Annual Report
2023

المركز
MARKAZ
Asset Management | Investment Banking

Sheikh Abdullah Al Salem Cultural Centre

المركز
MARKAZ
Asset Management | Investment Banking

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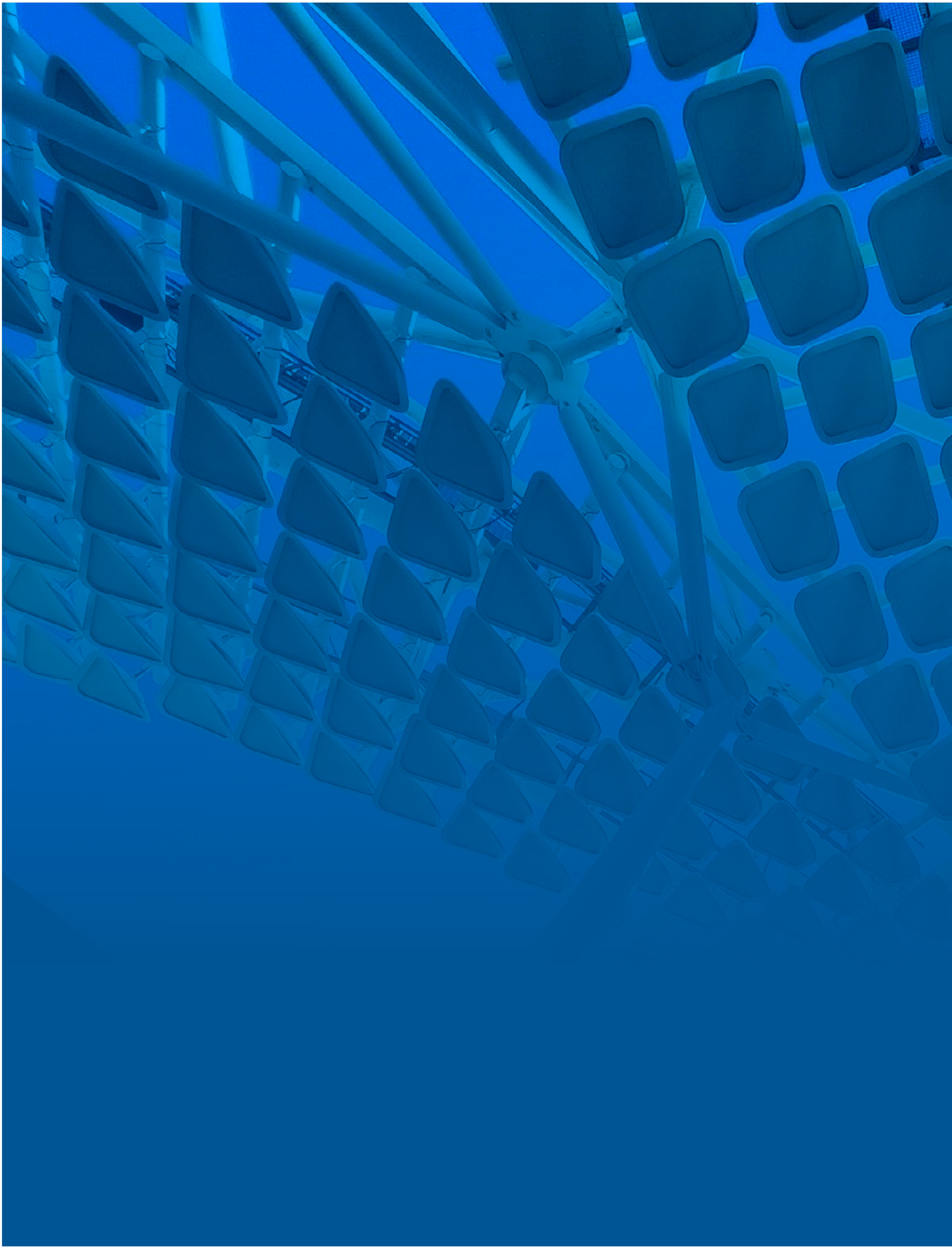
markaz.com

The **Sheikh Abdullah Al-Salem Cultural Centre (ASCC)**, named after the late Amir Sheikh Abdullah Al Salem Al Sabah (1950 - 1965), is a unique cultural center that was inaugurated in 2018 in Kuwait and is one of the world's largest museum complexes. ASCC consists of six main components; The Natural History Museum, Science and Technology Museum, Space Museum, Arabic Islamic Science Museum, Fine Arts Center, and the external spaces known as the Public Realm.

H.H. Sheikh
Mishal Al-Ahmad Al-Jaber Al-Sabah
Emir of the State of Kuwait



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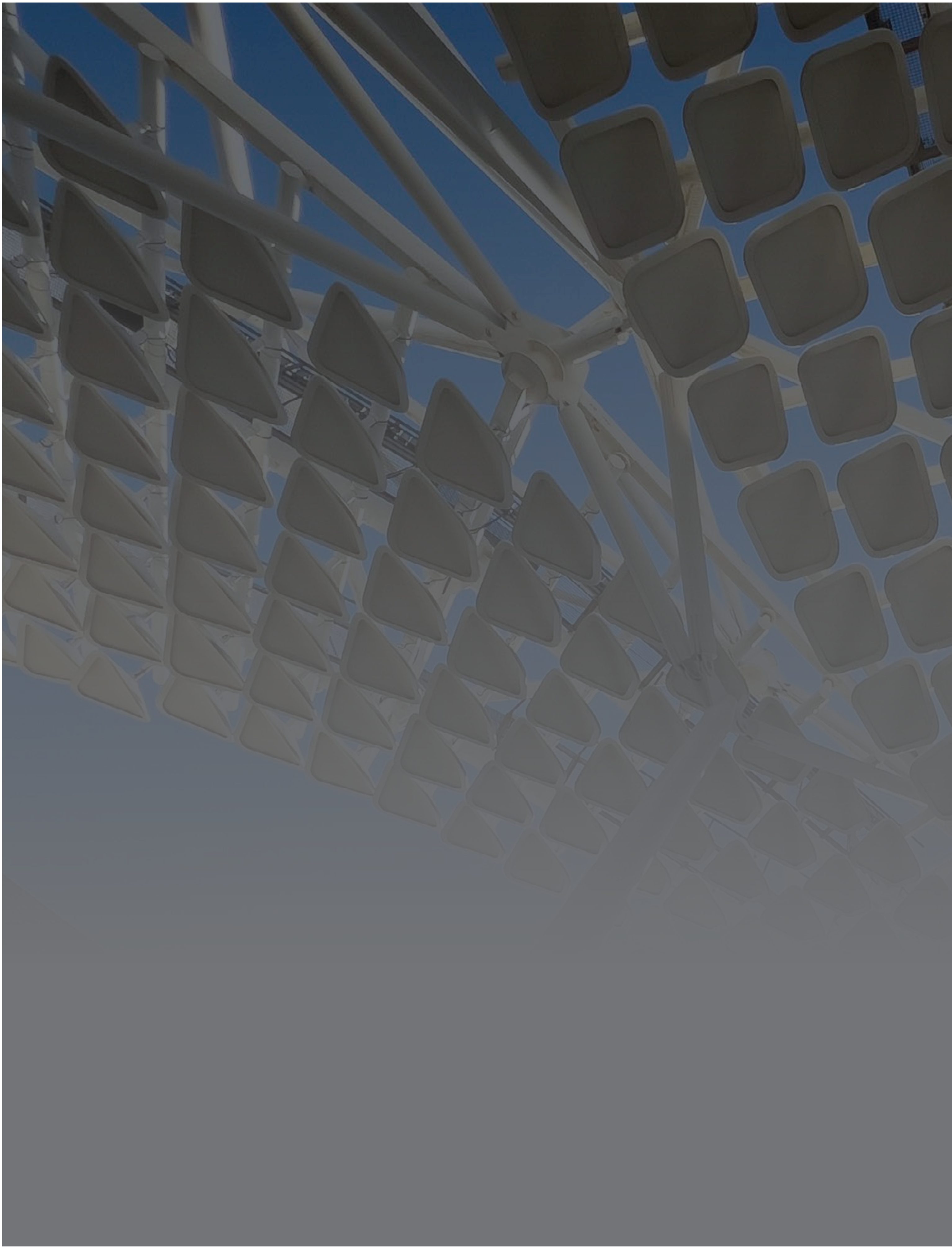


About Markaz

Established in 1974, Kuwait Financial Centre 'Markaz' is one of the leading asset management and investment banking institutions in the MENA region. Markaz was listed on the Boursa Kuwait in 1997. Since inception, Markaz has attracted and retained a client base of high net worth individuals, governments, quasi-government institutions, and corporations. The Company caters to its client base through the following products and services:

Asset Management
- Equity Mutual Funds
- Fixed Income Mutual Funds
- Real Estate Mutual Funds
- Private Equity Funds
- Portfolio Management
- Market Maker

Investment Banking
- Mergers and Acquisitions
- Advisory
- IPOs & Listings
- Equity and debt issuances
- Credit rating advisory
- Restructuring

Real Estate
- Middle East and North Africa
- International

Wealth Management
- Tailored portfolios across all asset classes
- Investment advisory mandates

Research
- Economic and Policy Research
- Consulting Services

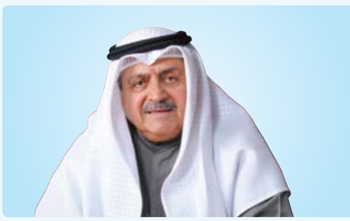
Vision

Your partner in wealth creation.

Mission

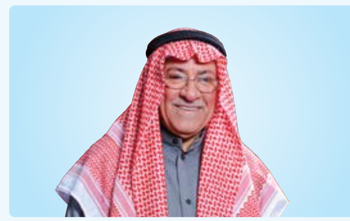
Offer best-in-class investment opportunities and tailored solutions.

Board of Directors



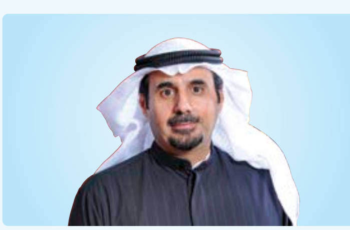
Diraar Y. Alghanim
Chairman

Chairman of the Board Nomination and Remuneration Committee.
His Career spans the financial services industry, asset management, insurance, and various commercial and professional enterprises in the Middle East and internationally.
Member of the Board of Directors of Kuwait Chamber of Commerce & Industry (KCCI) since 2001 and chaired the Finance and Investment Committee from 2010 to 2018.
Founding Chairman of the Union of Investment Companies (UIC) from 2004-2009 and active member of various NGOs in Kuwait and abroad.



Faisal A. Al-Jallal
Vice Chairman

Chairman of the Board Audit Committee and member of the Board Nomination and Remuneration Committee at Markaz.
Partner and Manager at Al-Baseet Trading Co. and at Al-Jallal Real Estate Co.
Holds a University Degree from Alexandria University.



Ayman A. Alshaya
Board Member

Member of the Board Nomination & Remuneration Committee at Markaz.
Member of the Board of Directors of the Alshaya group of businesses, a family company founded in Kuwait in 1890, and General Manager since 2016.
Chairman of Al Ahleia Insurance Company, and director at Mabanee Company KPSC.
Holds a Bachelor's Degree in Mechanical Engineering from Kuwait University.

Fahed Y. Al-Jouan
Board Member

Chairman of the Board Risk Management Committee and member of the Board Audit Committee at Markaz.
Managing Partner of Kuwait Projects Group. Board Member of the Kuwait Chamber of Commerce and Industry (KCCI) and Al-Dorra Petroleum Services.
Holds a bachelor's degree in business administration from Eastern Washington University.

Adel M. Al-Ghannam
Board Member

Member of the Board Risk Management Committee and the Board Nomination & Remuneration Committee at Markaz.
Member of the Board of Directors and Executive Manager of Kapico Group Holding Co. since 2003 and holds managerial positions in several of its subsidiaries such as Royale Hayat Hospital, Kuwait Auto Parts Imports Co, The National Spare Parts Co., and many others.
Member of the Board of Directors Al Ahleia Insurance Company since 2005.
Holds a bachelor's degree in business administration from the U.S.A.

Omran H. Hayat
Board Member

Member of the Board Risk Management Committee at Markaz.
Founder and Managing Partner of Al-Mehan Holding Company WLL., Vice Chairman of Almutawir Regional Real Estate Developers (S.A.K) and Chairman of Dar SSH International Consultants (B.S.C). Member of the Board of Directors of the Kuwait Chamber of Commerce and the Industry.
Member at the Industrial Advisory Board to the Australian College of Kuwait, the Real Estate Academic Initiative (REAI) at Harvard University and the Kuwait Society of Engineers.
Holds a bachelor's degree in Architectural Engineering from the University of Miami and a master's degree in Project Management and Finance from Northeastern University, Boston. Completed the Advanced Management Development Program in Real Estate - Office of Executive Education from Harvard University.

Fahad S. Aldalali
Board Member

Member of the Board Audit Committee at Markaz, with over 17 years of experience in the financial, advisory and oil sectors.
Partner in Cornerstone Consulting. Member of the Board of Directors of Al Mulla International Finance. Served in several positions at Halliburton Overseas Limited, Kuwait, since 2003, and as Vice President of Moelis & Company at the Dubai International Financial Center.
Holds a bachelor's degree in electrical engineering from Michigan State University and a master's degree in finance and accounting from the University of Pennsylvania.

Maha A. Imad
Board Secretary

Ms. Imad joined Markaz in 1997, and currently manages "Corporate Affairs Department". Before joining Markaz, she worked for seven years in the Credit Department at Bank Med in Lebanon. Holder of Bachelor of Science in Business Management from Lebanese American University - Beirut.

Board of Directors' Report for 2023

Dear Shareholders,

We extend our heartfelt congratulations to His Highness the Amir of Kuwait, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, on assuming the leadership, succeeding the late Amir Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, may his soul rest in peace.

Throughout the year 2023, the GCC Economies witnessed huge development driven by the momentum in Saudi Arabia and the UAE. The MSCI GCC index increased by 7.7% in 2023. In the context of the national economy, the IMF anticipates 3.6% real GDP growth in 2024, underpinned by attractive oil market dynamics. Inflation is expected to remain relatively subdued.

The global economy encountered significant challenges due to the effects of escalating inflation, rising interest rates and the prolonged war in Ukraine. The outbreak of war in the Middle East, and the cooling of the US-China relationship, further intensified supply chain constraints, and global GDP growth in 2023 declined to 3.1% compared to the previous year (World Economic Outlook January 2024 edition). On the other hand, the asset management sector is experiencing a data-driven transformation led by artificial intelligence. By generating superior insights, artificial intelligence supports decision-making, constructing investment portfolios, and enhancing risk management. This opens doors to a new approach to alpha generation and a future where asset management is dependent on leveraging the power of data.

Business Strategy

In light of the challenges in the economic landscape, Markaz has been driving its growth strategies by focusing on launching new products, enhancing wealth management distribution, and continuously improving its operational processes. Markaz has maintained a structured approach to asset selection and risk management and has taken significant steps in fortifying its transaction monitoring procedures, fully in compliance with the directives of the Capital Markets Authority. Our asset management philosophy emphasizes a long-term view with diversified portfolios across various asset classes and regions. By leveraging our in depth market research, Markaz proactively manages its risk to ensure its commitment to sustained value creation in client portfolios.

In the fintech space, Markaz is strategically investing in digital technologies to strengthen its position in the competitive landscape. With initiatives such as iMarkaz we are improving client access to investments, simplifying transactions with efficient online reporting and prioritizing client satisfaction. This approach is essential to cater for the evolving needs of digitally advanced clients and their investment needs.

By incorporating Environmental, Social and Governance (ESG) considerations into our investment frameworks, Markaz underscores its role as a trusted leader in responsible investment practices. Corporate Social Responsibility (CSR) in 2023 continued to focus on youth development initiatives such as the strategic partnerships with Loyac, sponsoring AC Milan Soccer School, and Watheefti fair. Additionally, Markaz supports local talent with its Markaz Graduate Development Program (MGDP) where we successfully recruit business graduates to train across our multiple departments. Our efforts extended to hosting enriching lifestyle seminars and supporting vital causes such as Kuwait Association for the Care of Children in Hospital (KACCH), Bait Abdullah Children's Hospice (BACCH), and the Children's Cancer Centre of Lebanon. In addition, Markaz supports the activities of Kuwait Red Crescent Society (KRCS) and the UN Refugee Agency (UNHCR).

In the past year, Markaz was honoured with ten distinguished awards in various domains including Wealth Management, Research, Investment Banking, CSR, Digital Solutions and Diversity and Inclusion.

The awards were presented by organizations such as Global Finance, Wealth Briefing, Euromoney and MEED. These recognitions reflect our successful strategy in establishing long term client engagement across all our offerings.

Markaz has been driving its growth strategies by focusing on launching new products, enhancing wealth management distribution.

Financials

In 2023, Markaz recorded KD 26.32 million in Total Revenues, a growth of 40.0% from KD 18.80 million in the previous year. Markaz's 2023 Net Profits for shareholders was KD 4.15 million, with Earnings Per Share of 8 fils, compared to KD 2.86 million in the previous year, with Earnings Per Share of 6 fils. Our total Assets Under Management increased by 5.03% since December 2022, reaching KD 1.21 billion. The Board of Directors proposed a cash dividend distribution of 6% of the nominal share value, or 6 fils per share (subject to General Assembly approval)[1].

Outlook

The formation of the new administration, headed by His Highness the Prime Minister, Sheikh Dr. Mohammad Sabah Al-Salem Al-Sabah, will contribute positively in achieving stability and enhancing Kuwait's business environment locally and internationally.

Looking forward, the global economy is expected to grow by 3.1% in 2024 according to the IMF, reflecting the impact of sustained inflation, financial tightening, and geopolitical tensions. Despite a projected decrease from the previous year, inflationary concerns remain with an average forecast of 5.8% worldwide. Central banking policies are expected to remain cautious, with the US Federal Reserve closely monitoring key indicators. Despite the uncertainties around the upcoming American presidential elections, interest rates are expected to remain stable in early 2024 before rate cuts being implemented later in the year. Oil prices are predicted to remain steady at approximately $85 per barrel, although geopolitical factors could introduce volatility. The stability in oil prices is beneficial for Gulf economies, by enhancing its fiscal position at a time of broader uncertainties.

For 2024, Markaz's fixed-income strategies will focus on identifying specific credit opportunities in the region and capitalizing on a potentially pivotal period for global interest rates. Our Investment Banking department is set to expand its offerings in IPOs, listings, bond issues advisory, and M&A. The real estate sector is expected to benefit from demographic and economic changes in the region, providing opportunities for the Markaz real estate division.

Markaz extends heartfelt gratitude to key regulatory entities, including the Central Bank of Kuwait, the Capital Markets Authority and the Ministry of Commerce and Industry, for their continued support in maintaining a secure and equitable financial landscape.

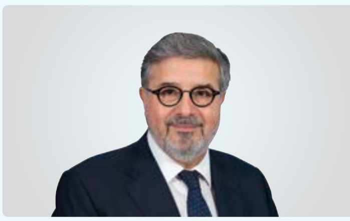
The Board of Directors would like to extend its heartfelt appreciation to the Management team and the entire Markaz family for their unwavering dedication, and our shareholders and clients for their continuous support and trust.

Diraar Yusuf Alghanim
Chairman

14 February 2024

[1] The Annual General Meeting of the shareholders' assembly, held on 19 March 2024, has approved the Board of Directors' recommendation to distribute a cash dividend of 6% or 6 Fils per share.

Executive Management



Ali H. Khalil
Chief Executive Officer

Bassam N. Al-Othman
Managing Director
MENA Real Estate

Amani I. Al-Omani
Managing Director
MENA Equities

Abdullatif W. Al-Nusif
Managing Director
Wealth Management and
Business Development

Raja Farrukh Abrar
Chief Financial Officer

Ghazi Al Osaimi
Executive Vice President
MENA Equities

Other Executives

Rasha A. Othman
Executive Vice President
Investment Banking (Capital Markets and Fixed Income)

Maha A. Imad
Executive Vice President
Corporate Affairs

Peter Kelly
Executive Vice President
Human Resources

Alexander W. Salamoun
Executive Vice President
Strategic Planning

Pradeep Rajagopalan
Executive Vice President
Analytics and Internal Controls

Deena Y. Al-Refai
Executive Vice President
Investor Relations

Sadon A. Al-Sabt
Senior Vice President
International Real Estate

Executive Management's Report

Dear Shareholders,

Markaz has navigated challenging market conditions, including the strong geopolitical developments that impacted the regional economies throughout the year, to deliver good performance and returns for our valued shareholders and clients across various asset classes.

As we enter 2024, we are eager to celebrate our golden jubilee. We are proud of our 50-year history, marked by substantial growth and an active role in launching innovative investment solutions that have helped shape Kuwait's asset management and investment banking sector. We continue to be among the leaders in the Kuwait market by introducing the first momentum fund following a series of innovative investment strategies over the years. We firmly believe that investment opportunities are always present, regardless of market conditions, and we have maintained our leading position in the industry while expanding our client base with this approach.

Strategic Initiatives

Numerous industry awards have recognized the quality of our investment programs and services. Our dynamic strategy and proper risk management have ensured consistent and sustainable performance through volatile market cycles. Markaz's equity, fixed income, and real estate fund managers continue to focus on generating long-term returns.

Markaz launched a diverse array of products and services in 2023 that has positively shaped the investment landscape in Kuwait. The year was marked by focus on the "Family Office" segment and customised services that have significantly broadened our Wealth Management capabilities. These services have been thoughtfully tailored to align with the evolving investor needs marked by the increasingly demanding needs of family offices in Kuwait. Our Wealth Management and Business Development team works closely with global advisors to empower our high net-worth and affluent clients to create investment vehicles, establish multi-generational endowments, and access a diverse range of international products. Simultaneously, we are prioritizing digitization to improve our customer experience.

Our creative approach to investment banking exemplifies our commitment to helping our clients achieve their strategic and financial objectives. Markaz leverages its fifty years of expertise and outstanding reputation to assist our clients across the entire spectrum of investment banking, such as improving their capital structure, financing their operations, and acquiring or disposing of entities.

Heading into 2024, Markaz continues to refine its growth strategy, emphasizing an increase in Assets Under Management (AUM), fee growth, innovation of new investment products and solutions, and our client-centred investment banking services. Furthermore, Markaz will continue to offer clients tailored portfolios to match their risk profiles for investments in the GCC fixed-income market.

2023 Performance Overview

Equities

Global equity markets have experienced significant volatility due to uncertainty over interest rates and geopolitical tensions. Despite stable oil prices and promising economic growth prospects, the GCC markets have shown subdued performance this year. However, Markaz's "equities" team's active strategy has been delivering favorable performance compared to their respective indices, regardless of the market conditions.

Fixed Income

The Markaz Fixed Income Fund (MFIF), a privately placed fund, has consistently achieved its investment objectives, underpinned by a disciplined investment strategy. This performance is attributed to the fund's investment philosophy and balanced allocation policy.

MENA Real Estate

Our Markaz real estate fund (MREF) ended the year with excellent performance. MREF was up by 7.7% for the year due to our managers' ability to increase the occupancy rate across its properties from 77.3% at the start of 2022 to 91% by the end of 2023. Our Markaz Gulf Real Estate Fund (MGREF) is a private placement fund that invests primarily in income-generating properties to generate stable income and returns through sound acquisition, management, and disposal of properties in the most promising segments of the real estate market in the GCC.

Our MENA Real Estate team has earned the preferred real estate manager position for leading institutions due to their hands-on approach, access to market data, and unmatched experience across GCC markets. The MENA Real Estate team continues to focus on expanding its flagship real estate funds and actively pursues development opportunities. The team is also exploring development projects across the GCC and Private Public Project (PPP) opportunities in Kuwait.

International Real Estate

After a decade-long strong growth in the US and Europe, the challenges that emerged in 2022 continue to put downward pressure on real estate in 2023. However, regarding international real estate activity, 2023 was a year of success for us. We demonstrated the strength of our investment strategies and the soundness of our investment criteria. Markaz managed to exit a multifamily project and partially exit an industrial project, with investors receiving net IRRs of 10.0% and 18.0%, respectively. In Europe, we exited an industrial project with a net IRR of 11.9%.

Maintaining a high level of ethical standards that have been the cornerstone of our success over the past 50 years. Our team members are committed to our growth strategy

Our investment philosophy has always been strategy agnostic, making us agile in promptly capitalizing on opportunities. This agility allowed us to pivot towards real estate debt last year as it offered favorable risk-weighted returns, and we will expand our real estate debt offering in 2024. In the longer term, the team will build on its conviction regarding favorable economic and demographic trends that will benefit select property types, mainly apartments, senior housing, and logistics.

Investment Banking

Over five decades, Markaz built a distinguished reputation for delivering tailored and high-quality investment banking services to corporate clients and family offices in local and regional markets. Our proactive business development strategies in 2023 have been fruitful, with our investment banking team successfully acquiring new mandates and clients. During the year, our Capital Markets team successfully executed the first tranche of the KWD-denominated Tier II bond for the Commercial Bank of Kuwait, valued at 50 million KWD, and executed Tier II bonds for Ahli Bank of Kuwait, also worth 50 million KWD. Additionally, the team successfully placed the region's first KWD-denominated convertible bond. Furthermore, our Advisory team implemented financial restructurings for high-profile companies, advised on mergers within the professional services and oil and gas sectors, conducted transaction feasibility studies, and prepared strategic expansion plans and valuations in the healthcare sector. These mandates reflect our highly regarded and trusted investment banking services.

As part of our business development efforts, Markaz is forging strategic partnerships with external advisors to enhance our client advisory capabilities. This approach further supports family groups in complex restructurings and succession planning and advising on stock exchange listings within and outside of Kuwait. We focus on actively pursuing new client engagements and deepening existing relationships, reinforcing our growth objectives.

Our People and CSR

During the year, we continued to uphold our commitment to fostering a dynamic, merit-based, and enriching work environment, driving professional growth and achievement. We maintained a culture where our staff, at all levels, are involved in realizing our strategic ambitions and are accountable and rewarded for success. Our Human Resources, Strategic Planning, and Corporate Communications teams have worked closely to align Markaz with its strategic aims through effective and transparent communication. As a testament to our commitment to nurturing new talent, we conducted our seventh annual Graduate Development Program, sponsored opinion-shaping conferences, and hosted targeted developmental efforts. In 2023, Markaz relocated to a new office at Burj Alshaya. The move equips our organization to cater to the evolving needs of stakeholders in a dynamic and robust working environment more effectively.

Outlook

Current geopolitical tensions, particularly the war in the Middle East, have added further complexity to global economic prospects. Volatility is expected to remain across the financial markets in the year ahead. Nonetheless, our investment teams possess the expertise and proven mindset required to identify emerging opportunities and create tailored financial solutions for our clients.

We are confident in our ability to navigate through the current market conditions. Our staff has consistently demonstrated resilience in various market cycles, adaptability in an ever-changing industry, and a talent for creating investment solutions that capitalize on opportunities despite ongoing challenges.

The team at Markaz is dedicated to providing excellent services, ensuring client satisfaction, fostering innovation, and maintaining a high level of ethical standards that have been the cornerstone of our success over the past 50 years. Our team members are committed to our growth strategy, which focuses on expanding our investment offerings, enhancing investment banking services, and providing personalized and digitized client experiences. The economic fundamentals of the GCC region offer a stable foundation for implementing our strategies. Under the guidance of our Board of Directors and experienced management team, we aim to achieve sustainable and profitable growth over the long term.

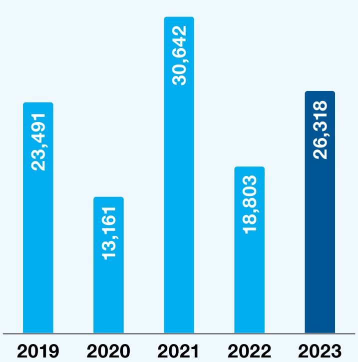
Ali H. Khalil
Chief Executive Officer

A Year of Achievements

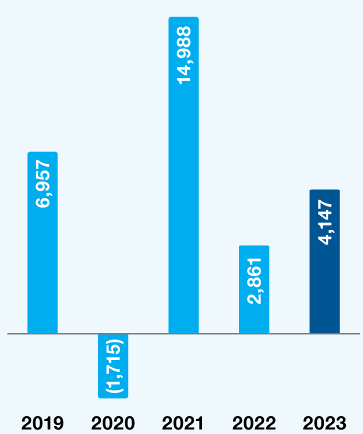
Financial Highlights

Consistently delivering shareholder value underpinned by attractive dividend payouts

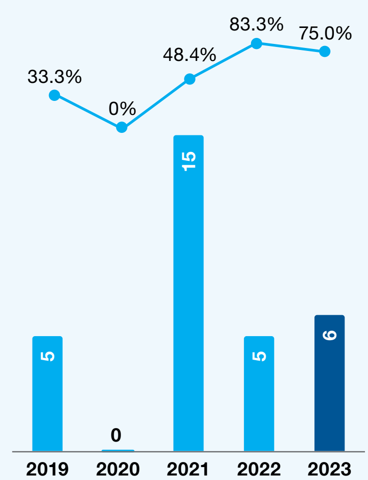
Revenue (KD thousands)



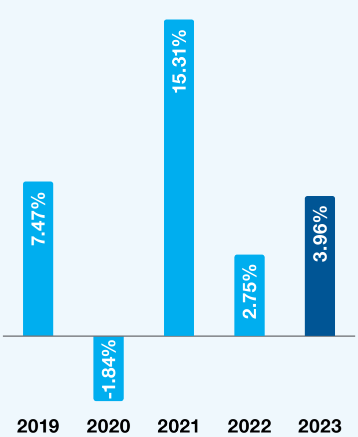
Net Profit (KD thousands)



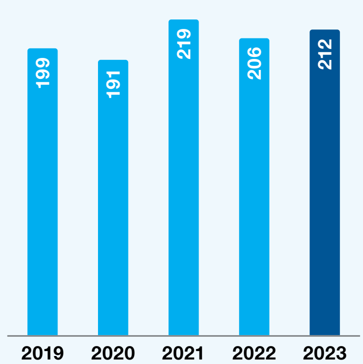
Dividend[2] (Fils) & Pay-out (%)



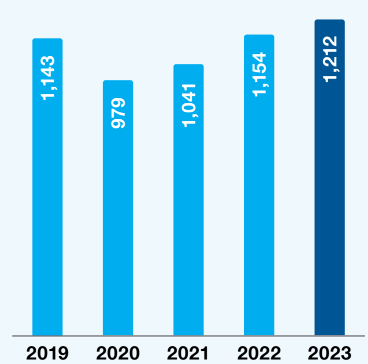
Return on Equity (%)



Book value per share (fils)



Assets Under Management (KD million)



[2] The Annual General Meeting of the shareholders' assembly, held on 19 March 2024, has approved the Board of Directors' recommendation to distribute a cash dividend of 6% or 6 Fils per share.

2023 Awards

Global Finance
- Best Private Bank in Kuwait

MEED
- MENA Investment Bank of the Year
- Excellence in Real Estate Investment

Euromoney
- Middle East's Best for Investment Research
- Best Domestic Private Bank in Kuwait

Euromoney 2023 Market Leaders
- Market Leader: Investment Banking
- Highly Regarded: Digital Solutions - CSR
- Notable: Diversity & Inclusion

WealthBriefing
- Private Bank or Wealth Manager Servicing the State of Kuwait

Business Review

Asset Management[3]

MENA Equity Funds

Global financial markets were resilient despite the rapid interest rate hikes across the world in 2023. GCC markets also outperformed expectations despite regional geopolitical conflicts. UAE and Saudi Arabia continued to transition towards service and travel-based economies, an integral part of their post-pandemic development plans. Saudi Arabia in particular, demonstrated resilient economic growth, which was underpinned by the strategic decision to implement oil production cuts. The UAE's economic landscape was highlighted during COP28, along with its non-oil growth opportunities. Qatar also benefited from ongoing tourism following the 2022 World Cup and focusing on expanding LNG capacity. Kuwait's economy was supported by stabilized oil prices, which the country is primarily dependent on for fiscal support. Despite market volatility during the year, the MSCI GCC index increased by 7.7%. Dubai was the best-performing constituent of the index, with a gain of 22.0%, followed by Saudi Arabia and Bahrain with gains of 14.0% and 4.0% respectively.

At Markaz, we continue to broaden our offerings with new equity products tailored for optimal risk-adjusted returns for our investors. The launch of the GCC Momentum Fund in 2023 achieved a return of 10.3%, surpassing its benchmark S&P Momentum GCC Composite Index. Although the Markaz Investment & Development Fund (MIDAF) and Markaz Fund for Excellent Yields (MUMTAZ) had returns of -4.3% and -5.7%, respectively, they each outperformed their benchmark S&P Kuwait Domestic Liquid Capped index. Forsa Financial Fund had the lowest loss among the local funds at -3.8%. The Sharia-compliant Markaz Islamic Fund (MIF) further minimized losses to -7.9% and also exceeded its benchmark KIA Kuwait Sharia Index KWD TR index. The weighted average alpha of our products during 2023 was 1.14%, highlighting our positioning to generate value beyond the market average.

Our positive outlook for GCC equity markets in 2024 is underpinned by consistent earnings growth, anticipated rate cuts in the second half of the year, overall economic resilience and stable oil prices. Strategically, we are focusing on major structural trends, particularly in the transportation, industrial, and healthcare sectors, while closely monitoring government initiatives. Our investment approach remains highly selective, prioritizing reasonable valuations, high dividend yields and companies with clear growth prospects. Given the region's promising investment landscape, the MENA share of 8% of the MSCI EM market index is expected to receive robust cash inflows in the coming years.

Fixed Income Fund

The S&P MENA Bonds and Sukuk Index increased by 5.2% in 2023 compared with the Bloomberg Barclays GCC Aggregate Index growth of 6.2%. During the year, fixed income markets experienced a significant tightening of the average spread from 103.5 bps to 81.5 bps, resulting in a decrease in the average 5-year Credit Default Swap (CDS) spread across GCC countries. In 2023, GCC sovereigns and corporates issued primary debt totalling USD 95.3 billion over 224 issuances, marking a year-on-year growth of 20.3%. Saudi Arabia raised USD 52.5 billion, accounting for 55% of the total issuance value during the year.

The Markaz Fixed Income Fund (MFIF), a privately placed fund, has consistently generated positive returns, underpinned by a disciplined investment strategy. Markaz continues to offer clients tailored portfolios to match their risk profiles for investments in the GCC fixed-income market.

Real Estate Funds

Launched in 2003, the Markaz Real Estate Fund (MREF) is an open-ended fund that focuses on investing in income generating assets within Kuwait. The fund had an AUM of KD 73 million spread across 17 properties and was able to maintain an occupancy rate of 91%, as of 31st December 2023. MREF continues to consistently distribute a monthly cash dividend, generating total returns of 7.3% for the year. After adjusting for development costs of the fund's office property in Kuwait City, MREF recorded a Net Operating Income (NOI) return of 4.3%. Along with MREF, Markaz also manages the Markaz Gulf Real Estate Fund (MGREF), a privately placed fund launched in 2014. The portfolio is dedicated to income-generating real estate across the GCC, covering Kuwait, Saudi Arabia and the UAE.

Real Estate

MENA Real Estate

In the GCC region, the real estate sector has benefited from firm oil prices, demographic shifts, diverse economic initiatives and a generally positive growth outlook. As a result, the real estate market saw more stable rental rates and higher occupancy levels. However, the impact on Kuwait's real estate market has been moderated by consecutive interest rate hikes by the Central Bank of Kuwait, and restricted capital investment. In Saudi Arabia, overall economic growth, driven by government development projects and consistent performance of the non-oil sector, has led to an increase in demand across all real estate sectors, especially in Riyadh and Jeddah. In the UAE, Dubai's real estate market continued its solid

[3] For more information regarding funds' performances, please visit the website, **markaz.com**

performance, marked by liquidity, stable valuations and consistent rental rates. Abu Dhabi saw a revival in market liquidity, with property valuations increasing by about 5 to 10%. Generally, rental rates have remained stable, providing for a resilient real estate market across the region.

The Markaz MENA Real Estate team achieved strategic exits from key investments, including Vezul in Dubai, Parkside in Abu Dhabi and Rihab Pearl in Riyadh, with substantial progress towards other regional properties by early 2024. Markaz has also been managing real estate portfolios for large institutions and SWFs. Additionally, some of the portfolios benefited from an improvement in occupancy rates and the first increase in rent since 2015 in Riyadh and the eastern province of KSA in 2023.

Looking forward, the MENA Real Estate team is focusing on exiting from existing matured RE projects and exploring opportunities in industrial warehouse development in Riyadh and other BOT opportunities in Kuwait.

International Real Estate

The US real estate sector, which has faced higher interest rate headwinds throughout the year, saw a 44% drop in commercial real estate investments to USD81 billion while other real estate classes, especially the multifamily sector, have shown greater resilience. Office leasing, which is also challenged by the work from home culture, recorded a national vacancy rate of 19.7%, while the industrial sector showed greater stability. Hotel sector investments declined by 47%, yet the retail sector displayed resilience with reduced vacancy rates and increases in rents. In Europe, commercial real estate investment fell sharply by 57% to €33 billion, with industrial rents experiencing a 1.6% quarter-over-quarter growth. The UK real estate market recorded £29.3 billion in transactions through to Q3 2023, primarily led by industrial activity, and highlighted a prime yield landscape across sectors including office space.

During the year, Markaz partnered with a renowned international real estate developer to invest in mezzanine transactions along with clients for industrial assets and student accommodation projects in the US. Furthermore, we invested alongside our clients in a new industrial development in the US, reflecting our targeted investment strategy.

Despite economic challenges, we successfully completed partial and full exits from US industrial and multifamily projects. In addition, we also completed the divestment of an industrial project in the Netherlands. Markaz remains very selective in real estate projects, prioritizing risk adjusted returns and portfolio diversification.

Investor engagement in real estate is moderating given economic uncertainties, a high interest rate environment and overall tighter credit conditions. However, strategic investment opportunities remain accessible especially in multifamily, industrial and grocery-anchored retail sectors. With over USD1 trillion in real estate loans due for maturation over the coming years, lenders find themselves in a position to negatively impact market valuations. This evolving scenario highlights the increasing influence of private lenders, with credit terms rapidly adjusting to the new emerging real estate landscape.

Looking forward, Markaz's investment strategy will continue to prioritize opportunities within the US and selected European markets, with a focus on the senior and mezzanine debt instruments. The multifamily and industrial segments are particularly attractive, reflecting their resilience and enduring risk return appeal. As market prices stabilize and greater clarity on the interest rate cycle emerges, we anticipate an uptick in transaction activity throughout the year.

Investment Banking

Capital Markets

The GCC Initial Public Offerings (IPO) landscape in 2023 saw a significant reduction in proceeds, falling to USD 10.1 billion from USD 22.7 billion in the previous year. The UAE emerged as a key regional issuer, generating 54% of the total IPO proceeds with USD 5.5 billion from 7 companies. In contrast, primary debt issuances across the region saw a substantial growth of 20.3% year-on-year, with proceeds totaling USD 79.2 billion. Saudi Arabia was at the forefront of this activity, issuing USD 52.5 billion, 55% of the total, followed by the UAE, which raised USD 30.0 billion, amounting to 31.5% of the region's primary debt issuances.

During the year, Markaz was instrumental in various transactions, acting as sole Lead manager and subscription agent of the first KWD-denominated convertible bonds for a major client through a private placement, and the KD50 million first tranche of the first KD-Denominated Tier II Bonds Program for Commercial Bank of Kuwait. Additionally, Markaz acted as joint lead manager and subscription agent for the KD 50 million Tier II Bonds for Al-Ahli Bank of Kuwait.

The 2024 outlook for Capital Market transactions in the GCC region remains promising, despite the decline in volumes in 2023. There remains strong interest from both governments and private companies to tap into the high demand for capital market offerings. Markaz is committed to supporting corporate clients by providing

Business Review (continued)

innovative solutions that improve their capital structure and enhance financial flexibility. Furthermore, our capital markets strategy remains focused on facilitation of equity and debt offerings, in line with the rapidly evolving requirement for capital in the region.

Advisory and M&A

During the year, privately owned family enterprises showed greater interest in conducting valuations of their group companies, evaluating strategic asset disposals, strategic acquisitions, and organizational changes. The current period of high interest rates has placed significant pressure on heavily indebted firms, forcing them to revise their financial plans, many of which have led to financial restructurings. Despite reduced mergers and acquisitions activity, due to the higher cost of capital, proactive corporates sought opportunities for strategic expansion, often leading to industry consolidation.

The Markaz Advisory and M&A team was awarded various new clients' mandates during the year, covering valuations, mergers, disposals and financial restructurings. High profile mandates included restructuring a major building materials company, assisting in the merger process of two professional services companies in addition to the assistance in the merger process of companies in the oil and gas sector. We have also worked on developing expansion plans, conducting valuations, and explored potential sale opportunities in the healthcare sector.

Looking forward, our focus is on establishing new client relationships and strengthening existing ones, all in line with our strategic growth objectives.

Wealth Management & Business Development

Markaz delivered steady returns across various asset classes during 2023, with noteworthy outperformance in both private and public debt markets. Our proactive advisory approach allowed us to identify and capitalize on market opportunities, especially in private equity, private credit and in the local fixed income markets. The team's strategic insights along with Markaz's consistent performance and brand reputation, attracted new high net worth clients and family offices. In response to the growing demand for international and private market investment opportunities, Wealth Management and Business Development (WMBD) expanded its product offerings by region and entered into the private debt market. These dynamic responses to client needs, again highlight our adaptability in navigating the constantly changing investment landscape, leading to Markaz being recognized as an industry leader.

During 2023, WMBD established a partnership with one of the world's leading asset managers. WMBD relationship managers focused on tailoring and constructing investment portfolios that were aligned with client risk return objectives. Additionally, WMBD prioritized developing other strategic partnerships to expand distribution networks and ensure the ongoing delivery of new financial products and solutions across local, regional and global platforms. From an operating perspective, combining the International Advisory team into WMBD marked a significant progression, providing clients with fully integrated and seamless access to global investment products.

International Advisory

Global equity markets outperformed expectations at the start of the year, with significant increases across major indices worldwide. This strong performance was led by the S&P 500, which surged by 24.2% during the period, reflecting the resilience of major corporations across sectors and consumer sentiment. During the year, the Nasdaq Composite Index recorded a 43.5% increase, highlighting again the continued dominance of large-cap technology companies. Similarly, the Dow Jones Global Index closed the year with a 13.8% gain, underscoring a broad-based recovery across the economic landscape.

With this global equity backdrop in mind, our allocation approach capitalized on emerging favourable conditions in the bond market. By investing in investment-grade and treasury bonds, we secured attractive yields while diversifying our portfolio to mitigate risks associated with market volatility.

Throughout the year, we achieved significant milestones, elevating our operational and strategic capabilities. An important accomplishment was our collaboration with a leading asset manager specializing in multi-asset portfolio management. The multi-asset portfolios provide balanced, diversified solutions and enhance our overall ability to provide comprehensive wealth management services to our clients.

Looking ahead, our focus remains on adapting to rapidly evolving market conditions. Agility is important in capitalizing on emerging opportunities and mitigating risks. We are committed to carefully monitoring market conditions, ensuring our strategies align with the latest trends and developments.

Published Research

Marmore, the research arm of Markaz, continued to advance its engagement with external clients, through strategic business development initiatives throughout the year. Many of the consulting assignments were with financial services companies, and banks. Marmore not only strengthened its presence in the local market but conducted nearly 70 engagements across the GCC region, underlining its reputation as a trusted regional research player. Expanding its client base across the MENA region has been a long-term pillar of the Marmore strategy.

With published research, Marmore remained committed to monitoring market trends and sharing insightful content through thematic reports, infographics and analytical insights. During 2023, over 30 reports were published on its research web portal (www.marmoremena.com), addressing key industry topics and market dynamics. Additionally, Marmore enhanced its digital presence by publishing over 20 blog articles on pertinent issues affecting the GCC region. Leveraging social media channels and other digital platforms has ensured that our research findings reached a wider audience, contributing to informed decision-making among stakeholders.

These efforts culminated in a sustained increase in revenue for Marmore, attributed to the growing demand for actionable insights and consulting services in the GCC region. With a positive economic outlook and regulatory changes on the horizon, Marmore is poised to capitalize on emerging opportunities and maintain its leadership position within the GCC. As a trusted research and consulting arm of Markaz, Marmore remains committed to delivering expertise and driving impactful outcomes for its clients and Markaz's clients.

Corporate Communications

Markaz's Corporate Communications team (CCOM) attentively enhanced the company's brand across local and regional platforms. Deploying a blend of conventional and digital media, CCOM prioritized innovative tools to execute the company's communication strategies effectively. CCOM organized and hosted several client events during the year, offering insights into current market dynamics, such as "Identifying Investment Opportunities in Light of Current Market Challenges" and "Markaz 2024 Outlook: Investment Trends and Opportunities". These events were well appreciated by participants in assisting and equipping them with insights to identify emerging opportunities across various asset classes. Additionally, CCOM continued to compile the bi-annual Markaz newsletter "Engage," showcasing departmental achievements and featuring insightful articles contributed by the firm's employees. This publication highlights not only the expertise of Markaz professionals, for widespread readership both internally and externally, but the firm's culture and investment in people.

CCOM led impactful campaigns across various media channels, particularly highlighting Markaz's relocation to Burj Alshaya and the launch of the innovative GCC Momentum Fund. Aligned with Markaz's Corporate, Social, and Economic Responsibility (CSER) strategy, CCOM actively collaborated with civil organizations to advance objectives centered on human development, sustainable business practices, and corporate governance.

Looking ahead, CCOM remains committed to enhancing internal and external communication, leveraging digital advancements and ultimately enhancing the Markaz brand. By engaging in partnerships with industry experts, CCOM aims to translate brand value into tangible business opportunities by supporting client teams and ultimately strengthening Markaz's position in the marketplace.

Support Functions

Treasury

The Markaz Treasury department plays a critical role in implementing the firm's financial strategy. The department ensures that Markaz's financial commitments in Kuwait, the GCC region and internationally are fulfilled in a timely manner, by maintaining an optimal level of liquidity and a well-capitalized balance sheet. It employs a proactive approach to mitigate financial risks through various financial instruments, investment diversification and effective credit limit exposure management. The Treasury department provides essential support to all other departments and subsidiary companies by arranging credit facilities, executing fund transfers, facilitating access to money markets, and conducting foreign exchange transactions. This ensures operational continuity and financial resilience for the entire Markaz entity.

Given the importance of maintaining strong financial relationships, the department focuses on establishing and enhancing connections with regional and international banks to improve the execution of Markaz's financial strategy. A consistent dedication to operational excellence drives ongoing efforts to streamline processes, optimize resource utilization and adopt technological advancements for increased efficiency. Through an experienced team, with access to advanced communication technology and online banking platforms, the Treasury department is well equipped to adapt to changing financial conditions and support Markaz's growth strategy.

Business Review (continued)

Corporate Affairs

The Corporate Affairs department (CAD) at Markaz operates through its specialized Legal Team and Fund Administration Team. Our Legal Team offers strategic counsel on corporate affairs and facilitates transactions for the asset management and investment banking teams. Legal proceedings are diligently monitored through collaboration with external legal counsel. The Fund Administration Team efficiently manages the establishment and administrative requirements for all investment funds and companies associated with Markaz.

During the year, CAD diligently ensured compliance with regulatory revisions outlined in the CMA's Executive Bylaws Book 13, adapted Markaz's local funds accordingly and successfully launched six new products, including the setup of Special Purpose Vehicles (SPVs) and securing necessary licensing. The department prioritized regulatory adherence in both the GCC region and the Cayman Islands, facilitating comprehensive training sessions to enhance staff skills in local compliance standards and CMA exam readiness. Our Fund Administration Team continues to advance operational efficiency through the development of an automated documentation format for product transactions. The Legal Team remained instrumental in supporting daily operations, updating contracts to reflect regulatory amendments and finalizing all Securities Lending and Borrowing legal documents to ensure compliance.

Our Legal Team is leading the implementation process of using the region's first Legal and AI platform to gain additional insights and enhance operational efficiency. By integrating advanced AI technology, we anticipate improvements in workflow, data visualization and legal drafting. Overall, this platform will enable Markaz to streamline operations and stay competitive in a dynamic regulatory environment. This initiative reinforces Markaz's commitment to innovation and leadership in legal technology adoption within the region.

Strategic Planning

The Strategic Planning department remains committed to driving Markaz's strategic agenda forward and executing initiatives in alignment with the approved growth strategy. Throughout the year, the department initiated key efforts aimed at expanding into new geographic markets, strengthening distribution capabilities and optimizing operational frameworks. These initiatives remain a top priority going into the year ahead to ensure that Markaz's strategic objectives are met.

The department's communication strategy ensures that every member of the firm is aligned with the strategic direction, promoting a culture of transparency and collaboration. Additionally, the strategic review process at Markaz is strong and dynamic, allowing the department to adapt to evolving market conditions efficiently. Through this combination of strategic foresight and a concerted action plan, Markaz is well prepared to overcome challenges, capitalize on opportunities and ensure sustained growth in the years ahead.

Post-Acquisition

The Post-Acquisition department collaborates efficiently with other revenue generating businesses within Markaz to optimize investment outcomes and deliver superior value to the investors. The department's approach integrates cutting-edge technologies and digital platforms to enhance investment value through careful portfolio oversight, real-time reporting and effective risk management protocols.

During the past year, the department has made significant progress toward providing a fully digital end-to-end experience for all relevant stakeholders. A dedicated real estate investor portal was implemented, offering investors immediate access to their holdings along with relevant updates and reports. Additionally, the department continued to empower Markaz portfolio managers with enhanced reporting tools, which facilitated informed decision making by providing comprehensive insights into investments.

Looking forward, the department's focus remains firmly on advancing digital capabilities, promoting operational efficiency and strengthening existing controls. By further adopting digital platforms, the department aims to enhance transparency, streamline processes and uphold its commitment to delivering incremental value to investors.

Custody Services

The Custody Services department offers a comprehensive range of solutions, including safeguarding financial securities and real estate assets, serving as a security agent for pledged assets and facilitating escrow arrangements for asset sales.

During the year, the department remained committed to supporting clients, particularly assisting a prominent bank through a complex debt restructuring initiative. Additionally, the team successfully secured numerous substantial mandates that enhanced our revenue streams for the year, underscoring our commitment to delivering excellence and ensuring client satisfaction.

Compliance

Markaz continues to prioritize compliance by upholding regulatory requirements and internal policies through a comprehensive framework overseen by the Compliance Department. These entail implementing effective controls and governance structures. Regular reviews and testing procedures are conducted to verify compliance, with necessary updates communicated promptly to relevant business units. The department also conducts comprehensive employee education sessions on critical compliance topics such as anti-money laundering (AML). The department manages AML policies and resolves any client complaints in addition to overall regulatory compliance.

In 2023, Markaz strengthened its transaction monitoring procedures, enhanced efficiency through automation and maintained stringent internal controls.

Risk Management

The Risk Management department at Markaz continues to uphold its essential role in safeguarding the company's interests by independently reporting to the Board Risk Management Committee. The department focuses on identifying, measuring, monitoring and reporting companywide risks. Markaz maintains a comprehensive risk management framework that ensures effective governance through appropriate systems and controls. By taking an integrated approach, all business units, the Risk Management department and the internal audit unit are responsible for reinforcing the risk management framework.

Based on defined Key Risk Indicators, critical risks are assessed and the compliance of which is diligently monitored in context of the risk tolerance set by the Board of Directors. The reporting structure remains robust, with quarterly updates to the Board Risk Management Committee and semi-annual reports to the Board of Directors. Active engagement in periodic risk control and monitoring activities is accompanied by the establishment and refinement of internal policies, procedures and control mechanisms. In the pursuit of excellence, the continuous enhancement of risk monitoring capabilities is achieved through a blend of customized in-house tools and the adoption of cutting-edge risk analytics systems on global platforms.

Internal Audit

The Internal Audit division operates under the supervision of the Board Audit Committee. The Internal Audit Officer, duly registered with the Capital Markets Authority, diligently manages the internal audit processes. Audits are coordinated with a reputable external audit firm and closely follow the carefully designed internal audit plan approved by the Board Audit Committee. Ensuring transparency and accountability, the Internal Audit Officer submits comprehensive audit reports directly to the Board Audit Committee.

In strict compliance with Capital Markets Authority's (CMA) regulations, Markaz's team diligently undergoes an annual internal control review (ICR) conducted by an independent audit firm. Complementing this, periodic engagements with an independent auditor, in accordance with International Standards on Assurance Engagements (ISAE 3402), provide valuable insights into the effectiveness of the department's internal controls. Upholding regulatory standards, our Internal Audit Officer conducts regular evaluations of AML policies, procedures, systems and controls to ensure their effectiveness and regulatory compliance. The quality of the department's internal audit function undergoes detailed evaluation once every three years, in alignment with the regulatory framework mandated by the CMA.

Analytics & Internal Controls

In the ongoing drive for digital transformation, Markaz has continued to lead the charge in leveraging technology to improve its offerings, streamline operations and elevate the customer experience. Throughout 2023, Markaz remained committed to integrating innovative and tested technologies across all aspects of its operations. The technology strategy remainsfocused on the objectives of simplifying processes and improving customer experiences by digitizing workflows and minimizing manual tasks.

The evolution of the "iMarkaz" mobile app and the introduction of an associated web portal underscores Markaz's commitment to providing seamless interactions for its clients. As it progresses, Markaz applies various business intelligence tools to further enhance client reporting and deliver unparalleled customer service.

Business Review (continued)

Information Technology

The Information Technology (IT) department is dedicated to leveraging technology innovatively to meet Markaz's business objectives, with a focus on automation and digital technology. Significant progress was made during 2023 in automating many of our main business processes, which has led to enhanced efficiency through online operations. As a priority, Markaz is continuing to transition towards a paperless environment.

Recognizing the significant importance of information security in today's digital landscape, the IT department continually strengthens Markaz security controls to safeguard its infrastructure against potential compromises. The IT department ensured zero downtime during the corporate office relocation, emphasizing the team's commitment to uninterrupted service delivery.

In the upcoming year, the emphasis will remain on elevating IT security standards by refining existing protocols and continuous alignment with industry benchmarks. Attaining relevant certifications will further validate the department's commitment to international standards, reinforcing its technology-led reputation among all stakeholders and especially clients.

Operations

The Operations department is the foundation of Markaz's asset management business, handling critical functions like securities servicing, transaction processing and regulatory compliance. With a focus on strong internal controls and detailed record-keeping, the department ensures prompt and accurate dissemination of account information to all stakeholders. In the past year, the department has refined its policies and procedures further to optimize workflow efficiency, aligning closely with industry standards.

Looking ahead, our strategic direction prioritizes further automation to enhance operational agility and responsiveness. Markaz remains resolute in its commitment to operational excellence, reaffirming its dedication to the highest standards of client service delivery.

Financial Management

The Financial Management department (FMD) at Markaz is responsible for maintaining accurate accounting records and delivering timely financial statements for the company, its subsidiaries and associated entities, encompassing mutual funds and SPVs. Additionally, it collaborates with other business units to facilitate the introduction of new products and services, assess the financial implications of new initiatives and provides current financial insights to assess performance against budget objectives. FMD assumes the critical role of conducting annual audits and quarterly reviews across the company, subsidiaries, managed funds and SPVs, often in conjunction with various global external audit firms.

By emphasizing cross functional collaboration, FMD annually compiles an Integrated Report, as stipulated by CMA regulations and the Integrated Reporting Framework, drawing on feedback from various departmental teams. The department's contributions are essential in supporting business units and enabling the formulation of short to medium term strategies in alignment with corporate objectives. These then form the basis of detailed budgetary forecasts for 2024 to 2028. Last year, FMD partnered with the Strategic Planning team to establish companywide Key Performance Indicators (KPIs) and oversee their application across individual departments, followed by conducting monthly reviews to track progress.

In 2023, FMD successfully implemented a leading ERP based BPC (Business Planning and Consolidation) system, streamlining the financial consolidation processes and empowering departments with enhanced budgeting control. Leveraging the BPC system, Markaz formulated its 2024 budget and 2025 to 2028 forecasts, marking significant progress in the department's pursuit of process optimization and digitization.

Upholding the highest standards, FMD remains resolute in safeguarding Markaz and clients' assets, ensuring full compliance with relevant regulatory frameworks, while also enforcing budgetary controls and diligently monitoring actual performance against projections. The department proactively revises policies and procedures to align with evolving regulatory, technical and business best practices.

Human Resources

In the evolving landscape of corporate dynamics, Markaz remains dedicated to encouraging a culture of excellence and growth. During 2023, our Human Resources (HR) department has played a significant role in guiding our teams in achieving their strategic objectives and ensuring seamless professional development.

Led by the HR team, the relocation of the headquarters to Burj Alshaya was executed with careful planning, resulting in a smooth move over three consecutive weekends in June 2023. Despite the complex logistics behind this move, operations continued uninterrupted, underscoring the department's commitment to client satisfaction and operational efficiency. Recognizing the importance of the physical relocation, the HR department prudently redirected resources to ensure a smooth transition.

While training activities were repurposed to accommodate the demands of the move, the team remained committed to providing employees with the skills necessary for success. Looking ahead to 2024, the HR team is prepared to expand the training initiatives available, with a renewed focus on developing new internal capabilities and strategic alignment.

Markaz's commitment to people development, as drivers of business success, has guided the department's talent management efforts. Throughout 2023, the HR department took the lead across multiple initiatives to strengthen the firm's overall skill base and strategically added key personnel to revenue critical teams. The focus on professional competitiveness remained a priority, with a continued emphasis on sharpening financial expertise and technical skills, aligned with business objectives and regulatory standards.

In summary, the HR initiatives in 2023 underscored the team's commitment to supporting talent, adapting to change and sustaining operational excellence. As Markaz prepares for the future, the HR department remains dedicated to driving organizational success through strategic people development. The agenda for 2024 will center on cultivating professional excellence, nurturing leadership qualities and enhancing communication across all levels of the organization.

Corporate Governance Report

Rule 1: Building a Balanced Board Composition

Composition of the Board of Directors:

The Board is composed of seven members elected by the Company's General Assembly for three years.

Director	Capacity: Executive / Non-Executive / Independent/ Secretary	Qualifications / Experience	Date of Election/ appointing Secretary
Diraar Yusuf Alghanim	Chairman	Over 40 years in the financial sector. Professional accountancy from Glasgow University.	22/03/2023
Faisal AbdulAziz Al-Jallal	Vice Chairman	Over 40 years of experience in the real estate and financial sectors. University degree from Alexandria University.	22/03/2023
Ayman Abdullatif Alshaya	Non-Executive member	Over 30 years of experience in general trade, insurance and financial sector. Bachelor's Degree in Mechanical Engineering from Kuwait University.	22/03/2023
Fahed Yaqoub Al-Jouan	Non-Executive member	Over 30 years of experience in the general trading, industrial and financial sectors. Bachelor's Degree in Business Administration from Eastern Washington University.	22/03/2023
Adel Mohammed Alghannam	Independent member	Over 30 years of experience in the general trading, insurance and financial sectors. Bachelor's degree in Business Administration.	22/03/2023
Omran Habib Hayat	Independent member	Over 30 years in the real estate and oil sectors. Bachelors' Degree in Architecture from Miami University and Masters in Project Management & Finance from Northeastern University.	22/03/2023
Fahad Sulaiman Aldalali	Independent member	Over 17 years in the financial, advisory and oil sectors. Bachelor's degree in Electrical Engineering from Michigan State University; and Master's degree in Finance and Accounting from the University of Pennsylvania.	22/03/2023
Maha Abdul Salam Imad	Board Secretary	Bachelors of Science in Business Management from the Lebanese American University.	22/03/2023
Fedaa Jamal Kittaneh	Deputy Board Secretary	University Degree in Business Administration.	22/03/2023

Summary of the Company's Board's Meetings as following:

Summary of the Board's Meetings in 2023

Attended • Absent x

Director	#1 on 14/02	#2 on 19/03	#3 on 22/03	#4 on 18/04	#5 on 09/05	#6 on 21/05	#7 on 21/06	#8 on 18/07	#9 on 08/08	#10 on 02/10	#11 on 18/10	#12 on 31/10	#13 on 09/11	#14 on 27/12	Total
Diraar Yusuf Alghanim (Chairman)	•	•	•	•	•	•	•	•	•	x	•	•	•	•	13
Faisal AbdulAziz Al-Jallal (Vice-Chairman)	•	•	•	x	x	x	•	x	•	•	x	•	•	•	9
Ayman Abdullatif Alshaya (Member)	•	•	•	•	x	x	•	•	x	•	•	•	x	•	10
Fahed Yaqoub Al-Jouan (Member)	•	•	•	•	•	•	•	•	x	•	•	•	•	•	13
Adel Mohammed Al Ghannam (Independent Member)	•	x	•	•	•	•	•	•	•	•	•	•	•	•	13
Omran Habib Hayat (Independent Member)	•	•	•	•	•	x	•	•	•	•	•	•	•	•	13
Fahad Sulaiman Aldalali (Independent Member)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	14

Summary on registering and coordinating requirements as well as keeping minutes of the Board meetings.

The Board Secretariat Procedures manual was last revised and updated and ratified by the Board in April 2023.

The Board Secretariat team follows clearly defined procedures in preparing, signing and keeping minutes of Board meetings, which comprise the following:

- A draft of the minutes is prepared by the Board Secretary and presented to the Chief Executive Officer for review.
- The approved draft is then submitted to the Chairman for review. The draft is revised as directed by the Chairman.
- The minutes are then delivered in their final form to the Deputy Board Secretary to follow up on the signature of the Chairman and members present during the meeting.
- After signing, the Deputy Board Secretary scans a copy of the minutes and saves it in a file specific to the meetings, while the original draft is kept in the file dedicated to the meeting in question.

Confirmation of the Independent Directors of their compliance with the independence criteria. Attach signed confirmations to the report.

- The Board includes three independent directors, according to the controls set by the CMA Law Executive Bylaws and the criteria set by the Board of Directors upon its election on 22 March 2023.
- The Board Nominations & Remunerations Committee (BNRC) confirmed the independence criteria and its applicability to the three independent directors for the year 2023, on 21 November 2023.
- Enclosed are the signed written confirmations of the 3 independent directors.

Corporate Governance Report (continued)

Rule 2: Establishing Appropriate Roles and Responsibilities

Summary of how the roles and responsibilities of the Board of Directors and the Executive Management have been defined, as well as the authorities and powers delegated to the Executive Management:

- The "Board of Directors Policy" is prepared by the Compliance Department and the Board's Secretariat in accordance with the requirements of the Companies Law, the Capital Markets Authority Law, their Executive Bylaws, and corporate governance requirements. The Policy, presented to the Board of Directors for approval, defines the roles and responsibilities of the Board, the Chairman, members, Board Committees, and procedures to form them. It also outlines the procedures to hold meetings of the Board, its committees, and the Annual General Meeting (AGM), in addition to the procedures for submitting periodic and annual financial statements to the regulatory bodies and ways to disclose them. This policy was last reviewed and updated, and approved by the Board in April 2023.
- The "Delegation of Powers Policy" and the "List of Authorized Signatories" are prepared and / or amended by the Compliance and Risk Management Departments according to the requirements of the Company's activities, the Law and applicable regulations. The Policy defines the role, responsibilities, and powers (including financial) delegated to the Management Committees and the Executive Management. The Policy and list are submitted to the Executive Management for review. The final versions are presented to the Board of Directors for discussion and approval. Following the approval, the Compliance and Risk Management Departments circulate them to other departments. The Treasury Department also circulates the "List of Authorized Signatories" to the banks. The Policy and List are updated through recommendations submitted by the Executive Management to the Board with an aim to facilitate the functions of departments and the Company as a whole. This policy was last reviewed and updated and approved by the Board in April and then in December 2023. The "List of Authorized Signatories" was updated and approved in April then in July 2023.
- The "Delegation of Powers- Management Committees" policy is prepared, amended and/or reviewed by the Compliance and Risk Management Departments with respect to the composition of the committees, their roles and responsibilities, and the voting mechanism for each. After the approval of the Board, the Compliance and Risk Management Departments circulate the Policy to all departments. The Policy is updated through recommendations submitted by the Executive Management to the Board to add new members to the committees based on their position and functions, an /or to amend the roles and responsibilities of a committee. The list of members in the management committees was last revised and approved by the Board in December 2023.

Board of Directors 2023 Achievements:

a. Board and Committees' composition, and appointment of Board Secretariat, and adopting the independence criteria for directors.
b. Follow up on the implementation plan for the new strategy.
c. Discuss and approve the Company's interim and annual financial statements.
d. Approve amendments to the Company's organizational chart.
e. Approve the training plan for Board and Executive Management for the period 2023-2024.
f. Approve amending the KPIs & Performance Evaluation forms for the Board, by amending the scoring system.
g. Hold training program on regulatory instructions regarding anti-money laundering and combatting the financing of terrorism; and on latest developments in the regulatory environment (amendments to executive bylaws and penalties issued to companies).
h. Approve the amendments to internal policies and procedures manuals and issuing new policies.
i. Approve BNRC's recommendations regarding amendments to succession plan, nomination of staff to Executive Management, and amendments to Job Descriptions of Board and Executive Management.
j. Approve the periodic and annual reports and submitting necessary reports to CMA.
k. Review and discuss the regulatory inspection report and follow up on remedying observations.
l. Approve the 2024 budget and the business plan for the next five years.
m. Approve and ratify the related parties' transactions.
n. Invite and convene the Annual General Meeting to vote on the recommendations approved by the Board on dividends, remuneration of Directors, and appointment or reappointment of auditors, among other matters.

Summary of compliance to the requirements mandated to form independent committees, ensuring that the following information is mentioned for each committee:

1. Board Audit Committee (BAC):

a. Role and achievements of the Audit Committee in 2023:
   i. Reviewed the annual and interim financial statements with the External Auditors before presenting them to the Board of Directors.
   ii. Approved the annual internal audit plan and discussed the internal audit reports with the Internal auditors regarding the departments and recommended corrective measures.
   iii. Issuance of the report on the sufficiency of the internal controls to the AGM.
   iv. Reviewed the CMA inspection results report and followed-up on remedies.
   v. Reviewed the CMA inspection results on AML procedures and followed up on remedies.
   vi. Recommended the appointment or reappointment of the External Auditors.
   vii. Recommended appointment or reappointment of the Internal Auditor.
   viii. Approved the appointment of an auditor to assess and review the internal control systems (ICR).
   ix. Approved the appointment of internal auditors for subsidiaries and independent auditor for the loan portfolio.
   x. Reviewed periodic reports on clients' complaints, shareholders' complaints, and loans.
   xi. Reviewed the audit reports received from the Internal Audit Unit and the quality assurance review of the Internal Audit unit.
   xii. Conducted performance evaluation of the registered Internal Audit officer and approved the KPIs for 2023.
   b. The Committee was formed on 22 March 2023, for a period of three years.
   c. Chairman: Faisal AbdulAziz Al-Jallal- Members: Fahed Yaqoub Al-Jouan, Fahad Sulaiman Aldalali.
   d. In 2023, the Committee held six meetings.

2. Board Risk Management Committee (BRMC):

a. Roles and achievements of the Risk Management Committee in 2023:
   i. Following up the implementation of the risk management framework and the results of the stress testing.
   ii. Reviewed the Risks Matrix and the tracker on raised matters.
   iii. Approved the study of evaluating the AML risks.
   iv. Approve amending the "Risk Management Policy".
   v. Review the memo on confirming the independence of the Risk Management Department staff and officer.
   vi. Reviewed the periodic Risk Management reports including AUM reports.
   vii. Reviewed the results of CMA field inspection and AML inspection.
   viii. Reviewed the periodic reports on Anti Money Laundering compliance and reports on staff resignations and their reasons, new recruitments and their necessity and succession plan, as well as legal cases filed by or against the Company.
   ix. Conducted performance evaluation of the registered Risk Officer and approved the KPIs for 2023.

b. The Committee was formed on 22 March 2023, for a period of three years.

c. Chairman: Fahed Yaqoub Al-Jouan – Members: Adel Mohammed Al Ghannam, Omran Habib Hayat.

d. In 2023, the Committee held five meetings.

3. Board Nominations and Remunerations Committee (BNRC):

a. Roles and achievements of the Nominations and Remuneration Committee in 2023:
   i. Reviewed the performance evaluation of Board and Executive Management and recommended them to the Board.
   ii. Approved the Corporate Governance Report for 2022.
   iii. Recommend candidates for Board election.
   iv. Approved and recommended to the Board, the succession plan, staff nominations to Executive Management, updating job description for Board and Executive Management members.
   v. Confirmed the independence of the independent directors.
   vi. Approved publishing in local newspapers the invitation for board election nominations.

b. The Committee was formed on 22 March 2023, for a period of three years.

c. Chairman: Diraar Yusuf Alghanim - Members: Faisal Abdulaziz Al-Jallal, Ayman Abdullatif Alshaya and Adel Mohammed Alghannam.

d. In 2023, the Committee held four meetings.

Corporate Governance Report (continued)

Summary of how the requirements to allow Board members to obtain accurate and timely information and data were implemented:

- The Board Secretary and Deputy Board Secretary provide the Board members with sufficient information about the items that will be discussed at least three working days prior to the meeting. The Secretary and Deputy Board Secretary also record all discussions of Board members during each meeting as well as the decisions taken on the agenda items of the minutes. A copy of the previous records is provided in each meeting for approval, in addition to a copy of the record of decisions taken as of the date of each meeting.
- The Board Secretary and Deputy Board Secretary prepare Board and committees meetings register that tracks date and time of meetings as well as the attending and absent members. They also prepare a record of decisions/resolutions by the Board and committees to summarize these decisions for each meeting held during the year. These records are prepared annually for the Board and committees separately.
- The Company has adopted the application "Nasdaq Boardvantage" to book and manage the meetings of the Board and committees and distributing the meetings packs electronically through the application. The platform "Teams" is used for remote attendance. The Company provides the Board, its Committees and Executive Management with complete reports on the work strategy, budgets, performance and financial statements. We have consolidated the reports presented to the Board, its Committees and the Executive Management and its Committees, whereby they receive reports prepared from data generated by our systems. the reports are despatched through the application Nasdaq Boardvantage and Teams platform.

Rule 3: Recruiting Highly Qualified Candidates for the Board of Directors and Executive Management

Summary on the implementation of the requirements for the formation of the Nominations and Remuneration Committee.

- The formation and responsibilities of the Committee have been identified within the "Board of Directors Policies". The Committee was formed during the first meeting of new Board held on 22 March 2023.
- The new Board confirmed the formation of the Board, its Committees and the independent members during its first meeting held on 22 March 2023.

Report on the remuneration granted to members of the Board, the Executive Management team and managers.

1. Summary of the policy on compensation and incentives

The Board of Directors

Board compensation is a function of the performance of the Company, dividend distribution, attendance, and KPIs that are a function of the corporate governance requirements. Except for the independent board members, the members of the board of directors' compensation shall not exceed 10% of the net profits of the company (after depreciation, reserves and payment of dividends to shareholders not less than 5% of the company's capital or any higher percentage, as provided in the Articles of Association of the company).

The recommendation was to disburse a Board remuneration of KD84,000 for 2023. The members of the Board Audit Committee's proposed compensation shall be KD15,000 in total, i.e., KD5,000 each for the year 2023.

All above remuneration and compensation shall be proposed to the General Assembly, and subject to their approval[4].

The Executive Management

The Executive Management compensation is composed of a fixed compensation and a variable compensation. The Company periodically compares its compensation plan with what is prevalent in the asset management and investment banking industry, and accordingly, revises the compensation packages to remain in line with the industry.

The variable Compensation may be disbursed in one year or may in certain situations be deferred to future years for disbursement to ensure tenure of key staff and sustainability of performance.

1. The fixed compensation is a function of the responsibilities and financial impact on the company. In addition, employees are awarded other benefits that are customary in the marketplace.
2. The variable compensation specific to the executive management role is a function of the following:
   a. Profitability of the Company
   b. Contribution to the financial performance of the Company. Such contribution includes management fees and investment returns in excess of pre-agreed benchmarks.
   c. Key performance indicators related to the following:
      i. Organization
      ii. Corporate Governance
      iii. Strategic Enhancement
      iv. Risk and Sustainability
      v. Stakeholders' relations
      vi. Branding

[4] The Annual General Meeting of the shareholders' assembly, held on 19 March 2024, has approved the Board of Directors' recommendation to distribute a cash dividend of 6% or 6 Fils per share.

2. Schedule of Compensation and Incentives

The Board of Directors

For 2023, the Board of Directors remuneration is recommended to be as per the below schedule, subject to AGM approval[5]:

Remunerations and benefits for Board of Directors

Total # of Directors	Remunerations & Benefits through Parent Company			Remunerations & benefits through Subsidiaries			
	Fixed	Variable		Fixed		Variable	
	Health Insurance	Annual remuneration	Committees	Health Insurance	Monthly salary	Annual BOD	Committees
7	NA	84,000	15,000	Not Applicable			

The Executive Management

Statement of compensation and benefits to the executive management for 2023:

Total Remuneration & Benefits granted to 5 executives who received the highest pay, added to them the CEO and CFO or their deputies, if they were not among the top 5

Remuneration and benefits through parent company

Total # of E.M.	Fixed						Variable
	Monthly salary (total for year)	Health insurance	Annual tickets	Housing	Transport	Children Schooling	Annual bonus
6	509,700	50,376	30,362	-	2,400	-	351,200

Remuneration and benefits through subsidiaries

Total # of E.M.	Fixed						Variable
	Monthly salary (total for year)	Health insurance	Annual tickets	Housing allowance	Transport allowance	Children education allowance	Annual bonus
6	Not Applicable						

3. Any substantial deviation from the Remunerations Policy approved by the Board of Directors:

During 2023, there have not been any instances of substantial deviation from the remuneration policy approved by the board of directors.

Rule 4: Safeguarding the Integrity of Financial Reporting

Written undertakings from the Board of Directors and Executive Management on the soundness and integrity of the financial reports.

The following written undertakings were presented in the first Board meeting for the year 2024, held on February 14, 2024, and discussing the financial statements for the year ended December 31, 2023:

- A memo issued by the Executive Management confirming the soundness and integrity of the financial statements for the year ended December 31, 2023.
- A memo issued by the Financial Management Department regarding the annual review of the capital structure for the year ended December 31, 2023.
- A memo issued by the Financial Management Department regarding the assets and capital expenditures for the year ended December 31, 2023.
- A memo issued by the Financial Management Department regarding the compliance to the delegation of powers by the Executive Management for financial transactions during the year ended December 31, 2023.

[5] The Annual General Meeting of the shareholders' assembly, held on 19 March 2024, has approved the Board remuneration as mentioned above.

Corporate Governance Report (continued)

- A memo issued by the Financial Management Department regarding Treasury Shares for the year ended December 31, 2023.
- The Board of Directors has included an undertaking in the annual report confirming the soundness and integrity of the financial statements for the year ended December 31, 2023.

Statement on the implementation of the requirements to form the Audit Committee.

- The Audit Committee was formed with its present members on 22 March 2023, following the election of the members of the Board during the AGM on 22 March 2023.
- The role and responsibilities of the Audit Committee has been established through the "Board of Directors Policies" while the mechanism and procedures of the Committee's work have been defined in the "Board Secretariat Procedures".
- The Audit Committee is composed of three members, one of them is independent, and excludes the Chairman. Members of the Committee have practical and financial experience and qualifications in accounting.

In the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, a note is attached detailing and clarifying the recommendations and the reason(s) behind the Board of Directors' decision not to comply with them.

- There was no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors during the year 2023.

Ensure the independence and impartiality of the external auditor.

- The Audit Committee met and recommended the reappointment of the external auditors registered in CMA's register and met all requirement set forth in the auditors' registration.
- The external auditors are independent from the Company and Board.
- The external auditors do not perform any other work for the company that are not part of review and audit and could affect impartiality or independence.
- The external auditors do not carry out auditing work for any funds managed by the Company.
- The external auditors do not perform any other work for the Company that is not part of the review and audit work.
- The signing Partners in the audit firms are rotated every 4 years.

Rule 5: Applying Sound Systems for Risk Management and Internal Controls

Summary on the implementation of requirements for the formation of an independent department / office / unit for risk management.

- The Risk Management Department is fully independent, reports to the Board Risk Management Committee and presents its periodical risk reports to the Committee and the Board.
- The Risk Management Officer was registered with the CMA on 4 January 2021, and holds the position of HoD-Vice President of Risk Management Department. The Risk Management Department employs qualified individuals who have technical and professional experience in the field.

Summary on the implementation of requirements for the formation of the Board Risk Management Committee.

- The Board Risk Management Committee was formed by the new Board during its first meeting held on 22 March 2023.
- The roles and responsibilities of the Board Risk Management Committee have been defined in the "Board of Directors Policies" while the mechanism and procedures of the Committee's work have been defined in the "Board Secretariat Procedures".
- The Committee is composed of independent and non-independent members and excludes the Chairman. The membership term is 3 years according to the committee's charter.

Summary detailing the internal control systems.

The internal control systems are composed of a number of elements:

- Set an organizational structure that aligns Markaz's business strategy and activities and define departmental reporting, a detailed job description for jobs, responsibilities, and powers.
- Conduct annual review of the internal control systems (ICR), by and independent audit firm other than the company's external auditors, to ensure the adequacy of the internal control systems. The annual report issued by the independent Auditor is submitted to the BAC, BOD and to CMA.
- Assess the performance of internal audit unit by an independent auditor every three years.
- Perform Risk Controls Self-Assessment (RCSA) for departments, by the Risk Management Department, as per the approved plan.
- Identify and establish internal policies, regulations and procedures that define the authorities and mechanisms for implementing the work.
- Delegate authorities under a clear policy approved by the Board of Directors.

- Ensure segregation of roles and responsibilities between decision makers and executors of decisions to achieve double control and principle of segregation of responsibilities to avoid conflicts of duties.
- Establish internal controls to ensure the soundness of assets and containment of responsibilities and claims within the approved limits.
- Provide an accounting system for financial transactions, and issue financial reports and statements in accordance with the principles of accounting.
- Establish controls and systems to detect, evaluate and manage risk factors that affect the various activities of the Company.

Summary on the implementation of requirements to establish an independent department/office/unit for internal audit.

- The Company has outsourced the internal audit responsibilities to an independent audit office, whereas the internal audit unit acts as the coordinator of internal audit work between the Company and the audit office.
- The Internal Audit Officer registered with the Capital Markets Authority was changed on 11 July 2023; she holds the position of Manager.
- The Internal Audit Officer is responsible for the following:
    - Coordinate the development of the annual internal audit plan for submission to the Audit Committee for approval.
    - Coordinate the completion of internal audit works (field visits, meetings with relevant departments, review of draft reports, reporting observations and responses of departments to issued reports).
    - Coordinate with the Internal Auditor to attend Audit Committee meetings and submit the audit results reports.
    - Coordinate the appointment of auditor and preparation of periodical reports on the adequacy of internal control systems “ICR”.
    - Coordinate the appointment of auditor and preparation of reports on the performance of internal audit unit every 3 years.
    - Coordinate the appointment of auditor and preparation of periodical reports for subsidiaries.

Rule 6: Promoting Code of Conduct and Ethical Standards

Charter of business, which includes standards, professional conduct and ethical values.

The “Code of Conduct” and “Standards of Professional Conduct” represent the core set of principles which we follow in our business ethics. These principles are in line with the best practice standards in the financial market and ensure professional conduct in asset management and investment banking investments. These standards also include specific regulations to eliminate insider information and ensure commitment to the integrity of financial markets, the privacy of client information, confidentiality, and other requirements. The “Code of Conduct” and “Standards of Professional Conduct” are made available to relevant stakeholders, and are applicable to all employees, members of the Board, subsidiaries, and managed funds.

Limiting Conflict of Interest Policy.

- The Company adopted the “Conflict of Interest policy and procedures’ to set out the guidelines for fair and honest business practices, and behavior that the Company expects from its directors, and employees; and the procedures to be followed for such cases. The latest update of the policy was in March 2022.
- The Company adopted the “Policy on related parties’ transactions” to set guidelines to ensure fairness in dealings and transactions with related parties as well as to disclose these types of transactions. The latest update of the policy was in October 2023.
- The term “related parties” and disclosure obligations have been defined in the Kuwaiti Companies Law, International Accounting Standards (IAS) 24 on Disclosures of related parties’ transactions, and the Executive Bylaws of the CMA law issued in November 2015, and its amendments.
- The Company classifies persons or parties in the category of “related parties” when they meet at least one criterion stated in the definition of “related parties”, in order to comply with accounting standards and applicable regulations.
- The Compliance department maintains a list of names of related parties, which is reviewed and updated periodically by the Compliance, Risk Management, and Financial Management Departments and the Board Secretary.
- All transactions with related parties are subject to approved terms and conditions in the Company’s fair and sound business practices as determined by the Board of Directors.
- All transactions with stakeholders are handled impartially and based on fair market value. Appropriate safeguards are provided, if necessary, without imposing preferential conditions beyond the appropriate limits. All transactions with related parties must comply with applicable accounting standards and regulations.
- Risk Management reviews transactions with related parties and makes recommendations to the Board.
- The approval of the Board of Directors and AGM is required to conduct transactions with related parties.

Corporate Governance Report (continued)

- All transactions with related parties are disclosed in the Annual Report presented in the AGM. Disclosure obligations relating to such transactions are also complied with.
- The Head of the Financial Management Department confirms:
  - If the other party concerned is a related party and is among the list of related parties.
  - If the transaction was completed based on the required approvals, and whether it is registered and disclosed as required.
- Should the Management of the Company decide to deal with related parties, they should inform the Head of the Financial Management Department and the Board Secretary immediately. The relevant department is responsible for seeking approval/ ratification from the Board.
- The Executive Management should participate in the negotiation and initial verification process by receiving necessary information in a timely manner and may request further information to present to the Board.
- The Board of Directors may request assistance from one or more independent experts at the Company's expense. There is no set limit for spending on the fees of independent experts appointed by the Company to verify material transactions with related parties.

Rule 7: Ensuring Timely and High-Quality Disclosure and Transparency

Summary on applying processes for transparent and accurate disclosures that determine disclosure areas, fields, and characteristics.

The Company is committed to the highest degree of accuracy and transparency towards stakeholders when disclosing information in line with regulatory requirements and Company policy.

Markaz adopted the "Disclosure and Transparency Policy" and "Procedures of Disclosure and Transparency" which details disclosure requirements, guidelines, and responsibilities (including financial, non-financial and regulatory disclosures). The Policy also requires the application of disclosure practices to ensure the disclosure of Company information and material in a fair and professional manner and to provide accurate information in a timely manner for the benefit of internal and external stakeholders. The latest update of the policy was in July 2023.

In compliance with CMA regulations:

1. The Company established an Investor Relations Unit responsible for providing information to shareholders.
2. The Company maintains a record of disclosures related to the members of the Board and Executive Management. Shareholders can review the register through the Investor Relations Unit or at the AGM.
3. The Company dedicated a section on corporate governance on its website as well as for news and events, disclosures, financial statements and contact information of the Investor Relations Unit.
4. The Company ensures that important information, financial results, and events are immediately posted on the Company's website.
5. The Company ensures that important events such as the AGM, financial performance and other significant announcements are disclosed as well in newspapers, the Company's website, and social media accounts.

Summary on applying disclosures register requirements for members of the Board, Executive Management, and managers.

- The Company established an Investor Relations Unit responsible for providing information to shareholders.
- The Company maintains a record of disclosures related to the members of the Board, Executive Management, and managers. Shareholders can review the register through the Investor Relations Unit or at the AGM.

Brief on applying the requirements for establishing an Investor Relations Unit.

- The Investor Relations Unit was established, and an officer was appointed in 2014.
- The Investor Relations Unit was announced, and a section was added to the Company's website, which also contains the contact information for the Investor Relations Unit.
- The Investor Relations Unit's Policies & Procedures manual was updated in July 2022.
- Markaz appointed a global consulting firm based in London to assist in preparing, issuing, and distributing quarterly performance reports on the company's activities and results. The Investor Relations Unit coordinates with the consulting firm to prepare these reports and distribute them to interested parties while the consulting firm distributes them to international institutional investors and sell-side research analysts abroad.

Summary on the development of the information technology infrastructure and its reliability in the disclosure process.

A section has been allocated on the Company's website for Investor Relations, which includes the following sections:

- Financial results.
- Annual reports.
- Company documents.

- Corporate governance.
- Stock performance.
- News and events.
- Disclosures, including:
  - Major shareholders and ownership stakes.
  - Auditors and regulators.
  - Material information.
- Means of communication with the Investor Relations Unit.
- Means of submitting investor complaints.

Rule 8: Respecting the Rights of Shareholders

Summary on the implementation of requirements to identify and protect shareholders' rights, ensuring equality among all shareholders.

- The Board set the "Shareholders' Rights Policy" in 2014, which was last updated in December 2021.
- A summary of the policy and its principles is published on the Company's website, presenting the following:
  - Right to be treated on par with other shareholders.
  - Right to trade or dispose of the shares owned by the shareholder and to subscribe to rights issues and bonds or sukuks.
  - Right to ownership of shares as kept with and independent registrar.
  - Right to receive their share of dividend distribution and bonus shares.
  - Right to receive their share of Company's assets, in case of liquidation.
  - Right to participate in the General Assembly meetings of shareholders and voting on resolutions.
  - Right to elect members to the Board of Directors.
  - Right to monitor the Company's performance in general and the Board of Directors in particular.
  - Right to view the Company's Articles and Memorandum of Association, General Assembly minutes, and the shareholder and bondholder registers at the Investor Relations Unit of the Company.
  - Preferential treatment is prohibited, and transactions with related parties are subject to scrutiny and specific procedures to ensure fairness and non-conflict.
  - Complaints from shareholders are responded to by the Investor Relations Unit and the Board Secretariat Department.

Summary on creating a register at the Clearing Company as part of the requirements to update shareholders' information.

- The Kuwait Clearing Company maintains the register of shareholders.
- The Investor Relations Unit of the Company maintains a copy of the Shareholders' Register and Bondholders' Register, making it available to shareholders.
- The Investor Relations Unit provided, on the Company website, the contact information of the officer in charge of responding to shareholders' queries.

Summary on how to encourage shareholders to participate and vote in AGMs.

- The invitation to the AGM is published in local newspapers, the Boursa Kuwait's website, and the Company's website.
- Folders containing the agenda, Board report, Corporate Governance Report, BAC Report on Sufficiency of Internal Controls and financial statements are prepared.
- The Investor Relations Unit and the Board Secretariat follow up with the Clearing Company and shareholders to ensure that they receive their proxy and will be present at the AGM.
- The Chairman discusses the items on the agenda during the AGM and requests attending shareholders to vote thereon.

Rule 9: Recognizing the Roles of Stakeholders

Summary on the systems and policies to protect and recognize the rights of stakeholders.

- The Board has approved the "Stakeholders' Rights Policy" in December 2014, and was last reviewed and amended in October 2023, which identifies the following principles:
  - Stakeholders are, without limitation: shareholders, employees, clients, business partners, suppliers, competitors, creditors, associations and professional bodies, regulators, media, and the public.
  - Each interested party has the right to access information that is important to them without delay. The Company ensures that the information is provided without delay by providing it on the website, direct correspondence, meetings, and other means as the case requires.
  - Preferential treatment is forbidden in dealing. Transactions with related parties are subject to set procedures to ensure that interests do not conflict and are dealt with fairly.
  - Complaints by stakeholders are handled through the independent Risk Management Department.

Summary on encouraging stakeholders to participate in the Company's activities.

- The Company publishes all announcements on its website and its social media platforms.
- The Company publishes press releases of important events and information on a regular basis and when needed.

Corporate Governance Report (continued)

Rule 10: Improve and Enhance Performance

Summary on the mechanisms developed to provide member of the Board and Executive Management continued access to training programs.

- The Board first approved the "Training Policy for Board Members and Executive Management" on May 9, 2016. It was last revised, updated and approved in May 2023.
- The Board shall undergo training and educational courses in accordance with a training plan approved by the Board annually on the following topics:
  - Anti-money laundering on an annual basis.
  - Disclosure obligations.
  - Legal developments: Issuing laws, amending laws, issuing instructions from the regulatory authorities (Capital Markets Authority - Boursa Kuwait) and other matters relating to the legal and regulatory environment in general and the work of the company in particular.
  - Developments in financial sector, globally and locally.

Summary on the assessment of the performance of the Board, each member of the Board, and members of the Executive Management.

- The Board has approved the "Performance Evaluation Policy for Board Members and Executive Management" on October 31, 2016. It was revised and updated in May 2023.
- At its meeting held on March 8, 2017, the Nominations and Remuneration Committee recommended to the Board the adoption of KPIs for members of the Board and Executive Management and recommended to give the Chairman authority to evaluate the performance of members of the Board and Executive Management as well as identify their remuneration and annual bonuses.
- At its meeting on March 8, 2017, the Board adopted KPIs for members of the Board and Executive Management.
- In November 2022, the Board approved updating the KPIs to include sustainability considerations, in line with CMA decision (136) of 2022.
- In April 2023, the Board approved updating the KPIs and Performance Evaluation Forms by amending the scoring system.
- The performance evaluation of the Board and the Executive Management is done annually.

Summary of the Board's efforts to nurture corporate values (Value Creation) within employees by achieving the strategic objectives and improving performance.

1. Value Creation and Strategy

Accomplishments of the Strategic Planning Department in 2023

Markaz's Board of Directors approved a growth strategy on April 12, 2022, that clearly defined the Strategic Drivers (Product Manufacturing, Wealth Management & Distribution and Operating Model) and set an objective of doubling the AUM by 2030. The Strategic Planning department identified four key themes that support the strategic drivers and enable Markaz to achieve its set objectives as defined below:

1. Theme 1: Enter New Markets (Geographies and Business Lines) - the key strategic initiative is to establish a more comprehensive presence in KSA.
2. Theme 2: Distribution (Capabilities and Network) – the key strategic initiative is to expand the network across the GCC and instill a wealth management culture across the organization.
3. Theme 3: Operating Model (People and Technology) – the key strategic initiative is to upgrade our digital offering through a modular approach commencing with the front office module and optimize our structure to ensure resources are allocated to the critical strategic areas.
4. Theme 4: Scale Existing Activity (Grow, Reenergize and Divest) - the key strategic focus is to scale the current high performing asset classes and reenergize the static performers to ensure sustainable growth.

Strategy review within Markaz is a dynamic exercise and adopts a structured approach to ensure sustainable positioning in the context of changing market dynamics. In addition, the department continuously ensures that all staff members are aligned behind the strategic drives and initiatives through decentralizing implementation and engaging various internal stakeholders.

Sustaining corporate value among employees

Human Resource Management Achievements in 2023

Disruption-Free Relocation of Markaz Offices

After 16 years in our much-loved home within Universal Tower, and after a careful analysis of needs and options, the Board of Directors approved a full office relocation to state-of-the-art premises within the Burj Alshaya. Within a closely coordinated team effort, HR led and integrated planning for best space allocation within 3 floors of the Burj, Kuwait City's premier business address. The net result was completion of internal works on time and on budget for a seamless move over 3 consecutive weekends in June 2023, achieved with absolutely no disruption to clients, business operations, or staff.

Deepening Bench Strength

Our Talent is valued as the key to strategic success, in line with our firm belief that growth depends on Markaz people having the right knowledge and abilities, applied through the right, client-centric, attitudes. Over 2023, a number of our revenue-critical teams successfully added key staff with additional skills as determined and driven by our Board-approved succession, career, and business sustainability planning processes.

Delivering Professional Competitiveness

Markaz's employees benefitted from a continuing stream of learning opportunities across 2023, although moderated in quantity slightly over the year by the need to maintain business focus amidst the preparation for, and the settling-in period following, transition to new our premises. Our emphasis remains consistently directed towards expanding financial expertise and knowledge, and on deepening technical skills. The formal competencies of every job role, and our overall employee development program, continue to be driven by strategic objectives, readiness for business opportunity, and increased operational efficiency, underpinned by certified regulatory awareness.

Driving Forward in 2024

2024 will see HR continue to leverage the strategic objectives of Markaz's business through a systematic and well-coordinated people development program. Our guiding themes for 2024 will continue to be "Professional Excellence", "Leadership Qualification" and "Communicating with Clients, Partners and Peers".

Rule 11: Focusing on Corporate Social Responsibility

Summary on the policy to ensure a balance between Company's objectives and social goals.

In its continued endeavors to actively take part in the community and positively contribute in building a strong and sustainable economy in Kuwait, Markaz adopted a social and economic responsibility strategy aimed at fulfilling the Company's responsibilities towards the society and national economy.

The strategy was developed based on three pillars:

1. Building human capacity

Improving individual skills and capabilities in different fields; culture, sports, health education and economy through supporting active organizations and authorities to achieve sustainable development in Kuwait.

2. Aligning the business environment with the principles of sustainable development

Focusing on policy research, studies and events related to the management of public and private sectors in order to develop the best practical solutions to improve the overall business environment.

3. Promoting sound governance in the business environment

Promoting a sustainable business environment through sustainable governance principles based on democratic participation, citizen needs, efficiency, transparency, respect for law, ethics, capacity building, openness and innovation, sustainable development, sound financial management, accountability of officials, respect for human rights and diversity of cultures, both in the public and private sectors.

Summary of programs promoted and supported by the Company for the benefit of the society.

During 2023, Markaz sponsored and supported the following programs in various sectors:

- AC Milan Soccer School in Kuwait.
- Supporting Loyac s annual initiatives including Al-Jawhar's program.
- Soroptimist Kuwait - Corporate Directors Program.
- Speak Up Kuwait training program for the youths on communication and public speaking.
- Kuwait Association for the Care of Children in Hospital.
- Children's Cancer Center of Lebanon.
- Kuwait Red Crescent Society.
- UNHCR Initiative.
- Indian English Academy School.
- Graduation Projects Exhibition - Faculty of Engineering - Australian University.
- Arab British Economic Summit (ABES).
- 11th RunKuwait charity race, organized by Fawzia Sultan Healthcare Network.
- MoneyTech Summit (2nd Edition), organized by Al-Jarida Summits.
- The English School fundraising, Build-A-Playground Parents' Ball.
- Ghiras awareness initiative against drugs in Kuwait.
- 2nd Kuwait Public Private Partnership Conference (PPPKW2), organized by The Kuwaiti Federation of Engineering Offices and Consultant Houses (KFEOCH), in collaboration with Razen Events.
- Golfe Vision 2023 conference, organized by Business France.
- Watheefti career fair, organized by Zone Company for Exhibition & Conferences.
- Cultural season (2023-2024) by the French Institute in Kuwait.
- The Kuwait Chapter of The Institute of Chartered Accountants of India (KCICAI).

Corporate Governance Report (continued)

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه/ عادل محمد الغنام، وأحمل بطاقة مدنية رقم 268031700015، بـأنني أستوفي كافة ضوابط الاستقلالية المنصوص عليها في قانون الشركات والفصل الثاني من الكتاب الخامس عشر (15) من اللائحة التنفيذية لقانون هيئة أسواق المال بشأن شغلي منصب عضو مجلس إدارة مستقل بشركة المركز المالي الكويتي ش.م.ك.ع.، وأقر على وجه الخصوص باستيفائي للشروط التالية:

1. أني لا أمتلك ما نسبته خمسة في المائة (5%) أو أكثر من أسهم شركة المركز المالي.
2. أنه ليس هناك صلة قرابة من الدرجة الأولى لي مع أي من أعضاء مجلس إدارة الشركة أو الإدارة التنفيذية في الشركة أو في أي شركة في مجموعتها، أو الأطراف الرئيسية ذات العلاقة.
3. أنني لست عضو مجلس إدارة في أي شركة من مجموعتها.
4. أنني لست موظفاً بالشركة أو بأي شركة من مجموعتها أو لدى أي من أصحاب المصالح.
5. أنني لست موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة.
6. أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الاسم: عادل محمد الغنام

الصفة: عضو مجلس إدارة مستقل

الشركة: شركة المركز المالي الكويتي ش.م.ك.ع.

التوقيع: ____________

التاريخ: ٢٠٢٢/١/١١

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه/ فهد سليمان الدلالي، وأحمل بطاقة مدنية رقم 281010900428، بأنني أستوفي كافة ضوابط الاستقلالية المنصوص عليها في قانون الشركات والفصل الثاني من الكتاب الخامس عشر (15) من اللائحة التنفيذية لقانون هيئة أسواق المال بشأن شغلي منصب عضو مجلس إدارة مستقل بشركة المركز المالي الكويتي ش.م.ك.ع.، وأقر على وجه الخصوص باستيفائي للشروط التالية:

1. أنني لا أمتلك ما نسبته خمسة في المائة (5%) أو أكثر من أسهم شركة المركز المالي.
2. أنه ليس هناك صلة قرابة من الدرجة الأولى لي مع أي من أعضاء مجلس إدارة الشركة أو الإدارة التنفيذية في الشركة أو في أي شركة في مجموعتها، أو الأطراف الرئيسية ذات العلاقة.
3. أنني لست عضو مجلس إدارة في أي شركة من مجموعتها.
4. أنني لست موظفاً بالشركة أو بأي شركة من مجموعتها أو لدى أي من أصحاب المصالح.
5. أنني لست موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة.
6. أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الاسم: فهد سليمان الدلالي

الصفة: عضو مجلس إدارة مستقل

الشركة: شركة المركز المالي الكويتي ش.م.ك.ع.

التوقيع: ____________

التاريخ: ١٦/١/٢٠٢٤

Corporate Governance Report (continued)

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه/ عمران حبيب حيات، وأحمل بطاقة مدنية رقم 267100701253، بـأنني أستوفي كافة ضوابط الاستقلالية المنصوص عليها في قانون الشركات والفصل الثاني من الكتاب الخامس عشر (15) من اللائحة التنفيذية لقانون هيئة أسواق المال بشأن شغلي منصب عضو مجلس إدارة مستقل بشركة المركز المالي الكويتي ش.م.ك.ع.، وأقر على وجه الخصوص باستيفائي للشروط التالية:

1. أني لا أمتلك ما نسبته خمسة في المائة (5%) أو أكثر من أسهم شركة المركز المالي.
2. أنه ليس هناك صلة قرابة من الدرجة الأولى لي مع أي من أعضاء مجلس إدارة الشركة أو الإدارة التنفيذية في الشركة أو في أي شركة في مجموعتها، أو الأطراف الرئيسية ذات العلاقة.
3. أنني لست عضو مجلس إدارة في أي شركة من مجموعتها.
4. أنني لست موظفاً بالشركة أو بأي شركة من مجموعتها أو لدى أي من أصحاب المصالح.
5. أنني لست موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة.
6. أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الاسم: عمران حبيب حيات

الصفة: عضو مجلس إدارة مستقل

الشركة: شركة المركز المالي الكويتي ش.م.ك.ع.

التوقيع: ____________

التاريخ: ٢٠٢٤/١/١٤

Consolidated Financial Statements

Index

Independent Auditors' Report

To the Shareholders of Kuwait Financial Centre - K.P.S.C. Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Financial Centre - Kuwaiti Public Shareholding Company (the "Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below as the key audit matter.

Management fees and commission income

The Group manages various funds and portfolios on a fiduciary basis for its customers. In addition, the Group provides corporate advisory and other financial services to clients in debt and capital markets. The Group recognized management fees and commission income arising from these services of KD8,013 thousand for the year ended 31 December 2023 (31 December 2022: KD11,269 thousand) as disclosed in the consolidated statement of profit or loss. The recognition of management fees and commission income is dependent on the terms of the underlying management contracts and corporate advisory mandates agreed between the Group and its clients and/or the funds it manages. Management fees are calculated as a percentage of net asset value of the Assets Under Management as contractually agreed with its customers and varies across different funds and products. Due to the inherent risk of fraud associated with revenue recognition and the complexities in the revenue recognition process as described above, we have considered this as a key audit matter. The Group's policy on revenue recognition is disclosed in note 5.3 to the consolidated financial statements.

Our audit procedures included, among others, evaluating the design and implementation of controls management has put in place over valuing underlying fiduciary assets. We have also selected samples of portfolios/funds under management and verified if the underlying assets in those portfolios are fair valued based on market quotes as of the year-end date. We have also re-computed the related management fee on the selected sample of Portfolios/ funds by applying the contractually agreed management fee with the customers on the net asset value of those portfolios. We assessed the disclosures included in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.

Other Information included in the Group's 2023 annual report

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2023, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2023 after the date of our auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by CBK for use in the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Independent Auditors' Report (continued)

To the Shareholders of Kuwait Financial Centre - K.P.S.C. Kuwait

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2023 that might have had a material effect on the business or on its financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton - Al-Qatami, Al-Aiban & Partners

Talal Yousef Al-Muzaini
(Licence No. 209-A)
of Deloitte & Touche - Al-Wazzan & Co.

Kuwait
14 February 2024

Consolidated Statement of Profit or Loss

	Note	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
Revenue			
Interest income	8	1,007	461
Dividend income		1,454	861
Management fees and commission income	9	8,013	11,269
(Loss)/gain from financial assets at fair value through profit or loss	10	(630)	727
(Loss)/gain from financial liabilities at fair value through profit or loss		(13)	9
Gain on redemption of financial assets at fair value through other comprehensive income		-	6
Share of results of associates and joint ventures	19.1	(287)	(105)
Gain on partial redemption of investment in associate	19.1	9	-
Deemed gain on de-recognition of a fund subsidiary	7.1.4	1,057	-
Gain on sale of investment properties	20	11,691	1,254
Net rental income	20	2,192	3,644
Foreign currency exchange gain/(loss)		232	(421)
Other income		1,593	1,098
		26,318	18,803
Expenses and other charges			
General and administrative expenses	11	(12,855)	(11,333)
Finance costs	12	(3,521)	(2,816)
Other expenses		(829)	(255)
Impairment of investment in joint venture	19.1	(106)	-
Reversal of impairment of investment properties (net)	20	272	442
		(17,039)	(13,962)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		9,279	4,841
Provision for contribution to KFAS		(40)	(27)
Provision for NLST		(134)	(98)
Provision for Zakat		(53)	(40)
Provision for Directors' remuneration	29	(84)	-
Profit for the year		8,968	4,676
Profit for the year attributable to:			
Owners of the Parent Company		4,147	2,861
Non-controlling interests		4,821	1,815
Profit for the year		8,968	4,676
Basic and diluted earnings per share attributable to the owners of the Parent Company	13	8 Fils	6 Fils

The notes set out on pages 50 to 90 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
Profit for the year	8,968	4,676
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent years:		
Foreign currency translation:		
- Exchange differences arising on translation of foreign operations	770	63
Share of other comprehensive (loss)/ income of associates and joint ventures	(8)	528
Total other comprehensive income	762	591
Total comprehensive income for the year	9,730	5,267
Total comprehensive income for the year attributable to:		
Owners of the Parent Company	4,982	3,414
Non-controlling interests	4,748	1,853
	9,730	5,267

The notes set out on pages 50 to 90 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Assets			
Cash and bank balances	14	**6,639**	15,112
Time deposits	14	**272**	2,104
Accounts receivable and other assets	15	**6,020**	6,136
Loans to customers	16	**2,565**	2,709
Financial assets at fair value through profit or loss	17	**83,398**	105,069
Financial assets at amortised cost	18	**4,302**	1,976
Investment in associates and joint ventures	19	**33,679**	4,148
Investment properties	20	**30,086**	72,631
Right-of-use assets		**2,432**	994
Equipment		**889**	587
Total assets		**170,282**	211,466
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	21	**13,035**	14,178
Bank borrowings	22	**9,413**	29,015
Bonds issued	23	**35,000**	35,000
Total liabilities		**57,448**	78,193
Equity			
Share capital	24	**50,484**	50,484
Share premium	24	**7,902**	7,902
Treasury shares	25	**(671)**	(309)
Statutory reserve	26	**19,087**	18,642
Voluntary reserve	26	**17,442**	16,997
Other components of equity	27	**829**	(6)
Retained earnings		**10,992**	9,883
Equity attributable to the owners of the Parent Company		**106,065**	103,593
Non-controlling interests	7.2	**6,769**	29,680
Total equity		**112,834**	133,273
Total liabilities and equity		**170,282**	211,466

Diraar Yusuf Alghanim
Chairman

Ali H. Khalil
Chief Executive Officer

The notes set out on pages 50 to 90 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
OPERATING ACTIVITIES			
Profit for the year		**8,968**	4,676
Adjustments for:			
Interest income	8	**(1,007)**	(461)
Depreciation and amortisation		**1,437**	1,806
Share of results of associates and joint ventures	19.1	**287**	105
Gain on redemption of investments at fair value through OCI		**-**	(6)
Deemed gain on de-recognition of a fund subsidiary	7.1.4	**(1,057)**	-
Gain on partial redemption of investment in associate	19.1	**(9)**	-
Gain on sale of investment properties	20	**(11,691)**	(1,254)
(Reversal of)/provisions for credit losses		**(3)**	175
Impairment of investment in joint venture	19.1	**106**	-
Reversal of Impairment of investment properties (net)	20	**(272)**	(442)
Finance costs	12	**3,521**	2,816
		280	7,415
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		**(982)**	(5,491)
Accounts receivable and other assets		**458**	805
Loans to customers		**145**	(2,104)
Accounts payable and other liabilities		**(1,534)**	(1,619)
Net cash used in operating activities		**(1,633)**	(994)
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		**13**	22
Purchase of equipment		**(598)**	(288)
Proceeds from financial assets at amortised cost		**-**	932
Purchase of financial assets at amortised cost		**(2,230)**	(813)
Proceeds from redemption of financials assets at fair value through OCI		**-**	6
Additions to investment properties	20	**(12,692)**	(6,293)
Proceeds from sale of investment properties	20	**49,733**	18,735
Interest income received		**488**	345
Cash dividend received from associates	19	**193**	86
Additions to joint ventures	19	**(1,084)**	(189)
Redemption proceeds received from joint ventures	19	**815**	1,629
Net cashflow due to (de-recognition)/consolidation of subsidiaries	7	**(374)**	2,964
Net cash from investing activities		**34,264**	17,136
FINANCING ACTIVITIES			
Dividend paid		**(2,523)**	(4,745)
Dividend paid to non-controlling interests shareholders		**(1,666)**	(577)
Proceeds from bank borrowings	22	**9,413**	21,315
Repayment of bank borrowings	22	**(29,035)**	(17,765)
Purchase of treasury shares		**(362)**	(49)
Payment of lease liability		**(523)**	(249)
Net change in non-controlling interests		**(15,054)**	(3,689)
Finance costs paid		**(3,558)**	(2,721)
Net cash used in financing activities		**(43,308)**	(8,480)
(Decrease)/Increase in cash and cash equivalents		**(10,677)**	7,662
Foreign currency adjustments		**385**	(570)
Cash and cash equivalents at beginning of the year	14	**17,139**	10,047
Cash and cash equivalents at end of the year	14	**6,847**	17,139

The notes set out on pages 50 to 90 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

	Equity attributable to the owners of the Parent Company			
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Statutory reserve KD '000
Balance at 1 January 2023	**50,484**	**7,902**	**(309)**	**18,642**
Net change in non-controlling interests (Note 7)	-	-	-	-
Effect of change in ownership percentage of subsidiaries (Note 7.1.1)	-	-	-	-
Effect of change in non-controlling interests due to de-recognition of a fund subsidiary (Note 7.1.4)	-	-	-	-
Cash dividend (Note 28)	-	-	-	-
Purchase of treasury shares	-	-	(362)	-
Payment of cash dividend to non-controlling interests' shareholders (Note 7.2)	-	-	-	-
Transactions with owners	-	-	(362)	-
Profit for the year	-	-	-	-
Total other comprehensive income/(loss)	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Transfer to reserves	-	-	-	445
Balance at 31 December 2023	**50,484**	**7,902**	**(671)**	**19,087**

	Equity attributable to the owners of the Parent Company			
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Statutory reserve KD '000
Balance at 1 January 2022	48,080	7,902	(260)	18,339
Net change in non-controlling interests (Note 7)	-	-	-	-
Effect of change in ownership percentage of subsidiaries (Note 7.1)	-	-	-	-
Effect of change in non-controlling interests due to consolidation of subsidiaries (Note 7.1.2)	-	-	-	-
Cash dividend (Note 28)	-	-	-	-
Issue of bonus shares (Note 28)	2,404	-	-	-
Purchase of treasury shares	-	-	(49)	-
Payment of cash dividend to non-controlling interests' shareholders (Note 7.2)	-	-	-	-
Transactions with owners	2,404	-	(49)	-
Profit for the year	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Transfer to reserves	-	-	-	303
Balance at 31 December 2022	50,484	7,902	(309)	18,642

The notes set out on pages 50 to 90 form an integral part of these consolidated financial statements.

Voluntary reserve KD '000	Other components of equity (note 27) KD '000	Retained earnings KD '000	Sub Total KD '000	Non-controlling interests KD '000	Total KD '000
16,997	(6)	9,883	103,593	29,680	133,273
-	-	-	-	(15,054)	(15,054)
-	-	361	361	(361)	-
-	-	-	-	(10,578)	(10,578)
-	-	(2,509)	(2,509)	-	(2,509)
-	-	-	(362)	-	(362)
-	-	-	-	(1,666)	(1,666)
-	-	(2,148)	(2,510)	(27,659)	(30,169)
-	-	4,147	4,147	4,821	8,968
-	835	-	835	(73)	762
-	835	4,147	4,982	4,748	9,730
445	-	(890)	-	-	-
17,442	829	10,992	106,065	6,769	112,834

Voluntary reserve KD '000	Other components of equity (note 27) KD '000	Retained earnings KD '000	Sub Total KD '000	Non-controlling interests KD '000	Total KD '000
16,694	(559)	14,327	104,523	31,229	135,752
-	-	-	-	(3,689)	(3,689)
-	-	487	487	(487)	-
-	-	-	-	1,351	1,351
-	-	(4,782)	(4,782)	-	(4,782)
-	-	(2,404)	-	-	-
-	-	-	(49)	-	(49)
-	-	-	-	(577)	(577)
-	-	(6,699)	(4,344)	(3,402)	(7,746)
-	-	2,861	2,861	1,815	4,676
-	553	-	553	38	591
-	553	2,861	3,414	1,853	5,267
303	-	(606)	-	-	-
16,997	(6)	9,883	103,593	29,680	133,273

Notes to the Consolidated Financial Statements

1. Incorporation and activities

Kuwait Financial Centre - KPSC ("the Parent Company") was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company is listed on the Boursa Kuwait and is governed under the directives of the Central Bank of Kuwait and Capital Markets Authority of Kuwait.

The principal activities of the Parent Company are as follows:

- Funding import and export operations, whether by direct credit or accepting drafts drawn on the company for short terms, as well as brokerage in securing the banking facilities for clients in Kuwait and abroad.
- Undertake the job of broker between borrowers and lenders, undertake approved agency works for the payment processes arising from issuing medium and long term securities, in addition to keeping securities on behalf of the clients.
- Dealing and trading in the foreign currencies and the precious metal markets inside and outside Kuwait.
- Undertake all the services which assist to extend and support the money and capital market capacity in Kuwait and fulfil its needs within the limits of the law and the procedures or instructions issued by the Central Bank of Kuwait. The company may have an interest or participate in any manner with the bodies practicing business similar to its business or which may assist it to achieve its objectives inside or outside Kuwait and it may acquire such bodies or append them to itself.
- Offering personal, commercial and consumer loans, undertake finance operations on the basis of margin related to investment operations in the local and international markets, trading currencies, as well as the finance operations related to pledging investment portfolios and securities, and undertaking finance and brokerage in international and local commercial operations.
- Investment in the various economic sectors such as the industrial, real estate, agricultural, services and other sectors, whether directly or by contribution through existing companies or incorporating these companies related to the said activity or acquire projects which fulfil such objective.
- Undertake the functions of investment trustees and investment portfolio management for the account of third parties with the required loaning and borrowing operations.
- Unregistered securities broker in the stock exchange.
- Investment portfolio manager.
- Collective investment scheme manager.
- Investment advisor.
- Placement agent.
- Custodian.

The address of the Parent Company's registered office is PO Box 23444, Safat 13095, Burj Al Shaya, Floor 8, Al Soor Street, Al Mirqab, Kuwait City, State of Kuwait.

The Parent Company's Board of Directors approved these consolidated financial statements for issue on 14 February 2024 and are subject to the approval of the General Assembly of the shareholders of the Parent Company.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company and all values are rounded to the nearest thousand (KD '000), except when otherwise indicated.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

3. Statement of compliance

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") in the State of Kuwait. These regulations require financial services institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS Accounting Standards) with the following amendment:

Expected credit loss ("ECL") on credit facilities to be measured at the higher of the ECL computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instruction along with its consequent impact on related disclosures.

The above framework is hereinafter referred to as "IFRS accounting standards as adopted by CBK for use by the State of Kuwait".

4. Changes in accounting policies

New and amended standards adopted by the Group
The following new amendments or standards were effective for the current period.

Standard or Interpretation	Effective for annual periods beginning
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023

IAS 1 Amendments - Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies to assist entities to provide accounting policy disclosures that are more useful. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

The adoption of amendments did not have a significant impact on the Group's consolidated financial statements.

IAS 8 Amendments - Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

The adoption of amendments did not have a significant impact on the Group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 21 Amendments - Lack of exchangeability	1 January 2025
IAS 1 Amendments- Classification of liabilities as current or non-current	1 January 2024

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities as current or non-current depends only on the covenants that an entity is required to comply with on or before the reporting date. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 21 Amendments - Lack of exchangeability

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not - a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

Notes to the Consolidated Financial Statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 21 Amendments - Lack of exchangeability (continuued)

- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable - when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable - when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 Amendments - Classification of liabilities as current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

5. Material accounting policies

The material accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements. The details of the significant subsidiaries are set out in note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interests
- derecognizes the cumulative translation differences, recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

Structured Entities

The Group has created certain Special Purpose Vehicles (SPVs) for the Group's asset management and investment banking activities. SPVs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its relevent activities without additional financial support from other parties or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

The primary beneficiary of an SPV (i.e the party that has a controlling financial Interest) is required to consolidated the assets and liabilities of the SPV. The primary beneficiary is the party that has both (1) the power to direct the relevent activities of the SPV that most significantly impact the SPV's economic performance and (2) through its interests in the SPV, the obligation to absorb the losses or the right to receive benefits from the SPV that could potentially be significant to the SPV.

To assess whether the Group has the power to direct the relevent activities of an SPV that most significantly impact the SPV's economic performance, the Group considers all the facts and circumstances, including its role in establishing the SPV and its ongoing rights and responsibilities. This assessment includes:

- Identifying the relevent activities that most significantly impact the SPV's economic performance; and
- Identifying which party, if any, has power over those relevent activities.

In general, the parties that make the most significant decisions affecting the SPV or have the right to unilaterally remove those decision-makers are deemed to have the power to direct the relevent activities of an SPV.

To assess whether the Group has the obligation to absorb losses of the SPV or the right to receive benefits from the SPV that could potentially be significant to the SPV, the Group considers all of its economic interests, including debt and equity investments, management and incentive fees, derivatives or other arrangements deemed to be variable interests in the SPV. This assessment requires that the Group apply judgement in determining whether those interests, in aggregate, are considered potentially significant to the SPV. Factors considered in assessing significance include: the design of the SPV, including its capitalisation structure; subordination of interests; payment priority; relative share of interests held across various classes withing the SPV's capital structure; and the reasons why the interests are held by the Group.

Certain SPVs are used to raise funds from the Group's clients on the basis of product offering documents with eventual objectives of investments in specified asset classes as defined in the offering documents of the SPVs. These SPVs are managed on a fiduciary basis by the Group's asset management teams and as the Group does not control these SPVs as at the reporting date in accordance with the definition of control in IFRS 10, these SPVs are not consolidated into the Group's consolidated financial statements. The Group's investments in SPV are subject to the terms and conditions of the respective SPV's offering documentation and, are susceptible to market price risk arising from uncertainties about future values of SPV's underlying assets (Note 34.5).

The Group has also created or sponsored certain SPVs primarily to enable its investment banking clients to meet their specific objectives or for allowing clients to hold investments. The Group may provide corporate administration, asset management and advisory services to these SPVs, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of clients who are non-affiliated third parties and are primary economic beneficiaries of the underlying investments. In case of some SPVs, the Group owns voting rights in the SPVs which are protective in nature (i.e not substantive). Accordingly, as the Group does not control these SPVs as at the reporting date in accordance with the definition of control in IFRS 10, these SPVs are not consolidated into the Group's consolidated financial statements. The Group's interest in these SPVs are classified as investment vehicles under accounts receivable and other assets.

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Notes to the Consolidated Financial Statements (continued)

5. Material accounting policies (continued)
5.2 Business combinations (continued)
Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interests in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 Revenue recognition
Revenue arises from rendering of services, investing activities and real estate activities.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group recognises revenue from the following major sources:

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

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

Fee income arising from services provided at certain point in time
Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party and incentive fees earned are recognised on completion of the underlying transaction.

5.3.2 Interest income
Interest income is reported on an accrual basis using the effective interest method.

5.3.3 Dividend income
Dividend income, other than those from investment in associates, are recognised at the time the right to receive payment is established.

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

5.3.5 Gain from sale of investment properties
Revenue from sale of investment properties is recognised on completion of sale contract.

5.4 Operating expenses
Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.5 Borrowing costs
Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised During the year of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.6 Taxation

5.6.1 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Group attributable to the owner of the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.6.2 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the owner of the Parent Company after deducting directors' fees for the year. As per law, income from listed associates and cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

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

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

5.6.4 Taxation on overseas subsidiaries

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

5.7 Investment in associates

Associate is an entity over which the Group is able to exert significant influence but which is neither subsidiary nor joint ventures. Investment in associate is initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associate.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its' associate are eliminated to the extent of the Group's interest in the entity. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associate and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under a separate heading in the consolidated statement of profit or loss.

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

5.8 Investment in joint ventures

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities required unanimous consent of parties sharing control. A joint venture is a joint arrangement which by the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures as an investment and accounts for it using the equity method.

5.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Properties under development also include properties that are being constructed or developed for future use as investment properties and are not depreciated.

Investment properties are initially measured at cost, including transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are accounted for using the cost model whereby these investment properties are stated at cost less accumulated depreciation and impairment losses, if any. The Group depreciates its investment properties except lands and projects under development on the straight-line method over their expected useful lives of 37 - 50 years.

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

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

Notes to the Consolidated Financial Statements (continued)

5. Material accounting policies (continued)

5.10 Equipment

Vehicles and other equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Vehicles and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of vehicles and other equipment.

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

The following useful lives are applied:

• Office equipment and software	3 to 5 years
• Vehicles	3 to 4 years
• Furniture and fixtures	7 to 10 years
• Decorations	7 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5.11 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated financial position when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value. On initial recognition, 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 profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

5.11.1 Classification and Measurement of Financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' 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 and in order to generate contractual cash flows. 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 such as:

- The stated policies and objectives for the financial assets 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, in particular, the way those risks are managed;
- 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 interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI 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. Interest 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 interest, 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 classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets carried at fair value through profit or loss (FVTPL)
- Financial assets carried at fair value through other comprehensive income (FVOCI)

Financial assets carried at Amortised cost:

A financial asset is carried at amortised cost if it meets both of the following conditions:

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

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

The Group's financial assets at amortised cost comprise of the followings:

Loans and advances

Loans and advances are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

Accounts receivable and other assets

Receivables are stated at original invoice amount less allowance for any impairment.

Debt instruments

Debt instruments classified at amortized cost represents loans given.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, together with time deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial asset carried at FVTPL:

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss when the rights to receive cash flows has been established.

Equity instruments at FVOCI:

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

Gains and losses on subsequent measurement of these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in consolidated statement of profit or loss when the rights to receive cash flows has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon derecognition cumulative change in fair value are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Debt instruments at FVOCI:

The Group measure debt instruments at FVOCI when both of the following conditions are met:

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

Debt instruments at FVOCI are subsequently measured at fair value and gains and losses arising due to changes in fair value are recognised in other comprehensive income. Interest income and foreign exchange gains or losses are recognised in the consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss. The management of the Group classifies certain unquoted debt instruments under debt instruments at FVOCI.

Foreign exchange gains and losses on financial assets:

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 financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the fair value reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

Notes to the Consolidated Financial Statements (continued)

5. Material accounting policies (continued)
5.11 Financial instruments (continued)
5.11.1 Classification and Measurement of Financial assets (continued)

Impairment of Financial Assets:

The Group computes Expected Credit Losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:
- Loans to customers
- Bank balances and time deposits
- Accounts receivables and other financial assets

Equity investments are not subject to Expected Credit Losses.

Impairment of loans to customers:

Loans to customers granted by the Group consists of commercial loans and staff loans. Impairment on loans to customers shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Impairment of financial assets other than loans to customers:

The Group recognises ECL on balances and deposits with banks and accounts receivables.

Expected Credit Losses

The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there have 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 understood 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 have 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 lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there have 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 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.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other receivables (represented by management fees and other dues from clients) as permitted under the standard. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Provision for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities (loans to customers) in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits.

A credit facility is classified as a bad loan (non-performing loan) when the interest or a principal instalment is past due more than 90 days, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. In addition to specific provisions, 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 instruction which is minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning. Past due and past due and impaired loans are managed and monitored as irregular facilities.

5.11.2 Classification and Measurement of Financial Liabilities

The Group's financial liabilities include borrowings, accounts payable and other liabilities, bonds and derivatives financial instruments.

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated at FVTPL, are measured subsequently at amortised cost using the effective interest method. Accounts payable and other liabilities, borrowings and bonds issued are classified as financial liabilities measured subsequently at amortised cost.

Accounts payable and other liabilities

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

Borrowings:

Murabaha facilities

Murabaha facilities represent amount payable on deferred settlement basis for assets purchases under murabaha arrangements. Murabaha facilities are stated at the contractual amount payable, less deferred profit payable.

Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

All other borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Bonds

Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

Foreign exchange gains and losses on financial liabilities:

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 profit or loss, for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Derecognition of financial assets and financial liabilities:

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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derivative financial instruments and hedge accounting:

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes to the Consolidated Financial Statements (continued)

5. Material accounting policies (continued)

5.11 Financial instruments (continued)

5.11.2 Classification and Measurement of Financial Liabilities (continued)

Derivative financial instruments and hedge accounting: (continued)

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both legal right and intention to offset.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in consolidated statement of profit or loss.

At the time the hedged item affects consolidated statement of profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

All derivative financial instruments are recognised in the consolidated statement of financial position as either assets (positive fair values) or liabilities (negative fair values).

Derivative financial instruments used by the Group include foreign exchange forwards contracts.

Note 35.2 sets out details of the fair values of the derivative instruments.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss (FVTPL) when the financial liability is held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The transaction cost is recognised in profit or loss.

The Group classifies short sale liabilities as financial liabilities at FVTPL as these are held for trading purpose. Short sale liabilities arise when borrowed securities are sold in an anticipation of a decline in the market value of that securities.

5.12 Trade and settlement date accounting

All ‘regular way’ purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.13 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.14 Offsetting of financial instruments

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

5.15 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 35.

5.16 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group’s latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management’s assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.17 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium. Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve - comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwait Dinars.

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in accounts payable and other liabilities when the dividends have been approved in a meeting of the general assembly.

5.18 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.19 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.20 Foreign currency translation

5.20.1 Foreign currency transactions

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

5.20.2 Foreign operations

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

Notes to the Consolidated Financial Statements (continued)

5. Material accounting policies (continued)

5.20 Foreign currency translation (continued)

5.20.2 Foreign operations (contiuned)

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

5.21 End of service indemnity

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

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

5.22 Fiduciary assets

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

5.23 Segment reporting

The Group has three operating segments: the asset management, investment banking and others. In identifying these operating segments, management generally follows the Group's service lines representing its main services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.24 Leased assets

The Group as a lessee

For any new contracts entered into on or after 1 January 2023, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

5.25 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (eg regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

The Group's consolidated financial statements integrate climate-related matters in various items. These include the Group's assessing the useful life of property, plant and equipment, fair valuation of investment properties and contingent liabilities.

Assumptions could change in the future in response to new environmental regulations, commitments taken and changing consumer demand. These changes, if not anticipated, could have an impact on the Group's future cash flows, financial performance and financial position.

6. Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.11). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

The Group classifies properties under development as Investment properties if it acquired with the intention of holding it to earn rental income or capital appreciation upon completion of the development.

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

6.1.3 Control assessment

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

6.1.4 Structured entities

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

Managed Funds

The Group sponsors certain asset management funds as fund manager. Where the non-affiliated members of the fund have the ability to remove the Group as fund manager without cause (i.e. kick-out rights), based on simple majority vote, or the non-affiliated members have rights to participate in important decisions, the Group does not consolidate such funds. In limited cases, where the non-affiliated members do not have substantive kick-out or participation rights, the Group consolidates the funds if the Group as a fund manager has both power and a potentially significant interest.

Notes to the Consolidated Financial Statements (continued)

6. Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

Managed Funds (continued)

The Group's asset management funds have investments in both publicly held and privately held entities. These investments are accounted for under "investment company" guidelines and accordingly, irrespective of the percentage of equity ownership interests held, are carried on the Consolidated Statement of Financial Position at fair value. If consolidated, the Group retains the accounting under such specialised "investment company"guidelines.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of associate and joint venture

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated company and joint venture, at each reporting date based on existence of any objective evidence that the investment in the associate and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.2 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

6.2.3 Provision for credit losses

The Group reviews its loans to customers on a regular basis to assess whether a provision for credit losses should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessary based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

6.2.4 Impairment of investment properties

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 or indication that an impairment loss previously recognised may no longer exist in accordance with accounting policies stated in note 5.9 & note 5.16. The recoverable amount of an asset is determined based on higher of fair value and value in use.

6.2.5 Depreciation of investment properties and equipment

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

6.2.6 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (note 35).

7. Subsidiary companies

7.1 Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2023 %	31 Dec. 2022 %	
Mar-Gulf Management Company Inc.	USA	100.00	100.00	Assets management
Markaz First Management and Economic Consultancy Company - KSCC	Kuwait	94.94	94.94	Economic consultancy
Markaz Arabian Fund (Note 7.1.1)	Bahrain	94.08	93.46	Investment Fund
Markaz Fixed Income Fund (Note 7.1.1)	Kuwait	95.23	79.44	Investment Fund
GCC Momentum Fund (Note 7.1.2)	Kuwait	89.96	-	Investment Fund
Markaz Offshore I Ltd	Cayman Islands	100.00	100.00	Investment
Marmore Mena Intelligence Private Limited	India	98.73	98.73	Consultancy
Aradi Development Limited	Cayman Islands	96.89	96.89	Real Estate
Markaz Real Estate Investment Company WLL	KSA	100.00	100.00	Real Estate
Rimal Venture Company WLL	Bahrain	100.00	100.00	Assets management
Arab Gulf Real Estate Development Company WLL	Kuwait	100.00	99.85	Real Estate
Bay View Real Estate Company WLL	Kuwait	100.00	100.00	Real Estate
Boardwalk Real Estate Company WLL	Kuwait	100.00	100.00	Real Estate
Al Rihab United Real Estate Company WLL	Kuwait	100.00	99.85	Real Estate
Al Bandriya Real Estate Company WLL	Kuwait	99.85	99.85	Real Estate
Azzuri Real Estate Company WLL	Kuwait	100.00	100.00	Real Estate
Real Estate Options Company LLC	UAE	100.00	100.00	Real Estate
Markaz Gulf Real Estate Fund (Note 7.1.4)	Kuwait	-	47.50	Real Estate Fund
Sagentus Holding Co. WLL	Kuwait	100.00	100.00	Real Estate
Markaz Development 3	Cayman Islands	62.64	62.64	Real Estate
MKZ Investment Advisors Ltd	Cayman Islands	100.00	-	Assets management
MKZ Development 8	Cayman Islands	100.00	100.00	Investment Fund
MKZ Development 15	Cayman Islands	100.00	100.00	Real Estate
MKZ Development 25	Cayman Islands	100.00	100.00	Real Estate
MKZ Development 29	Cayman Islands	100.00	100.00	Real Estate
MKZ Development 32	Cayman Islands	100.00	100.00	Real Estate

7.1.1 The ownership of Markaz Arabian Fund increased by 0.62% (31 December 2022: decreased by 1.43%) and Markaz Fixed Income Fund increased by 15.79% (31 December 2022: decreased by 1.21%) due to changes in units owned by non-controlling interests holders as a result of subscription and redemption of the funds' units. These changes in the ownership resulted in a net gain of KD361 thousand (31 December 2022: net gain of KD487 thousand) which has been included in the consolidated statement of changes in equity.

7.1.2 Consolidation of a subsidiary

During the year, the Group incorporated an investment fund (GCC Momentum Fund) and consolidated financial statements of this fund in the consolidated financial statements of the Group as of 31 December 2023.

At 31 December 2022, the Group decided to consolidate certain special purpose structured real estate entities and investment funds (Markaz Development 8, 15, 25, 29 and 32 - refer note 7) which were previously recognised as financial assets at FVTPL, as management belived that the Group had control over these entities.

Notes to the Consolidated Financial Statements (continued)

7. Subsidiary companies (continued)

7.1 Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows: (continued)

7.1.2 Consolidation of a subsidiary (continued)

Summarised cumulative financial information of the above newly consolidated subsidiaries (during the previous year) are as follows:

	KD '000
Fair value of the existing investments (Note 17)	12,040
Value of non-controlling interests	1,351
	13,391
Less: recognized amounts of identifiable assets consolidated and liabilities assumed	
Cash and cash equivalents	2,964
Investment properties	8,500
Investment in associate (NW1 IOS GP Fund) (Note 19)	2,376
Accounts receivables and other assets	227
Accounts payables and other liabilities	(676)
Total identifiable net assets	13,391
Goodwill/(bargain purchase) on consolidation of subsidiaries	-

For the purpose of the consolidated statement of cash flows, the net cash inflow on acquisition of these subsidiaries is KD2,964 thousand. No impact to the consolidated statement of profit or loss for the previous year from the above newly consolidated subsidiaries since it's consolidated as of 31 December 2022.

The initial accounting for the business combination was completed during the previous year based on consolidation date fair values of the assets consolidated and the liabilities assumed.

7.1.3 De-recognition of a fund subsidiary

During the year, the Group de-recognised a fund subsidiary, Markaz Gulf Real Estate Fund, due to loss of control and reclassified as investment in associates as of 30 June 2023.

Summarised financial information of the derecognized subsidiary is as follows:

	KD '000
Fair value of residual interest	7,194
Less:	
Total identifiable net assets derecognized*	6,137
Deemed gain on derecognition of subsidiary	1,057

The initial fair value of the residual interest recognized as investment in associates is equivalent to the fair value of the identifiable net assets on the date that the control is lost.

*This include assets, liabilities and NCI amounting to KD17,526 thousand, KD811 thousand and KD10,578 thousand respectively.

7.2 Subsidiaries with material non-controlling interests

The Group includes three subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2023 %	31 Dec. 2022 %	**31 Dec. 2023 KD '000**	31 Dec. 2022 KD '000	**31 Dec. 2023 KD '000**	31 Dec. 2022 KD '000
Markaz Development 3	**37.36**	37.36	**2,220**	314	**244**	3,656
Al Bandriya Real Estate Company WLL	**0.15**	0.15	**55**	27	**2,162**	2,106
Markaz Arabian Fund	**5.92**	6.54	**61**	(3)	**582**	580
Individually immaterial subsidiaries with non-controlling interests			**2,485**	1,477	**3,781**	23,338
			4,821	1,815	**6,769**	29,680

KD1,666 thousand was paid as dividend to the NCI shareholders during the year (31 December 2022: KD577 thousand).

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 Dec. 2023			31 Dec. 2022		
	Markaz Dev. 3 KD '000	**Al Bandriya Real Estate KD '000**	**Markaz Arabian Fund KD '000**	Markaz Dev. 3 KD '000	Al Bandriya Real Estate KD '000	Markaz Arabian Fund KD '000
Non-current assets	**-**	**4,445**	**-**	18,462	4,541	-
Current assets	**710**	**215**	**9,901**	1,765	198	11,068
Total assets	**710**	**4,660**	**9,901**	20,227	4,739	11,068
Liabilities	**(196)**	**(364)**	**(67)**	(12,744)	(555)	(2,203)
Total liabilities	**(196)**	**(364)**	**(67)**	(12,744)	(555)	(2,203)
Equity attributable to the owners of the Parent Company	**270**	**2,134**	**9,252**	3,827	2,078	8,285
Non-controlling interests (including shareholders accounts)	**244**	**2,162**	**582**	3,656	2,106	580
Total equity	**514**	**4,296**	**9,834**	7,483	4,184	8,865

Notes to the Consolidated Financial Statements (continued)

7. Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 Dec. 2023			31 Dec. 2022		
	Markaz Dev. 3 KD '000	Al Bandriya Real Estate KD '000	Markaz Arabian Fund KD '000	Markaz Dev. 3 KD '000	Al Bandriya Real Estate KD '000	Markaz Arabian Fund KD '000
Revenue	7,532	278	1,244	1,074	255	209
Profit/(loss) for the year attributable to the owners of the Parent Company	2,145	50	968	328	23	(47)
Profit/(loss) for the year attributable to NCI	2,220	55	61	314	27	(3)
Profit/(loss) for the year	4,365	105	1,029	642	50	(50)
Total other comprehensive (loss)/income	(40)	1	(7)	69	11	34
Total comprehensive income/(loss) for the year	4,325	106	1,022	711	61	(16)
Total comprehensive income/(loss) for the year attributable to the owners of the Parent Company	2,120	51	961	371	33	(15)
Total comprehensive income/(loss) for the year attributable to NCI	2,205	55	61	340	28	(1)
Total comprehensive income/(loss) for the year	4,325	106	1,022	711	61	(16)
Net cash from/(used in) operating activities	17,438	180	(2,144)	1,980	202	3,521
Net (used in)/cash from investing activities	(7,135)	-	163	(5,580)	(2)	-
Net (used in)/cash from financing activities	(11,373)	(164)	(61)	5,278	(112)	(1,317)
Net cash (outflow)/inflow	(1,070)	16	(2,042)	1,678	88	2,204

8. Interest income

	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
On financial assets at amortised cost:		
- Time deposits	136	50
- Loans to customers	175	21
- Financial assets at amortised cost	299	150
On financial assets at fair value through profit or loss	397	240
	1,007	461

9. Management fees and commission income

Management fees and commission income relate to income arising from the Group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory services.

10. (Loss)/gain from financial assets at fair value through profit or loss

	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
Change in fair value of financial assets at fair value through profit or loss	(747)	167
Gain on sale of financial assets at fair value through profit or loss	117	560
	(630)	727

11. General and administrative expenses

	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
Staff costs	6,908	6,276
Depreciation and amortisation	1,437	1,806
Other expenses	4,510	3,251
	12,855	11,333

12. Finance costs

	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
On financial liabilities at amortised cost:		
- Bonds issued	1,794	1,701
- Bank borrowings	1,639	1,051
- Lease Liabilities	88	64
	3,521	2,816

13. Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share attributable to the owners of the Parent Company is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding and in issue during the year (excluding treasury shares).

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
Profit for the year attributable to the owners of the Parent Company (KD '000)	4,147	2,861
Weighted average number of shares outstanding and in issue during the year (excluding treasury shares)	500,953,403	501,926,828
Basic and diluted earnings per share attributable to the owners of the Parent Company	8 Fils	6 Fils

Notes to the Consolidated Financial Statements (continued)

14. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following accounts:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Cash and bank balances	**6,639**	15,112
Time deposits	**272**	2,104
	6,911	17,216
Less: Time deposits maturing after three months	**(64)**	(77)
Cash and cash equivalent for the purpose of consolidated statement of cash flows	**6,847**	17,139

The Group's time deposits carry interest and profit rates for KD deposits between 1.50% to 4.00% and FCY deposits between 3.75% to 7.20% (31 December 2022: 0.65% to 6.5%) per annum.

The total unsecured overdraft facilities available to the Group from local commercial banks which carries interest rate at 2% to 2.25% above Central Bank of Kuwait discount rate were KD3,000 thousand (31 December 2022: KD5,000 thousand) and no amount has been availed from these facilities as at 31 December 2023 (31 December 2022: Nil).

15. Accounts receivable and other assets

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Management fees and commission receivable	**2,659**	2,604
Prepayments and advances	**590**	818
Interest receivable	**754**	236
Investment Vehicles*	**45**	45
Other receivables	**1,972**	2,433
	6,020	6,136

*This represents amount invested by the Group in the share capital of certain SPVs.

The average credit period on management fees and commission receivable is 30-90 days. No interest is charged on outstanding receivables. Receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

Management fees and commission receivable comprise of:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Neither past due nor impaired	**2,087**	2,073
Past due but not impaired	**572**	531
	2,659	2,604

Aging of past due but not impaired balances:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
0 to 90 days	**418**	273
90 to 180 days	**53**	31
Above 180 days	**101**	227
	572	531

The Group has determined that the ECL allowance for management fees and commission receivable from clients and other receivables that are financial assets is not material.

16. Loans to customers

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Commercial loans	**2,000**	2,000
Personal loans	**591**	1,221
	2,591	3,221
Specific provision for credit losses	**-**	(485)
General provision for credit losses	**(26)**	(27)
	2,565	2,709

The interest rate on commercial and personal loans ranged from 1.50% to 8.25% (31 December 2022: 1.50% to 10.00%) per annum. All loans are denominated in KD as at 31 December 2023.

The maturity profile of loans to customers is as follows:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Between one month and six months	**12**	3
Between six months and one year	**16**	5
Over one year	**2,563**	2,728
Non-performing loans	**-**	485
	2,591	3,221

Provision for credit losses is made in accordance with Central Bank of Kuwait requirements. Loans to customers amount of KD2,000 thousand is performing and secured loan against customer portfolio in favor of the Parent Company. The remaining loans to customers of KD591 thousand are performing and are to staff where their indemnity balances exceed the loans balances outstanding.

17. Financial assets at fair value through profit or loss

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Local quoted securities	**2,303**	2,264
Foreign quoted securities	**15,483**	12,575
Local managed funds	**26,706**	50,444
Foreign managed funds	**11,418**	13,509
Fixed income securities	**16,778**	6,395
Equity participation	**10,710**	19,882
	83,398	105,069

The interest rates on fixed income securities range from 2.25% to 7.625% (31 December 2022: 2.25% to 7.625%) per annum.

During the year, the Group reclassified its certain investments including investment in Markaz Islamic Fund and Markaz Investment and Development Fund with a carrying value of KD22,653 thousand from financial assets at fair value through profit or loss to investment in associates, as the Group concluded that it exercises significant influence over the funds due to increase in its ownership interest duirng the year.

18. Financial assets at amortised cost

These represents foreign debt instruments amounting to KD4,302 (31 December 2022: KD1,976 thousand) carrying interest rate of 7.5% to 8% per annum (31 December 2022: 8% per annum).

Notes to the Consolidated Financial Statements (continued)

19. Investment in associates and joint ventures

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Investment in associates	**33,656**	3,947
Investment in joint ventures	**23**	201
	33,679	4,148

19.1 The details of the Group's investment in associates and joint ventures are as follows:

Company name	Investment classification	Principal Activities	Place of incorporation	Effective Interest 31 Dec. 2023 %	Effective Interest 31 Dec. 2022 %	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
First Equilease for Equipment and Transportation Company-KSCC (Unquoted)	Investment in associate	Transportation and Renting	Kuwait	**17.24**	17.24	**1,413**	1,571
Markaz Islamic Fund	Investment in associate	Investment Fund	Kuwait	**42.97**	-	**6,125**	-
Markaz Investment and Development Fund	Investment in associate	Investment Fund	Kuwait	**33.78**	-	**14,357**	-
Markaz Gulf Real Estate Fund	Investment in associate	Investment Fund	Kuwair	**31.70**	-	**6,384**	-
MKZ Development 24	Investment in associate	Real Estate	Cayman	**23.86**	-	**1,928**	-
NW1 IOS GP Fund LP	Investment in associate	Investment Fund	USA	**19.48**	23.3	**3,449**	2,376
Gulf Auto WLL (Unquoted)	Investment in joint venture	Automobile	Kuwait	**50**	50	**-**	-
MZES Gayrimenkul Alim Satim Company (Unquoted)	Investment in joint venture	Real Estate	Turkey	**50**	50	**23**	201
						33,679	4,148

The movement of investment in associates and joint ventures as follows:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Carrying value at 1 January 2023	**4,148**	2,875
Additions during the year	**1,084**	189
Reclassification during the year*	**29,847**	2,376
Capital redemptions during the year**	**(806)**	(1,629)
Cash dividend received during the year	**(193)**	(86)
Impairment of investment in joint venture	**(106)**	-
Share of results of associates/joint ventures	**(287)**	(105)
Share of other comprehensive (loss)/income	**(8)**	528
Carrying value at 31 December 2023	**33,679**	4,148

*This reclassification represents non-cash transaction and as a result has not been disclosed in the statement of cash flow.

**Capital redemptions during the year resulted in a gian of KD9 thousand.

19.2 Summarized financial information of material associates as follows:

	Markaz Investment and Development Fund		Markaz Gulf Real Estate Fund		Markaz Islamic Fund		NW1 IOS GP Fund	
	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000	**31 Dec. 2023 KD '000**	31 Dec. 2022 KD '000	**31 Dec. 2023 KD '000**	31 Dec. 2022 KD '000	**31 Dec. 2023 KD '000**	31 Dec. 2022 KD '000
Total assets	**45,031**	-	**20,595**	-	**14,281**	-	**17,781**	10,235
Total liabilities	**(2,531)**	-	**(455)**	-	**(26)**	-	**(76)**	(36)
Net assets	**42,500**	-	**20,140**	-	**14,255**	-	**17,705**	10,199
Group's share in equity	**33.78%**	-	**31.70%**	-	**42.97%**	-	**19.48%**	23.3%
Groups carrying amount of the investment	**14,357**	-	**6,384**	-	**6,125**	-	**3,449**	2,376
Revenue	**(1,494)**	-	**936**	-	**(1,039)**	-	**483**	-
(Loss)/profit for the year	**(2,313)**	-	**457**	-	**(1,280)**	-	**7**	-
Other comprehensive loss for the year	**-**	-	**(15)**	-	**-**	-	**-**	-

The Group calculated its share of the results of associates and joint ventures using unaudited management accounts as at 31 December 2023.

The above mentioned associates and joint ventures are private sector companies and therefore quoted market prices are not available.

20. Investment properties

The movement in investment properties is as follows:

	Free hold lands KD'000	Projects under development KD'000	Lands & buildings KD'000	Total KD'000
31 December 2023				
Cost				
At 1 January 2023	**1,762**	**8,500**	**65,453**	**75,715**
Additions		**12,527**	**165**	**12,692**
Disposals	**-**	**-**	**(39,890)**	**(39,890)**
Derecognition due to de-recognition	**-**	**-**	**(17,876)**	**(17,876)**
(Impairment)/reversal of impairment	**(1)**	**-**	**273**	**272**
Foreign currency adjustment	**2**	**250**	**23**	**275**
At 31 December 2023	**1,763**	**21,277**	**8,148**	**31,188**
Accumulated depreciation				
At 1 January 2023	**-**	**-**	**(3,084)**	**(3,084)**
Charge for the year	**-**	**-**	**(802)**	**(802)**
Relating to disposals	**-**	**-**	**1,848**	**1,848**
Relating to de-recognition	**-**	**-**	**949**	**949**
Foreign currency adjustment	**-**	**-**	**(13)**	**(13)**
At 31 December 2023	**-**	**-**	**(1,102)**	**(1,102)**
Net book value				
At 31 December 2023	**1,763**	**21,277**	**7,046**	**30,086**

Notes to the Consolidated Financial Statements (continued)

20. Investment properties (continued)

	Free hold lands KD'000	Projects under development KD'000	Lands & buildings KD'000	Total KD'000
31 December 2022				
Cost				
At 1 January 2022	1,733	12,019	64,396	78,148
Additions due to consolidation of new subsidiaries	-	8,500	-	8,500
Additions	-	6,293	-	6,293
Disposals	-	-	(18,594)	(18,594)
Transfers	-	(18,463)	18,463	-
Reversal of impairment (net)	7	-	435	442
Foreign currency adjustment	22	151	753	926
At 31 December 2022	1,762	8,500	65,453	75,715
Accumulated depreciation				
At 1 January 2022	-	-	(3,056)	(3,056)
Charge for the year	-	-	(1,105)	(1,105)
Relating to disposals	-	-	1,113	1,113
Foreign currency adjustment	-	-	(36)	(36)
At 31 December 2022	-	-	(3,084)	(3,084)
Net book value				
At 31 December 2022	1,762	8,500	62,369	72,631

At 31 December 2023, the fair value of the investment properties is KD36,914 thousand (31 December 2022: KD94,097 thousand). Investment properties were revalued by independent evaluators using a number of assumptions, including estimated rental revenues, capitalization yields, historical transactions, market knowledge, occupancy rates and cost of construction. The fair value is classified under level 2. In estimating the fair value of investment properties, the highest and best use is their current use. There has been no change to the valuation technique during the year.

During the year, the Group recognised a reversal of impairment losses of KD272 thousand (31 December 2022: KD442 thousand) in respect of certain investment properties.

Investment properties with carrying value of KD38,042 thousand (31 December 2022: KD17,481 thousand) were sold during the year for a consideration of KD49,733 thousand (31 December 2022: KD18,735 thousand) at a net gain of KD11,691 thousand (31 December 2022: KD1,254 thousand).

The rental income earned from the investment properties amounted to KD3,113 thousand (31 December 2022: KD4,928 thousand) and related direct operating expenses incurred amounted to KD921 thousand (31 December 2022: KD1,284 thousand).

Investment properties with carrying value of KD15,435 thousand (31 December 2022: KD22,600 thousand) are secured against bank borrowings (note 22).

The Groups investment properties are located as below:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
North America	**15,435**	21,850
Europe	**5,841**	5,113
GCC	**8,810**	45,668
	30,086	72,631

21. Accounts payable and other liabilities

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Accrued expenses	2,536	3,719
Post-employment benefits	4,736	4,222
Dividend payable	422	436
Payable to contractors	878	1,563
Lease liability	2,412	1,071
Other liabilities	2,051	3,167
	13,035	14,178

22. Bank borrowings

This represents following bank borrowings:

	Interest Rates	Available facility limit KD '000'	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Secured*:				
Foreign conventional loans	2.38% to 2.45% over SOFR 2.75% over USTCMYI**	15,350	7,913	13,721
Unsecured:				
Local Islamic borrowings	KD loans: 1.75% to 2% over CBDR USD loans: 2% over SOFR (6M)	16,135	-	9,611
Local conventional loans	KD loans: 2% over CBDR USD loans: 2.25% over SOFR (3M)	15,000	1,500	5,000
Foreign conventional loans	5.47%	3,067	-	683
		49,552	9,413	29,015

*These facilities are secured by certain foreign investment properties (note 20).
**USTCMYI: US Treasury Constant Maturity Yield Index.

The above loans are denominated in the following currencies:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
KD Loans	1,500	8,497
USD Loans	7,913	18,170
AED Loans	-	2,348
	9,413	29,015

Notes to the Consolidated Financial Statements (continued)

22. Bank borrowings (continued)

Reconciliation of liabilities arising from financing activities

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Opening balance	**29,015**	25,280
Proceeds from bank borrowings	**9,413**	21,315
Repayment of bank borrowings	**(29,035)**	(17,765)
Effect of change in foreign exchange rates	**20**	185
Closing balance	**9,413**	29,015

23. Bonds issued

a. On 20 December 2020, the Parent Company issued unsecured debenture bonds in the principal amount of KD35,000 thousand as follows:
   - KD17,500 thousand with a fixed rate of 4.75% payable quarterly in arrears maturing on 20 December 2025.
   - KD17,500 thousand with variable rate of 3%, above Central Bank of Kuwait Discount rate, capped at 5.5%, which is payable quarterly in arrears maturing on 20 December 2025.

24. Share capital and share premium

a. Share capital

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Authorised: 600,000,000 shares (31 December 2022: 600,000,000 shares) of 100 Kuwaiti Fils each	**60,000**	60,000
Issued and fully paid 504,841,834 shares (31 December 2022: 504,841,834 shares) shares of 100 Kuwaiti Fils each	**50,484**	50,484

b. Share premium

Share premium is not available for distribution.

25. Treasury shares

	31 Dec. 2023	31 Dec. 2022
Number of shares	**6,726,371**	3,067,574
Percentage of issued shares	**1.33%**	0.61%
Market value (KD '000)	**673**	322
Cost (KD'000)	**671**	309

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

26. Reserves

The Companies Law and the Parent Company's Articles of Association require 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the statutory reserve. The shareholders of the Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital.

Distribution of statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

According to the Parent Company's Articles of Association and the Companies Law, 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

27. Other components of equity

	Foreign currency translation reserve KD '000	Total KD '000
Balance at 1 January 2023	**(6)**	**(6)**
Exchange differences arising on translation of foreign operations	**843**	**843**
Share of other comprehensive loss of associates and joint ventures	**(8)**	**(8)**
Total other comprehensive income	**835**	**835**
Balance at 31 December 2023	**829**	**829**
Balance at 1 January 2022	(559)	(559)
Exchange differences arising on translation of foreign operations	25	25
Share of other comprehensive loss of associate and joint venture	528	528
Total other comprehensive loss	553	553
Balance at 31 December 2022	(6)	(6)

28. Proposed dividends and Annual General Assembly

The Board of Directors of the Parent Company has proposed a cash dividend of 6 Fils per share amounting to KD2,989 thousand for the year ended 31 December 2023. The proposed dividend is subject to the approval of shareholders at the Parent Company's Annual General Assembly.

The shareholders of the Parent Company at the Annual General Assembly held on 22 March 2023 approved the consolidated financial statements of the Group for the year ended 31 December 2022 and approved Board of Directors proposal of cash dividend of 5 Fils per share amounting to KD2,509 thousand and approved a total amount of KD70 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2022 and was charged to expenses during the year.

Also, refer note 29 about the key management compensation.

Notes to the Consolidated Financial Statements (continued)

29. Related party transactions

Related parties represent associate, joint ventures, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entered into the following transactions with related parties.

	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
Transactions included in the consolidated statement of profit or loss:		
Interest income on loans to customers	2	3
Interest income on financial assets at amortised cost	299	150
Management fees and commission	4,406	7,853
Impairment of investment in joint venture	(106)	-
General and administrative expenses	(219)	-
Finance costs	(63)	-

	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
Key management compensation:		
Salaries and other short-term benefits (note 29a)	923	797
End of service benefits	90	210
Audit committee fees	15	15
Board of Directors' remuneration (note 28)	154	-
	1,182	1,022

a. Salaries and other short-term benefits include provision for variable compensation which may slightly vary from the amounts included above between the date of issuance of these financial statements and the date of 2023 Annual General Meeting date. The amount of variation is not expected to be material.

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Balances included in the consolidated statement of financial position:		
Loans to customers	81	108
Financial assets at amortised cost	4,302	1,976
Right-of-use assets	2,406	-
Accounts receivable and other assets	2,953	2,570
Accounts payable and other liabilities	4,339	1,839

Related party contingent liabilities were Nil (31 December 2022: KD78 thousand) (note 32).

30. Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Group's profit or loss.

The Group's business segments are summarised into Asset Management,Investment Banking and Corporate and other operations.

Asset Management segment includes MENA investments, International investments, Private equity, Real estate, Oil and gas, Custody and Fixed income.

Investment Banking segment includes Capital Markets, Advisory and M&A.

Others includes Treasury, Loan and Direct investments.

The revenues and profits generated from, and assets and liabilities allocated to, Group's business segments are as follows:

	Asset Management		Investment Banking		Others		Total	
	31 Dec. 2023 KD'000	31 Dec. 2022 KD'000	**31 Dec. 2023 KD'000**	31 Dec. 2022 KD'000	**31 Dec. 2023 KD'000**	31 Dec. 2022 KD'000	**31 Dec. 2023 KD'000**	31 Dec. 2022 KD'000
Segment revenue	**25,326**	18,772	**579**	841	**413**	(810)	**26,318**	18,803
Segment result	**13,381**	9,372	**(66)**	252	**(4,036)**	(4,783)	**9,279**	4,841
Provisions for KFAS,					**-**			
NLST, Zakat and Board of Directors' remuneration	**(227)**	(154)	**-**	(11)	**(84)**	-	**(311)**	(165)
Profit/(loss) for the year	**13,154**	9,218	**(66)**	241	**(4,120)**	(4,783)	**8,968**	4,676
Total assets	**161,332**	203,254	**-**	-	**8,950**	8,212	**170,282**	211,466
Total liabilities	**12,114**	20,562	**158**	184	**45,176**	57,447	**57,448**	78,193
Interest income	**798**	428	**-**	-	**209**	33	**1,007**	461
Finance costs	**(790)**	(256)	**-**	-	**(2,731)**	(2,560)	**(3,521)**	(2,816)
Depreciation and amortisation	**(898)**	(1,434)	**(5)**	(8)	**(534)**	(364)	**(1,437)**	(1,806)
Reversal of impairment of investment properties	**272**	442	**-**	-	**-**	-	**272**	442
Purchase of equipment	**(20)**	(80)	**(3)**	-	**(575)**	(208)	**(598)**	(288)
Additions to investment properties	**(12,692)**	(6,293)	**-**	-		-	**(12,692)**	(6,293)

Segment income above represents income generated from external customers. There has no inter-segment income during the year and previous year.

For the purposes of monitoring segment performance and allocating resources between segments:
- There are no assets used jointly by any reportable segment.
- There are no liabilities for which any segment is jointly liable

Notes to the Consolidated Financial Statements (continued)

31. Fiduciary accounts

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2023 amounted to KD1,211,966 thousand (31 December 2022: KD1,153,963 thousand) which includes related party assets under management at 31 December 2023 amounted to KD437,901 thousand (31 December 2022: KD416,508 thousand). The Group earned management fee of KD7,174 thousand (31 December 2022: KD10,598 thousand) from the asset management activities.

32. Commitments

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Commitments for purchase of investments	**1,104**	1,272
Commitments for investment properties	**6,142**	19,660
Unsold borrowed equity securities	**583**	1,354
Commitments to related party	**-**	78
Letter of guarantee	**342**	175
	8,171	22,539

33. Forward foreign exchange contracts

The contractual amounts of out-standing derivative instruments together with the fair value are as follows:

	31 Dec.2023		31 Dec.2022	
	Contractual amounts KD '000	Assets/ (liabilities) KD '000	Contractual amounts KD '000	Assets/ (liabilities) KD '000
Forward foreign exchange contracts	**10,717**	**26**	10,710	69

34. Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risks (including foreign currency risk, interest and profit rate risk, and equity price risk), credit risk and liquidity risk.

The Board of Directors of the Parent Company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The Group's risk management is carried out by the central risk management function and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Group is exposed to are described below:

34.1 Market risk

a. Foreign currency

The Group mainly operates in the GCC, USA, Europe and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Saudi Riyals, Euro and others. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
US Dollar	**57,432**	53,378
Saudi Riyals	**2,905**	2,628
Euro	**15,224**	11,599
Others	**1,121**	1,550

Foreign currency sensitivity is determined based on 2% (31 December 2022: 2%) increase or decrease in exchange rate. These have been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit for the year:

	31 Dec. 2023		31 Dec. 2022	
	+ 2% KD '000	**- 2% KD '000**	+ 2% KD '000	- 2% KD '000
Profit for the year	**(1,523)**	**1,523**	(1,372)	1,372

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

b. Interest and profit rate risk

Interest and profit rate risk arise from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest and profit rate risk principally on its deposits, investments, bonds and bank borrowings which carry interest and profit at commercial rates. The Board has established levels of interest and profit rate risk by setting limits on the interest and profit rate gaps for stipulated periods.

Interest and profit rate sensitivity is determined based on 1% (31 December 2022: 1%) increase or decrease in interest and profit rate. These have been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If Interest and profit rate had increased/decreased assuming the sensitivity given in the table below, then this would have the following impact on the profit for the year:

Notes to the Consolidated Financial Statements (continued)

34. Risk management objectives and policies (continued)
34.1 Market risk (continued)
b. Interest and profit rate risk (continued)

	31 Dec. 2023		31 Dec. 2022	
	+ 1%	- 1%	+ 1%	-1%
	KD '000	KD '000	KD '000	KD '000
Profit for the year	(188)	188	(385)	385

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

c. Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, USA, and GCC. Equity investments are classified as "financial assets at fair value through profit or loss".

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the Group. There have been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 2% higher/lower, the effect on the profit for the year would have been as follows:

	Profit for the year	
	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
Financials assets at fair value through profit or loss	± 356	± 297

The Group's sensitivity to equity price risk in regards to its unquoted investments cannot be reliably determined due to numerous uncertainties and non-available of reliable information to determine future price of such investments.

34.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Bank balances	**6,632**	15,094
Time deposits	**272**	2,104
Accounts receivable and other assets (excluding prepayment and advance payments)	**5,430**	5,318
Loans to customers	**2,565**	2,709
Financial assets at amortised cost	**4,302**	1,976
	19,201	27,201

Except for certain receivables and loans to customers referred to in note 15 and 16, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Further details in relation to credit risk of receivables and loans to customers are disclosed in note 15 and 16 respectively. The Group's financial assets measured at amortised cost comprised of mortgaged note receivables and sukuk which are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. However, the ECL provision on these balances are not material to the Group's consolidated financial statements. The credit risk for bank balances and time deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality and no history of default. Based on management assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly.

Information on other significant geographical concentrations of credit risk is set out in note 34.3.

34.3 Concentration of assets

The Group operates in different geographical areas. The distribution of financial assets which is exposed to credit risk by geographic region is as follows:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Kuwait	**7,597**	11,669
North America	**2,337**	7,091
GCC	**2,351**	6,632
Europe	**6,824**	1,684
Others	**92**	125
	19,201	27,201

Notes to the Consolidated Financial Statements (continued)

34. Risk management objectives and policies (continued)

34.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Upto 1 month KD '000	Upto 1-3 months KD '000	3-12 months KD '000	Above 1 year KD '000	Total KD '000	Weighted average effective interest/ profit rate %
31 December 2023						
Financial liabilities						
Accounts payable and other liabilities	**2,576**	**1,829**	**3,016**	**878**	**8,299**	
Bank borrowings	**1,552**	**147**	**400**	**9,136**	**11,235**	**4.50% to 7.64%**
Bonds issued	**-**	**448**	**1,345**	**36,794**	**38,587**	**4.75% to 5.50%**
	4,128	**2,424**	**4,761**	**46,808**	**58,121**	
31 December 2022						
Financial liabilities						
Accounts payable and other liabilities	2,869	4,176	2,108	803	9,956	
Bank borrowings	8,866	6,658	389	14,160	30,073	2.47% to 7.19%
Bonds issued	-	448	1,345	38,588	40,381	4.75% to 5.50%
	11,735	11,282	3,842	53,551	80,410	

Maturity profile of assets and liabilities at 31 December 2023 and 31 December 2022:

	Within 1 year KD '000	Over 1 year KD '000	Total KD '000
31 Dercember 2023			
Assets			
Cash and bank balances	**6,639**	**-**	**6,639**
Time deposits	**220**	**52**	**272**
Accounts receivable and other assets	**4,954**	**1,066**	**6,020**
Loans to customers	**24**	**2,541**	**2,565**
Financial assets at fair value through profit or loss	**83,398**	**-**	**83,398**
Financial assets at amortised cost	**2,256**	**2,046**	**4,302**
Investment in associates and joint ventures	**-**	**33,679**	**33,679**
Investment properties	**-**	**30,086**	**30,086**
Right of use assets	**1,947**	**485**	**2,432**
Equipment	**-**	**889**	**889**
	99,438	**70,844**	**170,282**
Liabilities			
Accounts payable and other liabilities	**7,421**	**5,614**	**13,035**
Bank borrowings	**1,500**	**7,913**	**9,413**
Bonds issued	**-**	**35,000**	**35,000**
	8,921	**48,527**	**57,448**
31 Dercember 2022			
Assets			
Cash and bank balances	15,112	-	15,112
Time deposits	2,096	8	2,104
Accounts receivable and other assets	5,549	587	6,136
Loans to customers	57	2,652	2,709
Financial assets at fair value through profit or loss	105,069	-	105,069
Financial assets at amortised cost	1,976	-	1,976
Investment in associate and joint venture	-	4,148	4,148
Investment properties	-	72,631	72,631
Right of use assets	994	-	994
Equipment	-	587	587
	130,853	80,613	211,466
Liabilities			
Accounts payable and other liabilities	9,153	5,025	14,178
Bank borrowings	15,476	13,539	29,015
Bonds issued	-	35,000	35,000
	24,629	53,564	78,193

34.5 Structured entities (Special Purpose Vehicle)

The Group has created certain Special Purpose Vehicles (SPVs) for the Group's asset management activities. These SPVs are used to raise funds from the Group's clients on the basis of product offering documents with eventual objectives of investments in specified asset classes as defined in the offering documents of the SPVs. These SPVs are managed on a fiduciary basis by the Group's asset management teams and as the Group does not control these SPVs as at the reporting date in accordance with the definition of control in IFRS 10, these SPVs are not consolidated into the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

34. Risk management objectives and policies (continued)
34.5 Structured entities (Special Purpose Vehicle) (continued)

The Group's investments in SPV are subject to the terms and conditions of the respective SPV's offering documentation and, are susceptible to market price risk arising from uncertainties about future values of SPV's underlying assets.

The exposure to investments in SPVs at fair value, by strategy employed, is disclosed in the following table.

These investments are included in financial assets at fair value through profit or loss in the statement of consolidated financial position.

Funding Strategy	Type of activities	Number of SPVs	Fair value of Group's investment in SPVs KD '000	% of Net asset attributable to Group
Equity	Investment in real estate	**12** (31 December 2022: 10)	**6,942** (31 December 2022: KD 9,826)	**10.02%** (31 December 2022: 19.51%)

35. Fair value measurement and summary of financial assets & liabilities by category
35.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Financial assets:		
Financial assets at amortised cost:		
- Cash and bank balances	**6,639**	15,112
- Time deposits	**272**	2,104
- Accounts receivable and other assets (excluding prepayment and advance payments)	**5,404**	5,249
- Loans to customers	**2,565**	2,709
- Financial assets carried at amortised cost	**4,302**	1,976
Financial assets at fair value through profit or loss	**83,398**	105,069
Forward foreign currency contracts		
- At fair value (included under accounts receivables and other assets)	**26**	69
Total financial assets	**102,606**	132,288
Financial liabilities:		
Financial liabilities at amortised cost:		
- Accounts payable and other liabilities	**8,299**	9,956
- Bank borrowings	**9,413**	29,015
- Bonds issued	**35,000**	35,000
Total financial liabilities	**52,712**	73,971

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortised cost, approximate their fair values.

35.2 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs.

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	KD '000			
	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2023				
Financial assets at fair value through profit or loss				
Quoted securities	**17,786**	**-**	**-**	**17,786**
Managed funds	**-**	**38,124**	**-**	**38,124**
Equity participations	**-**	**-**	**10,710**	**10,710**
Fixed income securities	**15,178**	**-**	**1,600**	**16,778**
	32,964	**38,124**	**12,310**	**83,398**
Derivative				
Forward foreign currency contracts held for trading	**-**	**26**	**-**	**26**
	32,964	**38,150**	**12,310**	**83,424**

	KD '000			
	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2022				
Financial assets at fair value through profit or loss				
Quoted securities	14,839	-	-	14,839
Managed funds	692	63,261	-	63,953
Equity participations	-	-	19,882	19,882
Fixed income securities	4,495	-	1,900	6,395
	20,026	63,261	21,782	105,069
Derivative				
Forward foreign currency contracts held for trading	-	69	-	69
	20,026	63,330	21,782	105,138

There have been no significant transfers between levels 1 and 2 during the reporting date.

Notes to the Consolidated Financial Statements (continued)

35. Fair value measurement and summary of financial assets & liabilities by category (continued)

35.2 Fair value hierarchy (continued)

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting date.

a. Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b. Unquoted securities

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c. Investments in managed funds

Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund managers as of the reporting date.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at 31 Dec. 2023 KD'000	31 Dec. 2022 KD'000	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
Financial assets at FVTPL:						
Quoted securities	**17,786**	14,839	1	Quoted bid prices	N/A	N/A
Managed funds	**-**	692	1	Quoted bid prices	N/A	N/A
Managed funds	**38,124**	63,261	2	NAV Basis	Net Assets Value	Net Assets Value
Fixed income securities	**15,178**	4,495	1	Quoted bid prices	N/A	N/A
Fixed income securities	**1,600**	1,900	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rate, results in higher fair value
Equity participations	**10,710**	19,882	3	Adjusted NAV Basis	Discount for lack of marketability	Lower discount rate, results in higher fair value
Derivative:						
Forward foreign currency contracts held for trading	**26**	692		Foreign exchange rate/ DCF method	N/A	N/A

The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variables used to fair value the level 3 investments were changed by 5%.

Level 3 fair value measurements

The Group's financial assets and liabilities classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2023 KD'000	31 Dec. 2022 KD'000
Opening balance	**21,782**	20,898
Net redemption	**(6,919)**	(5,159)
Reclassification*	**(1,928)**	6,119
Net change in fair value	**(625)**	(76)
Closing balance	**12,310**	21,782

*During the year, investment amounting to KD1,928 thousand reclassified from level 3 to investment in associates (31 December 2022: reclassified from level 1 to level 3 KD6,119 thousand).

36. Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, system failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of the overall risk management.

Notes to the Consolidated Financial Statements (continued)

37. Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The capital structure of the Group consists of the following:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Bank borrowings and bonds issued	**44,413**	64,015
Less: Cash and cash equivalents	**(6,847)**	(17,139)
Net debt	**37,566**	46,876
Total equity	**112,834**	133,273

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2023 %	31 Dec. 2022 %
Net debt to equity ratio	**33.3**	35.2

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