

**Credit One Kuwait Holding Company  
K.S.C. (Closed) and its Subsidiaries**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2025**



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## **INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF CREDIT ONE KUWAIT HOLDING COMPANY K.S.C. (CLOSED)**

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

#### ***Opinion***

We have audited the consolidated financial statements of Credit One Kuwait Holding Company K.S.C. (Closed) (the “Parent Company”) and its subsidiaries (collectively “the Group”), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

#### ***Basis for Opinion***

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

#### ***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 issued by the IASB, 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CREDIT ONE KUWAIT HOLDING COMPANY K.S.C. (CLOSED) (continued)**

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

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

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

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

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



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## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CREDIT ONE KUWAIT HOLDING COMPANY K.S.C. (CLOSED) (continued)**

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

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2025 that might have had a material effect on the business of the Parent Company or on its financial position.

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BADER A. AL-ABDULJADER  
LICENCE NO. 207 A  
EY  
(AL AIBAN, AL OSAIMI & PARTNERS)

1 March 2026  
Kuwait

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	<b>2025 KD</b>	<b>2024 KD</b>
<b>REVENUE</b>			
Finance income		<b>19,026,061</b>	17,484,660
Vehicle rental services		<b>12,519,411</b>	11,002,914
		<b>31,545,472</b>	28,487,574
<b>COST OF REVENUE</b>			
Finance cost		<b>(4,066,398)</b>	(3,706,612)
Cost of vehicle rental services		<b>(10,131,192)</b>	(8,486,516)
		<b>(14,197,590)</b>	(12,193,128)
<b>OPERATING PROFIT</b>		<b>17,347,882</b>	16,294,446
Other income	6	<b>2,710,163</b>	2,022,822
Unrealised loss on fair valuation of investment properties	9	<b>(100,000)</b>	-
Administrative expenses		<b>(4,959,526)</b>	(4,934,434)
Allowance for expected credit loss on amount due under instalment credit agreements	8	<b>(6,059,527)</b>	(5,472,930)
Allowance for expected credit loss on trade receivables		<b>(335,177)</b>	(66,710)
Recoveries from written off debts		<b>1,037,550</b>	1,763,500
<b>PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (“KFAS”), ZAKAT AND DIRECTORS’ FEES</b>		<b>9,641,365</b>	9,606,694
Contribution to KFAS		<b>(86,772)</b>	(86,460)
Zakat		<b>(160,092)</b>	(153,365)
Directors’ fees		<b>(120,000)</b>	(120,000)
<b>PROFIT FOR THE YEAR</b>	5	<b>9,274,501</b>	9,246,869
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>9,274,501</b>	9,246,869
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>9,029,790</b>	8,889,294
Non-controlling interests		<b>244,711</b>	357,575
		<b>9,274,501</b>	9,246,869
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	7	<b>45 fils</b>	44 fils


The attached notes 1 to 21 form part of these consolidated financial statements.


Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 KD	2024 KD
<b>ASSETS</b>			
Cash and cash equivalents		396,776	196,770
Trade and other receivables		6,435,697	6,544,438
Amounts due under instalment credit agreements	8	148,086,111	144,111,612
Investment properties	9	4,244,200	4,344,200
Property and equipment	10	22,466,208	17,528,427
Goodwill		5,875,738	5,875,738
<b>TOTAL ASSETS</b>		<b>187,504,730</b>	<b>178,601,185</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable and accruals	11	8,932,900	7,826,793
Payables under Islamic financing	12	65,057,012	67,328,696
Employees' end of service benefits		2,917,020	2,707,319
Due to financial institutions		12,853,476	8,314,451
<b>Total liabilities</b>		<b>89,760,408</b>	<b>86,177,259</b>
<b>EQUITY</b>			
Share capital	13	20,000,000	20,000,000
Statutory reserve	14	11,264,109	10,324,443
Retained earnings		63,270,334	59,180,210
<b>Equity attributable to equity holders of the Parent Company</b>		<b>94,534,443</b>	<b>89,504,653</b>
Non-controlling interests		3,209,879	2,919,273
<b>Total equity</b>		<b>97,744,322</b>	<b>92,423,926</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>187,504,730</b>	<b>178,601,185</b>

  
Jamal Abdullah Ali Dashti  
Chairman

  
Hazim Ali Al Hilal Al Mutairi  
Deputy Chairman and Chief Executive Officer

The attached notes 1 to 21 form part of these consolidated financial statements.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2025

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub total KD</i>	<i>Non- controlling interests KD</i>	<i>Total KD</i>
<b>As at 1 January 2025</b>	20,000,000	10,324,443	59,180,210	89,504,653	2,919,273	92,423,926
Profit for the year	-	-	9,029,790	9,029,790	244,711	9,274,501
Total comprehensive income for the year	-	-	9,029,790	9,029,790	244,711	9,274,501
Transfer to statutory reserve	-	939,666	(939,666)	-	-	-
Movement in non-controlling interest	-	-	-	-	45,895	45,895
Dividends paid (Note 15)	-	-	(4,000,000)	(4,000,000)	-	(4,000,000)
<b>As at 31 December 2025</b>	<b>20,000,000</b>	<b>11,264,109</b>	<b>63,270,334</b>	<b>94,534,443</b>	<b>3,209,879</b>	<b>97,744,322</b>
As at 1 January 2024	20,000,000	9,399,531	54,815,828	84,215,359	2,561,698	86,777,057
Profit for the year	-	-	8,889,294	8,889,294	357,575	9,246,869
Total comprehensive income for the year	-	-	8,889,294	8,889,294	357,575	9,246,869
Transfer to statutory reserve	-	924,912	(924,912)	-	-	-
Dividends paid (Note 15)	-	-	(3,600,000)	(3,600,000)	-	(3,600,000)
As at 31 December 2024	20,000,000	10,324,443	59,180,210	89,504,653	2,919,273	92,423,926

The attached notes 1 to 21 form part of these consolidated financial statements.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 31 December 2025

	<i>Notes</i>	<b>2025</b> <b>KD</b>	<b>2024</b> <b>KD</b>
<b>OPERATING ACTIVITIES</b>			
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), Zakat and Directors’ fees		<b>9,641,365</b>	9,606,694
<i>Non- cash adjustments to reconcile profit to net cash flows:</i>			
Depreciation	10	<b>5,156,419</b>	4,162,715
Provision for employee’s end of service benefits		<b>269,510</b>	433,752
Expected credit loss on amounts due under instalment credit agreements	8	<b>6,059,527</b>	5,472,930
Fair Value loss on Investment Property	9	<b>100,000</b>	-
Expected credit loss on trade receivables		<b>335,177</b>	66,710
Finance cost		<b>4,066,398</b>	3,706,612
Gain on disposal of property and equipment		<b>(1,622,543)</b>	(1,544,779)
		<b>24,005,853</b>	21,904,634
Working capital adjustments:			
Amounts due under instalment credit agreements		<b>(10,034,026)</b>	(21,911,568)
Trade and other receivables		<b>(226,436)</b>	(2,076,945)
Account payables and accruals		<b>785,138</b>	1,105,269
Cash flows from (used in) operations		<b>14,530,529</b>	(978,610)
Employees’ end of service benefits paid		<b>(59,809)</b>	(204,196)
Net cash flows from (used in) operating activities		<b>14,470,720</b>	(1,182,806)
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment		<b>5,305,113</b>	4,589,072
Purchase of property and equipment	10	<b>(13,776,770)</b>	(5,314,970)
Net cash flows used in investing activities		<b>(8,471,657)</b>	(725,898)
<b>FINANCING ACTIVITIES</b>			
Net movement in due to financial institutions		<b>4,539,025</b>	1,013,204
Dividends paid	15	<b>(4,000,000)</b>	(3,600,000)
Proceeds from Islamic financing		<b>7,839,173</b>	17,588,954
Repayment of payables under Islamic financing		<b>(9,500,000)</b>	(9,463,185)
Finance cost paid		<b>(4,677,255)</b>	(3,706,612)
Net cash flows (used in) from financing activities		<b>(5,799,057)</b>	1,832,361
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>200,006</b>	(76,343)
Cash and cash equivalents at the beginning of the year		<b>196,770</b>	273,113
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>396,776</b>	196,770

The attached notes 1 to 21 form part of these consolidated financial statements.

# Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

### 1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of Credit One Kuwait Holding Company K.S.C. (Closed) (the “Parent Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the board of directors on 15 February 2026. The shareholders have power to amend these consolidated financial statements at the Annual General Meeting.

The Parent Company is a Kuwaiti shareholding company registered in Kuwait on 25 July 2005 and is engaged in the following activities:

1. Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, financing to and managing of these companies and acting as a guarantor for these companies;
2. Financing money to companies in which it owns shares, guaranteeing them with third parties where the holding company owns 20% or more of the capital of the borrowing company;
3. Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait;
4. Owning real estate and moveable property to conduct its operations within the limits as stipulated by law;
5. Employing surplus funds available with the parent company by investing them in investment and real estate portfolios managed by specialised companies.

The registered office of the Parent Company is located at 3rd Shuwaikh Industrial area, Building 170, P.O. Box 2220, Safat 13023, Kuwait.

Its subsidiaries are engaged in the provision of credit facilities to customers through sale on instalments of goods and services, leasing of motor vehicles and consumables delivery services.

All activities are conducted in accordance with Islamic Shari’a, as approved by the Parent Company’s Fatwa and Shari’a Supervisory Board.

The consolidated financial statements of the Group for the year ended 31 December 2024 were approved by the shareholders of the Parent Company during the Annual General Assembly Meeting held on 9 April 2025.

### 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

#### 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”), which is also the functional currency the Group.

The consolidated financial statements are prepared under the historical cost basis.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

#### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2025.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continues to be consolidated until the date when such control ceases, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

# Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

### 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 2.2 BASIS OF CONSOLIDATION (continued)

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries, together referred to as Group:

<i>Name of the company</i>	<i>Effective ownership</i>		<i>Activities</i>
	<i>2025</i>	<i>2024</i>	
Al-Sayer Facilities Company for General Trading and Contracting (Hazim Al-Mutairi and Partners) W.L.L.	<b>100%</b>	100%	Motor vehicle financing
Sefeena Car Rental Company W.L.L.	<b>60%</b>	60%	Car rentals
Sefeena For Delivering Consumer Orders Co W.L.L.	<b>50%</b>	50%	Online delivery service
Al Ekhlas Holding Co. W.L.L.*	<b>100%</b>	100%	Holding companies activities

\*As at 31 December 2025, the subsidiary does not have any operations.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee, and
- ▶ The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

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

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary
- ▶ Derecognises the carrying amount of any non-controlling interests
- ▶ Derecognises the cumulative translation differences recorded in equity
- ▶ Recognises the fair value of the consideration received
- ▶ Recognises the fair value of any investment retained
- ▶ Recognises any surplus or deficit in profit or loss
- ▶ Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.
- ▶ If the Group loses control over a subsidiary, it derecognizes the related assets including goodwill, liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The nature and effect of the changes as a result of adoption of these new accounting standards are described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Lack of exchangeability – Amendments to IAS 21**

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its consolidated financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

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

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2025 did not have any material impact on the accounting policies, financial position or performance of the Group.

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policies adopted are set out below:

**2.4.1 Business combinations and goodwill**

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. Under this method, the acquirer recognises, separately from goodwill, identifiable assets acquired, liabilities assumed and any non-controlling interests in the acquiree at the acquisition date.

The identifiable assets acquired and the liabilities assumed at the acquisition date are measured at fair values. For each business combination, the acquirer measures the non-controlling interests in the acquiree 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 comprehensive income.

Goodwill arising in a business combination is recognised as of the acquisition date as the excess of:

- (a) the aggregate of the consideration transferred, the fair value of any non-controlling interests in the acquiree measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over
- (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at their fair values.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of comprehensive income.

Goodwill is allocated to each of the group's cash-generating units or for groups of cash generating units and is tested annually for impairment and is assessed regularly whether there is any indication of impairment. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit to which goodwill relates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4.1 Business combinations and goodwill (continued)**

The recoverable value is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in the subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

**2.4.2 Revenue recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all most of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

*Finance income*

Finance Income is recognised using the effective profit rate method. The calculation includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the profit rate, except allowance for future credit losses.

*Finance cost*

Finance costs on bank facilities are recognised as an expense in the consolidated statement of comprehensive income using effective interest/profit rate method.

*Vehicle rental services*

Revenue from vehicle rental services is recognised for on a straight-line basis over the lease/rental term.

**2.4.3 Leases**

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4.3 Leases (continued)**

*Short-term leases and leases of low-value assets*

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

*Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**2.4.4 Kuwait Foundation for the Advancement of Sciences (KFAS)**

The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries and transfer to statutory reserve until the reserve reaches 50% of share capital should be excluded from the profit base when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

**2.4.5 Zakat**

Contribution to Zakat is calculated in accordance with the requirements of Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

**2.4.6 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value, if any. Land and capital work in progress are carried at cost.

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

Depreciation of property and equipment is provided on a straight-line basis over their estimated useful lives as follows:

Furniture and fixture	5 – 10 years
Building	20 – 50 years
Vehicles	6 years
Equipment and tools	13 – 14 years

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

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

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate and material, at each financial year end.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4.7 Investment properties**

Investment properties are measured initially at cost, including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in consolidated statement of comprehensive income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of comprehensive income in the period of derecognition.

**2.4.8 Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, except for reversal of impairment loss recognised for goodwill which is not reversed in a subsequent period, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

**2.4.9 Financial instruments**

**a) Recognition and initial measurement**

Amounts due under instalment credit agreements and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

**b) Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4.9 Financial instruments (continued)**

**b) Classification and subsequent measurement (continued)**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ 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.

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

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

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

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

***Financial assets – Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- ▶ the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- ▶ how the performance of the portfolio is evaluated and reported to the Group's management;
- ▶ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ▶ how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- ▶ the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Amounts due under instalment credit agreements and other receivables are held at amortised cost.

***Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4.9 Financial instruments (continued)**

**b) Classification and subsequent measurement (continued)**

***Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: (continued)***

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing 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. In making this assessment, the Group considers:

- ▶ contingent events that would change the amount or timing of cash flows;
- ▶ terms that may adjust the contractual coupon rate, including variable-rate features;
- ▶ prepayment and extension features; and
- ▶ terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

***Financial assets – Subsequent measurement and gains and losses:***

- ▶ Financial assets at FVTPL                      These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- ▶ Financial assets at amortised cost              These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- ▶ Debt investments at FVOCI                      These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- ▶ Equity investments at FVOCI                      These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

***Financial liabilities***

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

The Group's financial liabilities include accounts payable and accruals, due to financial institutions and payables under Islamic financing.

**Subsequent measurement**

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

***Accounts payable***

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4.9 Financial instruments (continued)**

*Financial liabilities (continued)*

**Subsequent measurement (continued)**

*Payables under Islamic financing*

The Group's obligations under Islamic financing are carried in the consolidated statement of financial position at their principal amount net of unamortised finance costs. Finance costs are amortised over the period of the facility using the effective rate of return method.

**c) Derecognition**

*Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**d) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**2.4.10 Impairment of financial assets**

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

- ▶ To calculate Expected Credit Loss (ECL), the Group will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and
- ▶ The cash flows that the Group expects to receive, discounted at the effective profit rate of the financing facility.

The Group applies a three-stage approach to measure the ECL based on the applied impairment methodology, as described below:

**Stage 1: 12-month ECL**

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date.

**Stage 2: Lifetime ECL – not credit impaired**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4.10 Impairment of financial assets (continued)**

Stage 3: Lifetime ECL – credit impaired

For exposures considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the probability default set at 100%. Loss given default (LGD) parameters applied is derived from internally developed statistical models based on history of recovery against defaulted counterparties using discounted cash flow basis as adjusted for management judgment used in estimating future cashflows from exposure.

Transfer of credit facility from Stage 2 to Stage 1 is made after a period of 12 months from the satisfaction of all conditions that triggered classification of the financial assets to Stage 2.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the asset.

When estimating lifetime ECL for undrawn financing commitments, the Group estimates the expected portion of the financing commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down. The expected cash shortfalls are discounted at an approximation to the expected effective profit rate on the financing.

The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortization recognised in statement of income. For this purposes, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted profit rate relevant to the exposure.

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

*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 profit rate of the financial instrument. Cash shortfall represent the difference between cashflows due to the Group in accordance with the contract and the cashflows that the Group expects to receive. The key elements in the measurement of ECL include probability of default, loss given default and exposure at default.

- ▶ PD- The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously realised and is still in the portfolio.
- ▶ EAD- The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- ▶ LGD- The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

For trade receivables and other receivables and bank balances, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. 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 balances and the Group's economic environment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.4.11 Employees' end of service benefits**

The Group provides end of service benefits to all of 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. The expected costs of these benefits are accrued over the period of employment.

With respect to national employees, the Group makes contributions to 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.

**2.4.12 Provisions**

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

**3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards issued is those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

**IFRS 18 Presentation and Disclosure in Financial Statements**

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements ("PFS") and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

**Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7**

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the "Amendments"). The Amendments include:

- ▶ A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- ▶ Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance ("ESG") and similar features should be assessed;
- ▶ Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments; and
- ▶ The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income ("OCI").

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

**Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (continued)**

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Group does not anticipate that the amendments will have a material effect on the Group's financial statements.

**Annual Improvements to IFRS Accounting Standards - Volume 11**

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows.

The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.

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

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

**4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS**

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

**Judgements**

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

**Classification of financial assets**

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

**Estimation uncertainty and assumptions**

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

**Impairment of financial assets at amortised cost**

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their dependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Group's internal credit rating model, which assigns PDs to the individual grades
- ▶ The Group's criterion for assessing if there has been a significant increase in credit risk so allowances for financial assets should be measured on a lifetime ECL basis and qualitative assessment
- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis
- ▶ Development of ECL models, including various formulas and choice of inputs
- ▶ Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)**

**Estimation uncertainty and assumptions (continued)**

***Impairment of financial assets at amortised cost (continued)***

The Group has the policy to regularly review its models in the context of actual loss experience and adjust when necessary.

***Impairment of goodwill***

The Group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

***Useful lives of property and equipment***

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

***Impairment of property and equipment***

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

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

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

**5 PROFIT FOR THE YEAR**

The profit for the year is stated after charging:

	<b>2025</b>	<b>2024</b>
	<b>KD</b>	<b>KD</b>
Staff costs	<b>2,882,209</b>	3,131,150
Depreciation on lease vehicle – included in cost of revenue (Note 10)	<b>4,677,440</b>	4,044,144
Depreciation – included in administrative expenses (Note 10)	<b>478,979</b>	118,571
	<b>5,156,419</b>	4,162,715

**6 OTHER INCOME**

	<b>2025</b>	<b>2024</b>
	<b>KD</b>	<b>KD</b>
Application fee	<b>1,106,693</b>	908,545
Commission income	<b>597,312</b>	482,377
Other miscellaneous income	<b>1,006,158</b>	631,900
	<b>2,710,163</b>	2,022,822

# Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

### 7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year.

There are no dilutive potential ordinary shares.

	2025	2024
Profit for the year attributable to the equity holders of the Parent Company (KD)	<b>9,029,790</b>	8,889,294
Weighted average number of ordinary shares outstanding (number)	<b>200,000,000</b>	200,000,000
Basic and diluted earnings per share	<b>45 fils</b>	44 fils

### 8 AMOUNTS DUE UNDER INSTALMENT CREDIT AGREEMENTS

	2025 <i>KD</i>	2024 <i>KD</i>
Gross amounts due under instalment credit agreements	<b>194,935,068</b>	183,901,335
Less: Deferred installment credit income	<b>(26,982,397)</b>	(25,867,316)
	<b>167,952,671</b>	158,034,019
Less: Expected credit losses	<b>(19,866,560)</b>	(13,922,407)
	<b>148,086,111</b>	144,111,612
	<b>2025 <i>KD</i></b>	<b>2024 <i>KD</i></b>
<i>Amount due within a year:</i>		
Gross amounts due under instalment credit agreements	<b>86,923,763</b>	83,983,885
Less: Deferred instalment credit income	<b>(12,022,233)</b>	(11,812,983)
	<b>74,901,530</b>	72,170,902
Less: Expected credit losses	<b>(8,844,060)</b>	(6,352,700)
	<b>66,057,470</b>	65,818,202
	<b>2025 <i>KD</i></b>	<b>2024 <i>KD</i></b>
<i>Amount due within 1 to 5 years:</i>		
Gross amounts due under instalment credit agreements	<b>108,011,305</b>	99,917,450
Less: Deferred instalment credit income	<b>(14,960,164)</b>	(14,054,333)
	<b>93,051,141</b>	85,863,117
Less: Expected credit losses	<b>(11,022,500)</b>	(7,569,707)
	<b>82,028,641</b>	78,293,410

The amounts due under instalment credit agreements are at fixed rates of return.

As at 31 December 2025, amounts due under instalment credit agreements at nominal value of KD 19,866,560 (2024: KD 13,922,407) were considered impaired and provided for.

Payables under Islamic financing are secured against the amounts due under instalment credit agreements of KD 78,951,779 (2024: KD 82,039,054).

## Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

#### 8 AMOUNTS DUE UNDER INSTALMENT CREDIT AGREEMENTS (continued)

Movement in the expected credit losses of amounts due under instalment credit agreements are as follows:

	2025 KD	2024 KD
<b>At the beginning of the year</b>	<b>13,922,407</b>	8,757,713
Charge for expected credit losses	6,059,527	5,472,930
Written off during the year	(115,374)	(308,236)
<b>At the end of the year</b>	<b>19,866,560</b>	13,922,407

Amounts due under instalment credit agreements credit risk exposure and expected credit losses:

	<i>Stage 1</i> 0-120 days KD	<i>Stage 2</i> 121-240 days KD	<i>Stage 3</i> > 240 days KD	<i>Total</i> KD
<b>2025</b>				
Exposure	135,337,942	8,731,356	23,883,373	167,952,671
Expected credit loss	1,769,476	1,235,864	16,861,220	19,866,560
Expected credit loss rate	1.31%	14.15%	70.60%	11.83%
	<i>Stage 1</i> 0-120 days KD	<i>Stage 2</i> 121-240 days KD	<i>Stage 3</i> > 240 days KD	<i>Total</i> KD
<b>2024</b>				
Exposure	128,302,288	11,602,433	18,129,298	158,034,019
Expected credit loss	1,417,501	1,327,227	11,177,679	13,922,407
Expected credit loss rate	1.10%	11.44%	61.66%	8.81%

#### 9 INVESTMENT PROPERTIES

	2025 KD	2024 KD
At the beginning of the year	4,344,200	4,344,200
Fair value loss during the year	(100,000)	-
<b>At the end of the year</b>	<b>4,244,200</b>	4,344,200

The fair value of investment properties is determined based on valuations carried out by independent registered real estate appraiser using income capitalisation method. Fair value using the income capitalisation method (Level 3) is estimated based on the normalised net operating income generated by the properties, which is divided by the capitalisation (discount) rate.

Investment properties are categorised into the following:

	2025 KD	2024 KD
Developed properties	4,244,200	4,344,200
<b>The fair value hierarchy for the investment properties are as follow:</b>		
Significant unobservable inputs (Level 3 "Income Capitalisation Approach")	4,244,200	4,344,200

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**10 PROPERTY AND EQUIPMENT**

	<i>Land KD</i>	<i>Building KD</i>	<i>Furniture and fixtures KD</i>	<i>Vehicles KD</i>	<i>Equipment and tools KD</i>	<i>Total KD</i>
<b>Cost:</b>						
At 1 January 2025	1,104,325	1,559,381	860,191	26,785,080	162,177	30,471,154
Additions	-	-	25,179	13,733,197	18,394	13,776,770
Disposals	-	(58,409)	-	(8,460,591)	-	(8,519,000)
<b>At 31 December 2025</b>	<b>1,104,325</b>	<b>1,500,972</b>	<b>885,370</b>	<b>32,057,686</b>	<b>180,571</b>	<b>35,728,924</b>
<b>Depreciation:</b>						
At 1 January 2025	-	1,082,472	568,511	11,168,167	123,577	12,942,727
Depreciation charge for the year (Note 5)	-	94,305	21,978	5,011,252	28,884	5,156,419
Disposals	-	(58,409)	-	(4,778,021)	-	(4,836,430)
<b>At 31 December 2025</b>	<b>-</b>	<b>1,118,368</b>	<b>590,489</b>	<b>11,401,398</b>	<b>152,461</b>	<b>13,262,716</b>
<b>Net carrying amount:</b>						
<b>At 31 December 2025</b>	<b>1,104,325</b>	<b>382,604</b>	<b>294,881</b>	<b>20,656,288</b>	<b>28,110</b>	<b>22,466,208</b>

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

10 PROPERTY AND EQUIPMENT (continued)

	<i>Land KD</i>	<i>Building KD</i>	<i>Furniture and fixtures KD</i>	<i>Vehicles KD</i>	<i>Equipment and tools KD</i>	<i>Total KD</i>
Cost:						
At 1 January 2024	1,104,325	1,523,281	858,271	27,398,676	149,491	31,034,044
Additions	-	36,100	1,920	5,264,264	12,686	5,314,970
Disposals	-	-	-	(5,877,860)	-	(5,877,860)
At 31 December 2024	<u>1,104,325</u>	<u>1,559,381</u>	<u>860,191</u>	<u>26,785,080</u>	<u>162,177</u>	<u>30,471,154</u>
Depreciation:						
At 1 January 2024	-	982,783	565,667	9,957,534	107,595	11,613,579
Depreciation charge for the year (Note 5)	-	99,689	2,844	4,044,200	15,982	4,162,715
Disposals	-	-	-	(2,833,567)	-	(2,833,567)
At 31 December 2024	<u>-</u>	<u>1,082,472</u>	<u>568,511</u>	<u>11,168,167</u>	<u>123,577</u>	<u>12,942,727</u>
Net carrying amount:						
At 31 December 2024	<u><u>1,104,325</u></u>	<u><u>476,909</u></u>	<u><u>291,680</u></u>	<u><u>15,616,913</u></u>	<u><u>38,600</u></u>	<u><u>17,528,427</u></u>

# Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

### 11 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2025</i> <i>KD</i>	<i>2024</i> <i>KD</i>
Trade accounts payable	3,706,002	4,455,751
Accrued expenses and other payables	4,155,989	2,119,661
KFAS Payable	89,990	163,082
Amount due to related parties (Note 17)	980,919	1,088,299
	<u>8,932,900</u>	<u>7,826,793</u>

Movement in KFAS payable during the year is as follows:

	<i>2025</i> <i>KD</i>	<i>2024</i> <i>KD</i>
As at 01 January	163,082	76,622
Charge for the year	86,772	86,460
Payments	(159,864)	-
As at 31 December	<u>89,990</u>	<u>163,082</u>

### 12 PAYABLES UNDER ISLAMIC FINANCING

Payables under Islamic financing are denominated in Kuwaiti Dinars and carry profit at commercial rate and are repayable within one year from the reporting date.

Payables under Islamic financing are secured against the amounts due under instalment credit agreements (Note 8).

Changes in liabilities arising from payables under Islamic financing:

	<i>1 January</i> <i>2025</i> <i>KD</i>	<i>Net cash</i> <i>Outflow*</i> <i>KD</i>	<i>31 December</i> <i>2025</i> <i>KD</i>
Current payables under Islamic financing	67,328,696	(2,271,684)	65,057,012
<b>Total liabilities from financing activities</b>	<u>67,328,696</u>	<u>(2,271,684)</u>	<u>65,057,012</u>

	<i>1 January</i> <i>2024</i> <i>KD</i>	<i>Net cash</i> <i>inflow</i> <i>KD</i>	<i>31 December</i> <i>2024</i> <i>KD</i>
Current payables under Islamic financing	59,202,927	8,125,769	67,328,696
Total liabilities from financing activities	<u>59,202,927</u>	<u>8,125,769</u>	<u>67,328,696</u>

\* Represents proceeds and repayments of Islamic financing adjusted with finance cost accrued and paid during the year.

### 13 SHARE CAPITAL

	<i>Authorised, issued and fully paid-up</i>	
	<i>2025</i> <i>KD</i>	<i>2024</i> <i>KD</i>
200,000,000 shares of 100 fils each, paid in cash	<u>20,000,000</u>	<u>20,000,000</u>

# Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

### 14 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to the equity holders of the Parent Company for the year, before director's fees, contribution to KFAS and Zakat shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

During the year, 10% of the profit of the Group for the year, before contribution to KFAS, Zakat and directors' fees has been transferred to the statutory reserve.

### 15 DIVIDEND

For the year ended 31 December 2025, a cash dividend of 20 fils per share has been proposed by the board of directors in the board meeting held on 15 February 2026 and will be submitted for formal approval at the Annual General Meeting.

Cash dividend of 20 fils (2023: 18 fils) per share totalling to KD 4,000,000 (2023: KD 3,600,000) proposed by the Parent Company's Board of Directors for the year ended 31 December 2024 was approved by the shareholders and paid during the year.

### 16 EXPENDITURE COMMITMENTS

There are no capital expenditure commitments or operating lease commitments during the year (2024: Nil).

### 17 RELATED PARTIES TRANSACTIONS

Related parties represent shareholders of the Parent Company and key management personnel of the Group, entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

<b>Consolidated statement of comprehensive income</b>	<b><i>Other related parties</i></b> <b><i>KD</i></b>	<b><i>2025</i></b> <b><i>KD</i></b>	<b><i>2024</i></b> <b><i>KD</i></b>
Finance cost	<b>1,182,807</b>	<b>1,182,807</b>	1,226,856

Balances with related parties included in the consolidated statement of financial position are as follows:

<b>Consolidated statement of financial position</b>	<b><i>Other related parties</i></b> <b><i>KD</i></b>	<b><i>2025</i></b> <b><i>KD</i></b>	<b><i>2024</i></b> <b><i>KD</i></b>
<b>Assets</b>			
Cash and cash equivalents	<b>378,051</b>	<b>378,051</b>	283,901
<b>Liabilities</b>			
Amount due to related parties (Note 11)	<b>980,919</b>	<b>980,919</b>	1,088,299
Payables under Islamic financing	<b>23,573,078</b>	<b>23,573,078</b>	21,828,649
Due to financial institutions	<b>3,957,536</b>	<b>3,957,536</b>	3,948,328

Amount due to related parties are repayable on demand and are free of any finance charge.

Directors' fees of KD 120,000 for the year ended 31 December 2025 is subject to approval at the Annual General Meeting of shareholders. Directors' fees of KD 120,000 for the year ended 31 December 2024 was approved by shareholders in the meeting held on 09 April 2025.

# Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

### 17 RELATED PARTIES TRANSACTIONS (continued)

#### Key management personnel compensation:

	2025 KD	2024 KD
Salaries and short-term benefits	379,775	347,375
Employees' end of service benefits	65,344	69,201
	<u>445,119</u>	<u>416,576</u>

### 18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of the Group's assets and liabilities according to their expected recoverability or settlement from the reporting date:

	<i>On demand KD</i>	<i>Up to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>One year and above KD</i>	<i>Total KD</i>
<b>As at 31 December 2025</b>					
<b>ASSETS</b>					
Cash and cash equivalents	396,776	-	-	-	396,776
Trade and other receivables	-	2,640,000	2,662,638	1,133,059	6,435,697
Amounts due under instalment credit agreements	-	19,265,362	46,792,108	82,028,641	148,086,111
Investment properties	-	-	-	4,244,200	4,244,200
Property and equipment	-	-	-	22,466,208	22,466,208
Goodwill	-	-	-	5,875,738	5,875,738
	<u>396,776</u>	<u>21,905,362</u>	<u>49,454,746</u>	<u>115,747,846</u>	<u>187,504,730</u>
<b>LIABILITIES</b>					
Accounts payable and accruals	-	2,721,919	3,955,919	2,255,062	8,932,900
Payables under Islamic financing	-	64,248,315	-	808,697	65,057,012
Employees' end of service benefit	-	22,000	25,000	2,870,020	2,917,020
Due to financial institutions	-	2,402,000	4,905,000	5,546,476	12,853,476
	<u>-</u>	<u>69,394,234</u>	<u>8,885,919</u>	<u>11,480,255</u>	<u>89,760,408</u>

# Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

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

	<i>On demand KD</i>	<i>Up to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>One year and above KD</i>	<i>Total KD</i>
As at 31 December 2024					
<b>ASSETS</b>					
Cash and cash equivalents	196,770	-	-	-	196,770
Trade and other receivables	-	2,861,000	2,215,941	1,467,497	6,544,438
Amounts due under instalment credit agreements	-	18,966,575	46,851,628	78,293,409	144,111,612
Investment properties	-	-	-	4,344,200	4,344,200
Property and equipment	-	-	-	17,528,427	17,528,427
Goodwill	-	-	-	5,875,738	5,875,738
	<u>196,770</u>	<u>21,827,575</u>	<u>49,067,569</u>	<u>107,509,271</u>	<u>178,601,185</u>
<b>LIABILITIES</b>					
Accounts payable and accruals	-	1,636,495	3,898,555	2,291,743	7,826,793
Payables under Islamic financing	-	66,672,849	-	655,847	67,328,696
Employees' end of service benefits	-	20,000	30,000	2,657,319	2,707,319
Due to financial institutions	-	750,000	3,254,000	4,310,451	8,314,451
	<u>-</u>	<u>69,079,344</u>	<u>7,182,555</u>	<u>9,915,360</u>	<u>86,177,259</u>

### 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest/profit rate risk and foreign currency risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2025 and 31 December 2024. The management reviews and agrees policies for managing each of these risks which are summarised below:

#### 19.1 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. Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the date of consolidated statement of financial position.

The Group is exposed to credit risk on its operating activities primarily from its bank balances, amounts due under instalment credit agreements and other receivables as reflected in the consolidated statement of financial position.

#### Assessment of expected credit losses

##### Definition of default and cure

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

- ▶ the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- ▶ the customer is past due more than 240 days on any material credit obligation to the Group; or
- ▶ customer is considered as credit impaired based on qualitative assessment for internal credit risk management purposes

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

**19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**19.1 Credit risk (continued)**

**Assessment of expected credit losses (continued)**

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

*Significant increase in credit risk*

The Group continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group applies consistent quantitative criterion for internally and externally rated portfolio to assess significant increase in credit risk.

*Internal rating and PD estimation process*

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The analysis supports the usage of financial factors as well as non-financial subjective factors.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, and products.

The standard requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The through the cycle (TTC) PDs are generated based on internal credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques.

The Group assesses the PD for its retail portfolio through behavioral scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility. Term structure of PD is based on hazard rate concept. The survival distribution used is exponential distribution. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the Behavioral scorecard.

*Incorporation of forward-looking information*

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

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks. The 10 largest customers outstanding as a percentage of gross receivable from customers as at 31 December 2025 is 9% (2024: 5%). The maximum exposure is the carrying amount disclosed in Note 8.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Group normally holds the underlying assets like motor vehicles as collaterals by way of hypothecation.

**19.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by ensuring payable under Islamic financing are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments. The Group's terms of business generally require amounts to be paid in instalments as per the contractual agreements. It is the Group's policy to obtain short term payable under Islamic financing that matures within the next 12-month period with a renewal option at both parties' discretion.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

### 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 19.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligation and management expectations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future profit payments and management realisation expectations over the life of these financial liabilities.

At 31 December 2025	<i>1 to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>One year and above KD</i>	<i>Total KD</i>
Accounts payable and accruals	2,721,919	3,955,919	2,255,062	8,932,900
Gross payables under Islamic financing	65,286,585	-	808,697	66,095,282
Due to financial institutions	1,437,000	3,706,000	8,840,000	13,983,000
	<u>69,445,504</u>	<u>7,661,919</u>	<u>11,903,759</u>	<u>89,011,182</u>
	<i>1 to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>One year and above KD</i>	<i>Total KD</i>
At 31 December 2024				
Accounts payable and accruals	1,636,495	3,898,555	2,291,743	7,826,793
Gross payables under Islamic financing	75,201,350	-	655,847	75,857,197
Due to financial institutions	750,000	3,254,000	4,844,000	8,848,000
	<u>77,587,845</u>	<u>7,152,555</u>	<u>7,791,590</u>	<u>92,531,990</u>

#### 19.3 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments.

Payables under Islamic financing and obligation under due to financial institutions disclosed in the consolidated statement of financial position are fixed profit bearing financial instruments and hence not exposed to profit rate risk.

#### 19.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group is not exposed to any currency risk as significant portion of its financial instruments are denominated in Kuwaiti Dinar.

### 20 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2025 and 31 December 2024. Total equity comprises of share capital, statutory reserves and retained earnings and is measured at KD 94,534,443 as of 31 December 2025 (2024: KD 89,504,653).

### 21 FAIR VALUE MEASUREMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of bank balances, trade and other receivables and amounts due under instalment credit agreements. Financial liabilities consist of accounts payable and accruals and payables under Islamic financing.

Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair values.