensive loss for the year	-	-	-	-	(510,098)	-	-	(510,098)	-	**(510,098)**
Transfers on disposal of investments	-	-	-	-	22,206	-	(22,206)	-	-	**-**
Transfer to reserves	-	-	154,656	154,656	-	-	(309,312)	-	-	**-**
Balance at 31 December 2022 (Restated)	26,374,759	4,995	295,272	295,272	(787,445)	-	2,033,885	28,216,738	-	**28,216,738**
Balance at 1 January 2023 (as previously stated)	26,374,759	4,995	295,272	295,272	(787,445)	-	1,346,334	27,529,187	-	**27,529,187**
Impact from restatement (note 28)	-	-	-	-	-	-	687,551	687,551	-	**687,551**
Balance at 1 January 2023 (Restated)	26,374,759	4,995	295,272	295,272	(787,445)	-	2,033,885	28,216,738	-	**28,216,738**
Net profit for the year	-	-	-	-	-	-	1,883,295	1,883,295	499,818	**2,383,113**
Other comprehensive loss for the year	-	-	-	-	(131,656)	(51,040)	-	(182,696)	(21,874)	**(204,570)**
Transfers on disposal of investments	-	-	-	-	37,843	-	(37,843)	-	-	**-**
Cash dividends (note 23)	-	-	-	-	-	-	(791,243)	(791,243)	-	**(791,243)**
Acquisition of subsidiary (note 24)	-	-	-	-	-	-	-	-	300,000	**300,000**
Non-controlling interests movement	-	-	-	-	-	-	-	-	2,488,888	**2,488,888**
Transfer to reserves	-	-	198,999	198,999	-	-	(397,998)	-	-	**-**
Balance at 31 December 2023	26,374,759	4,995	494,271	494,271	(881,258)	(51,040)	2,690,096	29,126,094	3,266,832	**32,392,926**

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

Consolidated Statement of Cash Flows for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinars)

	Notes	2023	2022 (Restated)
Operating activities			
Net profit for the year		2,383,113	1,567,430
Adjustments for:			
Bargain purchase gain from acquisition of an associate		(1,499,231)	-
Share of associate's results		(222,109)	-
Reversal of provisions for credit facilities		(86,187)	(1,051,772)
Depreciation, amortisation and impairment		51,719	112,197
Change in fair value of investment properties	18	98,000	(38,000)
Net (gains)/ losses from investments in financial securities		(363,095)	131,922
Finance cost		781,656	275,780
Provision for staff indemnity		23,795	47,994
Operating profit before changes in working capital		**1,167,661**	**1,045,551**
Finance receivables		178,350	(136,637)
Other receivables and prepayments		51,811	524,132
Financial assets at fair value through profit or loss (net movement)		99,011	473
Accounts payable and other credit balances		(183,301)	1,159,432
Payments of staff indemnity		(37,831)	(81,969)
Net cash generated from operating activities		**1,275,701**	**2,510,982**
Investing activities			
Dividends income received		165,293	75,235
Payment for acquisition of associate		(9,233,997)	-
Investments in Murabaha and Wakala receivables		-	(5,000,000)
Purchase of financial securities (FVTOCI and amortized cost)		(33,344)	(4,591,410)
Proceeds from sale of financial securities (FVTOCI and amortized cost)		475,223	402,234
Purchase of other assets		(4,672)	(30,688)
Net cash used in investing activities		**(8,631,497)**	**(9,144,629)**
Financing activities			
Proceeds from Islamic financing payables		11,083,700	10,925,500
Payment for Islamic financing payables		(4,042,326)	(4,794,212)
Payment for capital reduction		(192,058)	(4,134,927)
Proceeds from non-controlling interests		2,488,888	-
Dividends paid		(760,040)	(30,255)
Finance cost paid		(781,656)	(275,780)
Net cash generated from financing activities		**7,796,508**	**1,690,326**
Net increase/ (decrease) in cash and cash equivalents		**440,712**	**(4,943,321)**
Cash and cash equivalents at beginning of the year		**1,433,827**	**6,377,148**
Cash and cash equivalents at end of the year	5	**1,874,539**	**1,433,827**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Formation and principal activities

Al Manar Financing and Leasing Company K.S.C. (Public) ("the Parent Company") was incorporated in the State of Kuwait in 2003 by the authorized letter of incorporation no. 4857 file 1 dated 6 December 2003.

The Parent Company's shares were registered on Boursa Kuwait on 11 February 2019.

The main activities of the Parent Company and its subsidiaries (together referred to as "the Group") are all financing and investing activities according to the Islamic Shari'a principles.

The main objectives of the Parent Company are as follows:

1) Provide all credit facilities operations for consumers.
2) Provide all leasing services, such as operating or financing lease.
3) Mobilization of resources for finance under leasing and arrange collective finance operations for leasing.
4) Financing consumer goods through Murabaha, Musawma or any other contracts.
5) Real estate investment operations, including development of residential land and construction of housing and commercial units and complexes & warehouses intent to sell and lease.
6) Investing in real estate, industrial, agricultural and other economic sectors by contributing to the establishment of specialized companies or purchase of shares of these companies.
7) Representing or acquiring of national and foreign companies carrying on Parent Company objectives, for the purpose of trading its financial products and services locally and abroad with no violation to Islamic Sharia and the related Kuwaiti laws and regulations.
8) Investment controller.

In general, the Parent Company can carry out all the businesses and services that fall within the jurisdiction of investment companies and that comply with the provisions of Islamic Sharia. The Parent Company may have an interest or participate in any way with the bodies that carry out business similar to its business or that may assist it in achieving its purposes in Kuwait or abroad, and it may establish, participate in, purchase or attach these bodies to it.

The Parent Company is subject to instructions and monitoring by the Central Bank of Kuwait & Capital Markets Authority.

The registered office of the Parent Company is P.O. Box 22828, Safat 13089, Kuwait.

These consolidated financial statements were authorized for issuance by the Board of Directors on 27 March 2024, and are subject to the approval of the Annual General Assembly of the shareholders. The General Assembly of the shareholders have authority to amend these consolidated financial statements after issuance.

2. Basis of preparation and material accounting policies

2.1 Basis of preparation

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

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

2.2 New and revised accounting standards

2.2.1 Effective for the current year

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

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of accounting policies – The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material' accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.
- Amendments to IAS 8 - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary exception from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. Following the amendments, an entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes

2.2.2 Standards issued but not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 1 – Current and Non-current liabilities	Classification of liabilities as current or non-current: The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2024
Non-current liabilities with covenants	Non-current liabilities with covenants - The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).	

Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	1 January 2024
IFRS S1 – General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from the regulator
IFRS S2 – Climate-related disclosures	This standard sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	1 January 2024 subject to endorsement from the regulator
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)

The management do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

2.3 Material Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

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

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

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.3.2 Investment in associate

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses.

Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 “Impairment of Assets”.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.3.3 Financial instruments

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

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

Financial assets

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

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

Classification and measurement of financial assets

The Group classifies its financial assets as follows

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

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

Business model assessment

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

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

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

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

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

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

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

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

Amortised cost and effective interest method

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

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

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

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

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

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

Interest income is recognised in the consolidated statement of income.

Financial assets at FVTPL

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

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

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

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

Impairment of financial assets other than credit facilities

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

Credit facilities

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

Provisions for credit losses in accordance with CBK instructions

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

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

ECL provision under IFRS 9 according to the CBK guideline

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

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

Stage 1: 12-month ECL

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

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

Stage 2: Lifetime ECL – not credit impaired

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

Stage 3: Lifetime ECL – credit impaired

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

Significant increase in credit risk

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

Credit Impaired

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

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

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

Calculation of ECL

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

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

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio. The Group uses point in time PD (PITPD) for each rating to calculate the ECL. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade financing facilities except for financing facilities granted to Government and banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing financings (except for credit cards).

- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per CBK requirements, the Group applies 100% Credit Conversion Factor (CCF) on credit facilities.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

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

When estimating the ECLs, the Group considers three scenarios (a base case, upside case, and a downside case). Each of these is associated with different PDs, EADs and LGDs, as set out in this basis of preparation. When relevant, the assessment of multiple scenarios also incorporates how defaulted Credit Facilities, are expected to be recovered, including the probability that the Credit Facility will cure and the value of collateral or the amount that might be received from selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial asset.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a Credit Facility that are possible within the 12 months after the reporting date. The Group calculates the 12mECL provision based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original Effective Profit Rate. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a Credit Facility has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios. The expected cash shortfalls are discounted by an approximation to the original Effective Profit Rate.
- Stage 3: For Credit Facilities considered credit-impaired, the Group recognises the lifetime expected credit losses for these facilities in accordance with the CBK requirement as below.

  ECL for Credit Facilities classified under the Stage 3 has been calculated at 100% LGD on net default financing receivable balance after considering the collateral as per CBK Instruction.

Forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include oil prices and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Collateral valuation

To mitigate its credit risks on Credit Facility, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as letters of guarantees, real estate securities.

To the extent possible, the Group uses active market data for valuing assets held as collateral. Assets which do not have readily determinable market values are valued using models. Real estate collaterals are valued based on valuation reports obtained from external real estate appraisers.

The Group applies as minimum hair cut on value of collaterals under guidelines of Central Bank of Kuwait.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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

Foreign exchange gains and losses

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

Derecognition of financial liabilities

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

2.3.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are re-measured at fair value through independent approved appraisers and the lowest valuation shall be approved. Gains and losses arising from changes in the fair value are recognized in the consolidated statement of income.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of income in the period in which the property is derecognised.

2.3.5 Provisions

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

2.3.6 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the consolidated financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.7 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are disposed, gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account to the limit of its credit balance, any additional losses are charged to retained earnings, the reserves and to share premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.8 Dividends

The dividends attributable to shareholders of the Parent Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.3.9 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

2.3.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Murabaha and Wakala income are recognized on effective yield method.
- Income from operating lease is recognized on a straight line basis over the term of contract.
- Dividend income is recognized when the Group's right to receive dividends is established and it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.
- Interest income from deposits is recognized on effective yield method.
- Fees and commission income are recognised at the time the related services are provided.

2.3.11 Accounting for leases

The Group as a lessee

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

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

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

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

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

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

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

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

Subsequent Measurement

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.
- Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

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

Sale and leaseback

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

Where the Group is the lessor

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

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

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

2.3.12 Deductions

Zakat

Zakat is calculated according to the recommendation of the Fatwa and Shari'a Supervisory board.

The Parent Company calculates and announces Zakat payable on each share. The shareholders are responsible for the payment.

Kuwait Foundation for the Advancement of Sciences "KFAS"

The Group calculates the contribution to KFAS at 1% of profit of the year attributable to the Parent Company, in accordance with the calculation as per ministrial decision 287/2016, which states that the Board of Direcors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labor Support Tax "NLST"

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

3. Financial risk management

3.1 Financial risk

The Group's activities expose it to a variety of financial risks: market risks (including currency risks, fair value profit rates risk, cash flows profit rates risk, and prices risk) in addition to credit risk and liquidity risks.

The Group management for these financial risks is concentrated in continuous evaluation of market conditions and trends and assessment of long and short-term market factors.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinars unless otherwise stated)

A) Market risk

Foreign exchange risk

The foreign exchange risk arises from future transactions on financial instruments in foreign currency classified in the consolidated financial statements of the Group in foreign currencies.

The Group develops policies to manage the risks of foreign currency represented in monitoring changes of the currency rate as well as the impact on the Group's financial situation throughout the year.

Foreign currency exchange risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and through continuously monitoring exchange rate fluctuations.

Had the US Dollar changed against the Kuwaiti Dinar by 5%, the Group's equity would have changed by KD 168,291 as at 31 December 2023 (KD 125,735 - 2022).

Following is the significant foreign currencies' net positions as at 31 December:

	2023	2022
US Dollar/ Surplus	23,988	140,152

Interest rate risk

The Group is exposed to interest rate risk as the Group operate in accordance with Islamic Shariaa principles.

A 5% increase/decrease in interest rate, with all other variables held constant, would have increased/decreased the net profit for the year by KD 19,662 (for the year ended 31 December 2022: decreased/increased the net profit for the year by KD 6,569).

Price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. The Group manages the risk through diversification of investments in terms of geographic and monitor the fair value of the Group investments on regular basis in order to take the necessary action on timely basis. The sensitivity of the Group's consolidated financial statements to the equity price risk is given below.

For investment securities classified as FVTOCI, a 5% increase in listed stock prices as at 31 December 2023 would have increased other comprehensive income by KD 227,281 (2022: 300,318). For such investment securities classified as at FVTPL, the impact on net profit for the year would have been an increase of KD 67,276 (2022: 53,917). An equal change in the opposite direction would have had equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

B) Credit risk

The credit risk is the risk that the Group will incur a loss due to the Group's inability to collect the debt because of counter parties fails to discharge their contractual obligations against the Group.

The credit risk is managed on the Group basis. The credit risk is highly concentrated in cash and cash equivalents, finance receivables and investments in Murabaha and Wakala receivables.

The below schedule sets out the assets exposed to credit risk in the consolidated statement of financial position, without taking into consideration the guarantees:

	2023	2022
Cash and cash equivalents	1,873,539	1,430,103
Investments in Murabaha and Wakala receivables	9,347,321	9,347,321
Finance receivables	14,892,316	14,984,479
Other receivables (excluding prepayments)	294,934	368,815
Investments in financial securities-debt sukuks	2,100,075	2,128,159

Note (8) shows aging analysis of finance receivables and the credit losses movement.

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as 'High' quality are those where the default risk from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as 'Standard' quality comprise all other facilities which are not 'impaired'. The default risk on 'Standard' quality is assessed to be higher than that for the exposures classified within the 'High' quality range

The table below shows the credit quality by class of financial assets (gross) for consolidated statement of financial position lines, based on the Group's credit rating system.

2023	High	Standard	Impaired	Total
Cash and cash equivalents	1,874,155	-	-	1,874,155
Investments in Murabaha receivables	9,365,000	-	-	9,365,000
Finance receivables - net of deferral	-	14,681,762	3,008,936	17,690,698
Other receivables (excluding prepayments)	-	294,934	-	294,934
Investments in financial securities-Debt sukuks	1,726,327	373,748	-	2,100,075
	12,965,482	15,350,444	3,008,936	31,324,862

2022	High	Standard	Impaired	Total
Cash and cash equivalents	1,430,719	-	-	1,430,719
Investments in Murabaha receivables	9,365,000	-	-	9,365,000
Finance receivables - net of deferral	-	14,803,290	2,889,533	17,692,823
Other receivables (excluding prepayments)	-	368,815	-	368,815
Investments in financial securities-Debt sukuks	1,693,515	434,644	-	2,128,159
	12,489,234	15,606,749	2,889,533	30,985,516

Credit risk measurement

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk mainly arises from loans and advances to customers and investment in Wakala and Murabaha Receivables. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

The Group manages the credit risk related to cash, through dealing with financial institutions with a good reputation in the market. Also the Group manages the credit risk by setting credit policies in order to avoid the concentration of credit limit via diversifying the finance portfolio over a large number of customers in addition to the identification of the necessary guarantees received from the customers as well as setting a credit approval limit.

Credit limits are established for all customers after a careful assessment of their creditworthiness. Standard procedures require that all credit proposals be subjected to detailed screening by the relevant division prior to approval. In accordance with the instructions of the Central Bank of Kuwait setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee comprising of competent professional staff and having as its purpose the study and evaluation of the existing credit facilities of each customer of the Group.

This committee is required to identify any abnormal situations and difficulties associated with a customer's position which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level. The committee, which meets regularly throughout the year, also studies the positions of these customers, in order to determine whether further provisions are required.

Assessment of expected credit losses

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

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

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

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The Group considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants.
- borrower having past due liabilities to public creditors or employees.
- borrower is deceased.

Significant increase in credit risk

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

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

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

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

The Group converts the PD over the course of the PD to PDP time frames in a specified period of time using appropriate models and techniques.

Exposure at default

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

Loss given default

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

Incorporation of forward-looking information

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

The probability-weighted scenarios (baseline, upside, and downside) increased the Group's reported allowance for credit losses for financing receivables in Stage 1 and Stage 2, relative to our Baseline scenario, by KD 9,174 (2022: increased by KD 26,525). If the Group were to use only the downside scenario, allowance for credit losses on performing loans (Stage 1 and Stage 2) would be KD 5,120 (2022: KD 20,878) higher than the reported allowance for credit losses as at 31 December 2022. Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

Under current probability-weighted scenarios, if all performing loans were in Stage 1, reflecting a 12-month expected loss period, the allowance for credit losses would be KD 3,413 as at 31 December 2023 (2022: KD 12,752) lower than the reported allowance for credit losses on financing receivables

C) Liquidity risk

Liquidity risk require from the Group to keep enough balance from cash and high liquid securities, as well as by availability of funding from adequate of committed credit facility in order to make available liquidity of the Group because of dynamic of the business the Group arrange a different finance resources and manage it assets to make available the liquidity and monitor the cash flow and make available the necessary guarantee to get a finance in timely manner when required.

The table below analysis the Group's financial liabilities during the expected periods from the consolidated financial statements date. The disclosed balances are the undiscounted cash flows according to the contractual dates.

	2023		
	Within 3 months	**From 3 months to 1 year**	**From 1 to 3 years**
Accounts payable and other credit balances	433,668	1,079,945	-
Islamic financing payables	18,271,404	-	-

	2022		
	Within 3 months	**From 3 months to 1 year**	**From 1 to 3 years**
Accounts payable and other credit balances	1,351,107	824,793	-
Islamic financing payables	8,833,976	1,534,304	790,680

The table below analysis the Group's assets and liabilities into relevant maturity groupings based on the expected period at the financial statements date.

	2023			
Assets	**Up to 3 months**	**From 3 months to 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	1,874,539	-	-	1,874,539
Investments in Murabaha and Wakala receivables	7,000,000	2,347,321	-	9,347,321
Investments in associate	-	-	10,882,423	10,882,423
Finance receivables	1,981,879	6,179,797	6,730,640	14,892,316
Other receivables and prepayments	-	302,675	-	302,675
Investments in financial securities	-	2,460,447	8,076,241	10,536,688
Investment properties	-	-	4,412,000	4,412,000
Other assets	-	-	12,272	12,272
Total assets	**10,856,418**	**11,290,240**	**30,113,576**	**52,260,234**
Liabilities				
Accounts payable and other credit balances	433,668	1,079,945	-	1,513,613
Islamic financing payables	18,050,406	-	-	18,050,406
Provision for staff indemnity	-	-	303,289	303,289
Total liabilities	18,484,074	1,079,945	303,289	19,867,308

	2022			
Assets	**Up to 3 months**	**From 3 months to 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	1,433,827	-	-	1,433,827
Investments in Murabaha receivables	4,347,321	5,000,000	-	9,347,321
Finance receivables	2,591,360	5,578,349	6,814,770	14,984,479
Other receivables and prepayments	-	387,357	-	387,357
Investments in financial securities	-	2,297,049	8,711,043	11,008,092
Investment properties (Restated)	-	-	4,510,000	4,510,000
Other assets	-	-	61,599	61,599
Total assets	**8,372,508**	**13,262,755**	**20,097,412**	**41,732,675**

Liabilities				
Accounts payable and other credit balances	1,351,107	824,793	-	2,175,900
Islamic financing payables	8,757,497	1,474,367	777,168	11,009,032
Provision for staff indemnity	-	-	331,005	331,005
Total liabilities	**10,108,604**	**2,299,160**	**1,108,173**	**13,515,937**

3.2 **Capital risk management**

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

The capital structure of the Group consists of net debt (financing offset by cash and cash equivalents) and equity (comprising capital, reserves, (accumulated losses)/ retained earnings and fair value reserve.

Gearing ratio

The gearing ratio at year end was as follows:

	2023	**2022 (Restated)**
Islamic financing payables	18,050,406	11,009,032
Cash and cash equivalents	(1,874,539)	(1,433,827)
Net debt	16,175,867	9,575,205
Equity	32,392,926	28,216,738
Total capital	48,568,793	37,791,943
Net debt to equity ratio (%)	33	25

3.3 **Fair value estimation**

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

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

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

Financial assets	**Fair value as at *31 December***		**Fair value hierarchy**	**Valuation technique(s) and Key input(s)**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	2023	**2022**				
Financial assets at fair value through profit or loss:						
- Quoted foreign funds	1,278,938	1,027,904	Level 1	Last bid prices	N/A	N/A
- Quoted local shares	66,583	50,442	Level 1	Last bid prices	N/A	N/A
- Unquoted foreign funds	545,279	604,239	Level 2	Net assets value	Net assets value	N/A
- Unquoted local shares	374,400	477,664	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value
- Unquoted foreign shares	130,640	136,800	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value

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Financial assets at fair value through OCI:						
- Quoted local shares	4,094,883	4,112,451	Level 1	Last bid prices	N/A	N/A
- Quoted foreign shares	708,079	1,071,421	Level 1	Last bid prices	N/A	N/A
- Unquoted foreign shares	1,237,811	1,399,012	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value

Financial assets at amortized costs:						
Debt sukuks – quoted at foreign stock exchanges	1,913,592	1,925,919	Level 1	Last bid prices	N/A	N/A

Reconciliation of Level 3 fair value measurements

	2023		2022
Balance as at 1 January	2,013,476		2,159,322
Change in fair value	(239,995)		(145,846)
Disposal during the year	(30,630)		-
Balance as at 31 December	1,742,851		2,013,476

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required):

Group's management believe that the carrying amount of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

4. Significant accounting judgments, estimates and assumptions

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements:

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

Classification of investments in equity instruments

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

Classification of real estate

Management decides on acquisition of real estate whether it should be classified as held for trading or investment property. The Group classifies property as held for trading if this is acquired principally for sale in the ordinary course of the business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

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

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

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Sources of estimation uncertainty

The following are the key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in Notes (3.3, 10).

Impairment of investment properties and useful lives

The Group reviews the carrying amounts of its investment properties to determine whether there is any indication that those assets have suffered an impairment loss in accordance with accounting policies stated in note 2. The recoverable amount of an asset is determined based on higher of fair value and value in use. The fair valuation is based on sales comparison, income capitalization and market comparable methods and the significant valuation inputs used are based on unobservable market data.

The Group's management determines the useful lives of investment properties and related depreciation charge. The charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Impairment ECL of financial assets

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

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

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

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

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

Acquisition of an Associate

Initial accounting for acquisition of associate is performed in the same manner of initial accounting for business combinations, which requires the assets and liabilities acquired to be fair valued which requires significant amount of judgement and estimation. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. It also involves assessment for identification of intangible assets, if any, which requires signification judgement and use of estimates.

5. Cash and cash equivalents

	2023	2022
Cash at banks and portfolios	1,073,539	1,430,103
Wakala with banks (less than 3 months)	800,000	-
Cash on hand	1,000	3,724
	1,874,539	1,433,827

As at 31 December 2023, the effective yield rate on Wakala is 4.6% (Nil as at 31 December 2022) per annum.

Expected credit losses amounted to KD 616 as at 31 December 2023 (KD 616 – 2022).

6. Investments in Murabaha and Wakala receivables

Investments in Murabaha and Wakala receivables have been deposited at local financial institutions according to Murabaha and Wakala contracts. The average yield on those contracts is 4.125% - 4.5% (3% - 4.3125% - 2022) per annum.

Expected credit losses amounted to KD 17,679 as at 31 December 2023 (KD 17,679 – 2022).

7. Investment in an associate

	Activities	Ownership %	2023	2022
Injazzat Real Estate Development Company K.S.C.P.	Real Estate	27.629	10,882,423	-

7.1 During the current year, the Group acquired an associate "Injazzat Real Estate Development Company K.S.C.P. ("Injazzat")", at a total purchase consideration of KD 9,233,997. This transaction was accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method. The acquisition of Injazzat has been accounted based on the net fair values of the identifiable assets and liabilities on the acquisition date. The Group, assisted by an external expert has completed the Purchase Price Allocation ("PPA") exercise during the year ended 31 December 2023.

7.2 The net fair values of assets acquired, and liabilities assumed after completion of PPA exercise during the year are summarized as follows:

	KD
Assets	
Cash and Cash Equivalents	1,319,983
Term deposits	8,674,135
Accounts receivables and other assets	3,790,629
Financial Assets at FV through profit or loss	6,327,369
Investment properties	53,979,669
Investment in associates	8,923,784
Property and equipment	543,304
Total assets	**83,558,873**
Liabilities	
Accounts payables and other liabilities	4,211,216
Loans and borrowings	40,500,000
Total liabilities	44,711,216
Fair value of net identifiable assets acquired	38,847,657
Group's share of the fair value of the net identifiable assets	10,733,228
Less: Consideration paid	(9,233,997)
Bargain purchase gain	1,499,231

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The acquisition was complete on 12 October 2023. However, the Group for the sake of convenience has designated 30 September 2023 as the acquisition date. Management has evaluated that there are no events between the convenience date and acquisition date which are material.

7.3 Below table summarize the movement in investment in an associate during the year:

	2023	2022
Purchase consideration	9,233,997	-
Bargain purchase gain	1,499,231	-
Share of results	222,109	-
Share of reserves	(72,914)	-
Balance as at 31 December	10,882,423	-

7.4 As at 31 December 2023, the fair value of the group's interest in Injazzat Real Estate Development Company based on the quoted market price available on the stock exchange (level 1) amounted to KD 8,132,778.

7.5 Summarized financial information of Injazzat Real Estate Development Company K.S.C.P. as at 31 December is as follows:

	2023	2022
Current assets	8,567,746	-
Non-current assets	74,616,298	-
Current liabilities	6,306,068	-
Non-current liabilities	37,490,323	-

	2023	2022
Rental income	777,408	-
Profit for the year	803,899	-
Other comprehensive loss for the year	(263,903)	-
Total comprehensive income for the year	539,996	-

	2023	2022
Net assets of the associate	39,387,653	-
Ownership (%)	27.629	-
Carrying value	10,882,423	-

8. Finance receivables

	2023	2022
Finance receivables	20,420,126	20,350,449
Less: deferred revenues	(2,740,782)	(2,694,173)
Less: provision impairment in value/ expected credit losses	(2,787,028)	(2,671,797)
Finance receivables – net	14,892,316	14,984,479

8.1 Expected credit losses on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 2,787,028 as at 31 December 2023 (2022: KD 2,671,797), which is equal to the provision for credit facilities required by CBK instructions of KD 2,787,028 (2022: KD 2,671,797).

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8.2 The movement in gross credit facilities is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**11,847,037**	**3,586,962**	**4,172,176**	**19,606,175**
Written off during the year	-	-	(40,651)	(40,651)
Net financing/ (collection)	4,229,688	(1,970,513)	(1,474,250)	784,925
Transfer from/ to Stage 1	(1,340,971)	1,193,218	147,753	-
Transfer from/ to Stage 2	311,779	(1,044,348)	732,569	-
Balance at 31 December 2022	**15,047,533**	**1,765,319**	**3,537,597**	**20,350,449**
Net financing/ (collection)	1,563,090	(825,951)	(667,462)	69,677
Transfer from/ to Stage 1	(1,115,118)	689,597	425,521	-
Transfer from/ to Stage 2	176,898	(572,143)	395,245	-
Balance at 31 December 2023	**15,672,403**	**1,056,822**	**3,690,901**	**20,420,126**

8.3 The movement in the provisions for expected credit losses effected is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**57,788**	**89,781**	**2,661,802**	**2,809,371**
Written off during the year	-	-	(40,651)	(40,651)
Credit losses reversed during the year	(7,056)	(74,088)	(15,779)	(96,923)
Transfer from/ to Stage 1	13,063	8,008	(21,071)	-
Transfer from/ to Stage 2	4,568	42,567	(47,135)	-
Balance at 31 December 2022	68,363	66,268	2,537,166	2,671,797
Credit losses charged/ (reversed) during the year	3,780	(21,315)	132,766	115,231
Transfer from/ to Stage 1	(6,823)	3,482	3,341	-
Transfer from/ to Stage 2	4,733	(27,952)	23,219	-
Balance at 31 December 2023	**70,053**	**20,483**	**2,696,492**	**2,787,028**

8.4 The movement in the provisions for credit facilities required by CBK instructions effected is as follows:

	2023	2022
Balance at 1 January	2,671,797	3,484,658
Written-off during the year – net	-	(40,651)
Provision charged/ (reversed) during the year	115,231	(772,210)
Balance at 31 December	2,787,028	2,671,797

8.5 The average effective interest rate on finance receivables for the year ended 31 December 2023 is 6.60% (6.17% - 2022) per annum.

8.6 The Group holds guarantee of KD 2,346,172 at 31 December 2023 (KD 2,718,122 – 2022) as collateral over its finance receivable.

8.7 During the current year, the management of the Group approved to write off finance receivables amounted to KD Nil against provision to credit losses (2022 – finance receivablesKD 40,651 against provisions to credit losses).

8.8 During the current year, the Group recovered an amount of KD 201,418 (KD 279,562 - 2022) from the written off finance receivables and reversed the same to the provision for credit facilities in the consolidated statement of income.

9. Other receivables and prepayments

	2023	2022
Staff advances	30,228	36,045
Due against collection on behalf of the group	-	19,191
Others	272,447	332,121
	302,675	**387,357**

- Staff advances include a Qard Hassan granted to the employees against the guarantee of the end of service indemnity. This amount is due within a period of one year from the date of granting.
- During the current year, the Group write-off an amount of KD 19,191 (KD 15,214 - 2022) from the due against collection on behalf of the Group.

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10. Investments in financial securities

	2023	2022
Financial assets at fair value through profit or loss ("FVTPL")		
Quoted foreign funds	1,278,938	1,027,904
Quoted local shares	66,583	50,442
Unquoted foreign funds	545,279	604,239
Unquoted local shares	374,400	477,664
Unquoted foreign shares	130,640	136,800
	2,395,840	**2,297,049**
Financial assets at fair value through other comprehensive income ("FVTOCI")		
Quoted local shares	4,094,883	4,112,451
Quoted foreign shares	708,079	1,071,421
Unquoted foreign shares	1,237,811	1,399,012
	6,040,773	**6,582,884**
Financial assets at amortized cost		
Debt sukuks – quoted at foreign stock exchanges	2,100,075	2,128,159
	2,100,075	**2,128,159**
	10,536,688	**11,008,092**

- Fair value of investments has been determined in the manner described in Note 3.3.
- Debt sukuks represents investment in high rated securities and are classified as Stage 1 instruments.

11. Investment properties

The movement in the investment properties is as follows:

	31 December 2023	31 December 2022 (Restated)
Opening balance (as previously stated)	3,822,449	3,872,975
Impact from restatement (note 28)	687,551	599,025
Opening balance (restated)	4,510,000	4,472,000
Change in fair value	(98,000)	38,000
	4,412,000	**4,510,000**

- Investment properties are real estates located in the State of Kuwait.
- The fair value of the Group's investment properties amounted to KD 4,412,000 as at 31 December 2023 (KD 4,510,000 – 2022) has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. The independent valuers are registered at the related governmental bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations, one of these valuers represented in local bank and the other valuer is local authorised valuer and for accounting purposes, the Group use the lowest value based on capital market authority requirements.
- The fair value of investment properties is determined based on capitalization rate of net property income and taking into account the capitalization of rental income potential, nature of the property and prevailing market conditions (level 3). The average capitalization rate used was 6.9% as at 31 December 2023 (7.1% - 2022).

A slight increase in the capitalization rate used would result in a significant decrease in fair value and vice versa. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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12. Accounts payable and other credit balances

	2023	2022
Trade payables	433,668	1,262,646
Capital reduction payables	173,015	365,073
Dividends payable	142,419	111,216
Accrued salaries and other staff accruals	316,806	280,846
NLST	63,515	38,628
Zakat	25,266	15,111
KFAS	17,910	13,919
Others	341,014	88,461
	1,513,613	**2,175,900**

13. Islamic financing payables

Islamic financing payables are obtained from local and foreign banks and are denominated in KD and USD. The average cost as at 31 December 2023 is 5.375% - 5.50% and 5.285% - 7.66% for KD and USD, respectively (4.25% - 4.75% and 7.02% - 8.34% for KD and USD, respectively - 2022) per annum.

Islamic financing payables are guaranteed against pledge of the following assets:

	2023	2022
Investment in Murabaha and Wakala receivables	9,347,321	9,347,321
Assigning receivables – net	2,513,931	3,031,727
Investment properties (Restated)	4,292,000	4,390,000
Investment in financial securities	8,727,254	8,944,174

14. Share capital

Share capital amounted to KD 26,374,759 distributed over 263,747,591 shares with 100 fils per share as at 31 December 2023 (KD 26,374,759 distributed over 263,747,591 shares with 100 fils per share - 2022), and all shares are in cash.

15. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST and Zakat is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

16. Voluntary reserve

In accordance with the Parent Company's Articles of Association, a percentage of the profit for the year as determined by an ordinary general assembly is to be transferred to the voluntary reserve. This transfer may be stopped by a resolution adopted by an ordinary general assembly as recommended by the Board of Directors of the Parent Company. There are no restrictions on distributions from the voluntary reserve.

17. Net gains/ (losses) from investment in financial securities

	2023	2022
Financial assets at fair value through profit or loss ("FVTPL")		
Change in fair value	197,802	(257,630)
Realized gain on disposal of investments	-	50,473
Dividend income	52,409	50,047
	250,211	**(157,110)**
Financial assets at fair value through other comprehensive income ("FVTOCI")		
Dividend income	112,884	25,188
	363,095	**(131,922)**

18. Net income from investment properties

	2023	2022 (Restated)
Rental income	279,495	280,400
Change in fair value of investment properties	(98,000)	38,000
	181,495	**318,400**

19. Other income

	2023	2022
Financing fee income	106,428	104,527
Others*	200,144	51,128
	306,572	**155,655**

* Others include amount of KD 107,845 (KD Nil - 31 December 2022), resulting from final settlement of a legal case in favour of the Group.

20. Staff costs

	2023	2022
Salaries and benefits	673,893	620,459
Provision for staff indemnity	23,795	47,994
Leave accruals	7,725	7,507
Others	55,760	64,495
	761,173	740,455

21. Other expenses

	2023	2022 (Restated)
Professional and legal expenses	146,838	99,162
Depreciation and amortization – equipment and software	32,528	38,060
Subscription and licensing fees	64,041	41,625
Board of Directors Committees’ remunerations	61,000	55,000
Real estate expenses	60,396	41,347
Others	391,326	174,870
	756,129	450,064

22. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated based on the profit for the year attributable to shareholders of the Parent Company divided by the weighted average number of shares outstanding during the year, as follows:

	2023	2022 (Restated)
Profit for the year attributable to shareholders of the Parent Company	1,883,295	1,567,430
Weighted average number of the Parent Company’s outstanding shares	263,747,591	283,473,618
Basic and diluted earnings per share (fils)	7.14	5.53

23. General Assembly decision/ Board of Directors’ proposals

On 12 April 2023, the Ordinary General Assembly approved the consolidated financial statements for the year ended 31 December 2022 and approved the followings:

- To distribute cash dividends amounted to KD 791,243 at 3 fils per share to the shareholders of the Parent Company for the year ended 31 December 2022.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinars unless otherwise stated)

- Board of Directors' remunerations amounting to Nil for year 2022 (Nil for year 2021).
- Board of Directors Committees' remunerations of KD 55,000 for year 2022 (KD 61,000 for year 2021).

On 27 March 2024, the Board of Directors proposed:

- To distribute cash dividends amounted to KD 791,243 at 3 fils per share to the shareholders of the Parent Company for the year ended 31 December 2023.
- Board of Directors' remunerations amounting to Nil for year 2023 (Nil for year 2022).
- Board of Directors Committees' remunerations of KD 61,000 for year 2023 (KD 55,000 for year 2022).

These proposals are subject to the approval of the shareholders of the Parent Company in the ordinary general assembly.

24. Subsidiaries

Group' structure is as follows:

Company name	Ownership percentage (%)		Activity	Country of incorporation
	2023	2022		
Manarat Tasaheel Real Estate Company W.L.L	100	100	Real Estate activities	Kuwait
Al-Manar Express for Marketing Consulting Company W.L.L	100	100	Consulting activities	Kuwait
Al- Manar Watania for Administrative Consulting Company W.L.L	100	100	Consulting activities	Kuwait
Al Jawhara Company for Buying and Selling Shares & Bonds W.L.L.	70	-	Investments	Kuwait

Total assets of the subsidiaries are KD 15,394,230 (KD 4,108,753 as at 31 December 2022), and their profits during the year ended 31 December 2023 are KD 1,689,112 (losses of KD 2,474 for the year ended 31 December 2022).

During the current year, Al Manar Financing and Leasing Company "the Parent Company" has acquired 70% in the share capital of Al Jawhara Company for Buying & Selling Shares and Bonds W.L.L "the Subsidiary Company" amounting to KD 1,000,000. The subsidiary Company was acquired against assuming receivable balance amounting to KD 700,000 against the percentage in share capital owed by the former partner in favour of the acquired subsidiary.

The acquisition has been accounted for using the acquisition method of accounting and, accordingly, assets acquired and liabilities assumed were recorded at estimated provisional value as at the acquisition date. The acquisition did not result in any goodwill, or intangible assets since purchase consideration was equivalent to the fair value of identifiable assets of the acquired subsidiary.

This transaction was eliminated from the Consolidated Statement of Cash Flows, as it is a non-cash transaction.

Below is the statement of provisional value of the assets acquired and liabilities assumed as at the date of acquisition:

	KD
Receivable due from Partners	1,000,000
Fair value for net identifiable assets	1,000,000
Less: non-controlling interest	(300,000)
Group share of net identifiable assets	700,000
Less: payable by the Parent Company to the subsidiary (purchase consideration)	(700,000)
	-

25. Related parties' transactions

Related parties consist of major shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners. All related parties' transactions are at arm's length terms and are approved by the Group's management.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinars unless otherwise stated)

The related parties' balances and transactions included in these consolidated financial statements are as follows:

		2023	2022
Balances			
a)	Finance receivables (gross)	2,628,420	1,621,318
b)	Key Management's benefits payable	271,669	253,209
c)	Advance to staff	16,076	-
Transactions			
a)	Remunerations of key Management personnel		
	Staff costs	347,543	281,140
b)	Board of Directors committees' remunerations	61,000	55,000
c)	Finance revenue	82,190	41,302

26. Segmental information

Operating segments are to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The operating segments are divided into two major business segments Finance (including the credit facilities for consumers), Investment (including the investments in financial securities and investment properties) as follows:

2023

	Finance	Investment	Others	Total
Segment revenues	2,104,128	2,398,303	200,144	4,702,575
Segment expenses	(700,047)	(432,236)	(1,080,488)	(2,212,771)
Segment results	1,404,081	1,966,067	(880,344)	2,489,804
Segment assets	21,318,777	30,306,112	635,345	52,260,234
Segment liabilities	9,458,699	9,025,375	1,383,234	19,867,308

2022

	Finance	Investment	Others	Total
Segment revenues	1,720,015	278,472	51,128	2,049,615
Segment expenses	518,681	(91,294)	(841,914)	(414,527)
Segment results	2,238,696	187,178	(790,786)	1,635,088
Segment assets	25,089,801	15,713,417	929,457	41,732,675
Segment liabilities	8,183,878	4,087,800	1,244,259	13,515,937

27. Contingent liabilities

	2023	2022
Letters of guarantee	5,000	5,000

28. Change in accounting policy

During the current year, the management voluntarily changed its accounting policy on investment properties relating to measurement after recognition under IAS 40 – Investment Property in order to provide a reliable and more relevant information about the Group's financial position, financial performance and cash flows to its shareholders. Historically, the Group chose the cost model as its accounting policy for measurement after recognition which is now voluntarily changed to fair value model under which the respective investment properties are annually re-measured at fair value to reflect the current market prices. Accordingly, the Group restated the comparatives figures in accordance with the requirements of IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors and IAS 1 Preparation of Financial Statements.

A summary of the impact of the above matter is as follows:

As at 1 January 2022

Consolidated statement of financial position

	Kuwaiti Dinars		
	As previously stated	**Effect of restatement**	**As restated**
ASSETS			
Non-current assets			
Investment properties	3,872,975	599,025	4,472,000
Total assets	**37,170,253**	**599,025**	**37,769,278**
LIABILITIES AND EQUITY			
Equity			
Retained earnings	198,948	599,025	797,973
Equity attributable to shareholders of the Parent Company	31,060,381	599,025	31,659,406
Total equity	31,060,381	599,025	31,659,406
Total liabilities and equity	**37,170,253**	**599,025**	**37,769,278**

As at 31 December 2022

Consolidated statement of financial position

	Kuwaiti Dinars		
	As previously stated	**Effect of restatement**	**As restated**
ASSETS			
Non-current assets			
Investment properties	3,822,449	687,551	4,510,000
Total assets	**41,045,124**	**687,551**	**41,732,675**
LIABILITIES AND EQUITY			
Equity			
Retained earnings	1,346,334	687,551	2,033,885
Equity attributable to shareholders of the Parent Company	27,529,187	687,551	28,216,738
Total equity	27,529,187	687,551	28,216,738
Total liabilities and equity	**41,045,124**	**687,551**	**41,732,675**

Consolidated statement of income for the year ended 31 December 2022

	Kuwaiti Dinars		
	As previously stated	**Effect of restatement**	**As restated**
Income from investment properties	-	38,000	38,000
Other expenses	(500,590)	50,526	(450,064)
Profit before deductions	1,546,562	88,526	1,635,088
Net profit for the year	**1,478,904**	**88,526**	**1,567,430**
Basic and diluted earnings per share (fils)	**5.22**	**0.31**	**5.53**

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinars unless otherwise stated)

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Kuwaiti Dinars		
	As previously stated	**Effect of restatement**	**As restated**
Net profit for the year	1,478,904	88,526	1,567,430
Total comprehensive income	**968,806**	**88,526**	**1,057,332**

Consolidated statement of cash flows for the year ended 31 December 2022

	Kuwaiti Dinars		
	As previously stated	**Effect of restatement**	**As restated**
Cash flows from operating activities			
Net profit for the year	1,478,904	88,526	1,567,430
Depreciation, amortisation and impairment	162,723	(50,526)	112,197
Change in fair value of investment properties	-	(38,000)	(38,000)

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