

Interim condensed consolidated financial information and review report

**Kuwait Financial Centre – KPSC and Subsidiaries**

**Kuwait**

30 September 2019 (Unaudited)

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**Report on review of interim condensed consolidated financial information**

To the Board of Directors of  
Kuwait Financial Centre – KPSC  
Kuwait

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Financial Centre – KPSC (“the Parent Company”) and its subsidiaries (“the Group”) as at 30 September 2019 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

**Report on review of other legal and regulatory requirements**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2019 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provision of Law No. 7 of 2010 concerning the Capital Market Authority and its related regulations during the nine-month period ended 30 September 2019 that might have had a material effect on the business or financial position of the Parent Company.

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## Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
<b>Revenue</b>					
Interest income		169	235	476	517
Dividend income		276	450	1,159	1,138
Management fees and commission		2,002	2,680	6,002	6,944
(Loss)/gain from financial assets at fair value through profit or loss	6	(1,678)	2,865	4,992	5,883
Gain on redemption of debt instruments at fair value through other comprehensive income		-	-	-	5
Gain on liquidation of subsidiaries		-	19	-	328
Share of results of associate and joint venture		(18)	(11)	(70)	(43)
Gain on sale of investment properties	11	521	-	820	-
Net rental income		439	122	803	337
Foreign currency exchange loss		(101)	(14)	(126)	(15)
Other income		(11)	1	17	25
		<b>1,599</b>	<b>6,347</b>	<b>14,073</b>	<b>15,119</b>
<b>Expenses and other charges</b>					
General and administrative expenses		(2,403)	(2,343)	(8,003)	(7,033)
Net (impairment)/reversal of impairment of investment properties	11	-	(2,746)	37	(2,746)
Other expenses		(6)	(10)	(28)	(53)
Finance costs		(769)	(439)	(1,991)	(1,305)
		<b>(3,178)</b>	<b>(5,538)</b>	<b>(9,985)</b>	<b>(11,137)</b>
<b>(Loss)/profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat</b>					
		<b>(1,579)</b>	<b>809</b>	<b>4,088</b>	<b>3,982</b>
Reversal of/(provision for) contribution to KFAS		12	(15)	(33)	(40)
Reversal of/(provision for) NLST		34	(104)	(97)	(176)
Reversal of/(provision for) Zakat		13	(41)	(39)	(70)
<b>(Loss)/profit for the period</b>		<b>(1,520)</b>	<b>649</b>	<b>3,919</b>	<b>3,696</b>
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Parent Company		(1,370)	1,521	3,448	4,140
Non-controlling interests		(150)	(872)	471	(444)
<b>(Loss)/profit for the period</b>		<b>(1,520)</b>	<b>649</b>	<b>3,919</b>	<b>3,696</b>
<b>Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company</b>					
	7	<b>(3) Fils</b>	<b>3 Fils</b>	<b>7 Fils</b>	<b>9 Fils</b>

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

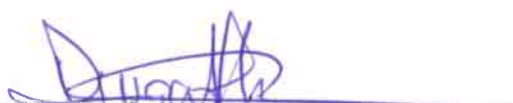
## Interim condensed consolidated statement of profit or loss and other comprehensive income

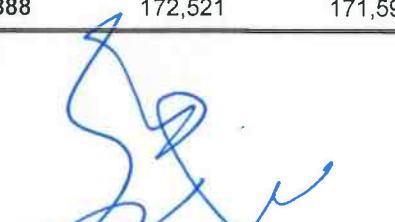
	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
(Loss)/profit for the period	(1,520)	649	3,919	3,696
<b>Other comprehensive income/(loss):</b>				
<b>Items to be reclassified to statement of profit or loss in subsequent periods:</b>				
<i>Debt instruments at fair value through other comprehensive income:</i>				
- Net change in fair value arising during the period	3	1	6	9
- Transferred to interim condensed consolidated statement of profit or loss on redemption	-	-	-	(5)
<i>Foreign currency translation:</i>				
- Exchange differences arising on translation of foreign operations	73	21	50	181
Share of other comprehensive (loss)/income of associate and joint venture	(7)	-	12	(19)
Total other comprehensive income	69	22	68	166
<b>Total comprehensive (loss)/income for the period</b>	<b>(1,451)</b>	<b>671</b>	<b>3,987</b>	<b>3,862</b>
<b>Total comprehensive (loss)/income for the period attributable to:</b>				
Owners of the Parent Company	(1,304)	1,537	3,517	4,289
Non-controlling interests	(147)	(866)	470	(427)
	<b>(1,451)</b>	<b>671</b>	<b>3,987</b>	<b>3,862</b>

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of financial position

	Note	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
<b>Assets</b>				
Cash and bank balances	8	7,632	4,691	6,036
Time deposits	8	1,982	2,565	1,768
Accounts receivable and other assets		5,019	3,503	4,230
Loans to customers		384	304	304
Financial assets at fair value through profit or loss	9	105,045	92,674	96,051
Debt instruments at fair value through other comprehensive income		422	427	428
Investments carried at amortised cost	10	5,070	6,998	5,000
Investment in associate and joint venture		3,645	3,651	3,569
Investment properties	11	64,923	56,830	53,666
Right-of-use assets	3	668	-	-
Equipment		1,098	878	538
<b>Total assets</b>		<b>195,888</b>	<b>172,521</b>	<b>171,590</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Accounts payable and other liabilities		12,018	10,904	9,940
Borrowings	12	43,104	22,565	20,483
Bonds issued		25,000	25,000	25,000
<b>Total liabilities</b>		<b>80,122</b>	<b>58,469</b>	<b>55,423</b>
<b>Equity</b>				
Share capital		48,080	48,080	48,080
Share premium		7,902	7,902	7,902
Treasury shares	13	(260)	(260)	-
Statutory reserve		16,005	16,005	15,756
Voluntary reserve		14,360	14,360	14,111
Other components of equity	14	624	555	637
Retained earnings		5,482	4,408	6,757
<b>Equity attributable to the owners of the Parent Company</b>		<b>92,193</b>	<b>91,050</b>	<b>93,243</b>
Non-controlling interests		23,573	23,002	22,924
<b>Total equity</b>		<b>115,766</b>	<b>114,052</b>	<b>116,167</b>
<b>Total liabilities and equity</b>		<b>195,888</b>	<b>172,521</b>	<b>171,590</b>

  
Diraar Yusuf Alghanim  
Chairman

  
Manaf AbdulAziz Alhajeri  
Chief Executive Officer

## Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total	
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Other components of equity (Note 14) KD '000	Retained earnings KD '000			Sub total KD '000
<b>Balance at 1 January 2019</b>	48,080	7,902	(260)	16,005	14,360	555	4,408	91,050	23,002	114,052
Net change in non-controlling interests	-	-	-	-	-	-	-	-	(48)	(48)
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	(149)	(149)	149	-
Gain arising on redemption of units of a subsidiary (Note 5)	-	-	-	-	-	-	166	166	-	166
Cash dividend (Note 15)	-	-	-	-	-	-	(2,391)	(2,391)	-	(2,391)
Transactions with owners	-	-	-	-	-	-	(2,374)	(2,374)	101	(2,273)
Profit for the period	-	-	-	-	-	-	3,448	3,448	471	3,919
Total other comprehensive income/(loss) for the period	-	-	-	-	-	69	-	69	(1)	68
Total comprehensive income for the period	-	-	-	-	-	69	3,448	3,517	470	3,987
<b>Balance at 30 September 2019</b>	48,080	7,902	(260)	16,005	14,360	624	5,482	92,193	23,573	115,766

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Other components of equity (Note 14) KD '000	Retained earnings KD '000	Sub Total KD '000		
<b>Balance at 1 January 2018</b>	48,080	7,902	15,756	14,111	2,890	3,679	92,418	20,864	113,282
Adjustments arising on adoption of IFRS 9 on 1 January 2018	-	-	-	-	(2,402)	2,402	-	-	-
<b>Balance at 1 January 2018 (Restated)</b>	48,080	7,902	15,756	14,111	488	6,081	92,418	20,864	113,282
Net change in non-controlling interests	-	-	-	-	-	-	-	2,389	2,389
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	(98)	(98)	98	-
Cash dividend (Note 15)	-	-	-	-	-	(3,366)	(3,366)	-	(3,366)
Transactions with owners	-	-	-	-	-	(3,464)	(3,464)	2,487	(977)
Profit/(loss) for the period	-	-	-	-	-	4,140	4,140	(444)	3,696
Total other comprehensive income for the period	-	-	-	-	149	-	149	17	166
Total comprehensive income/(loss) for the period	-	-	-	-	149	4,140	4,289	(427)	3,862
<b>Balance at 30 September 2018</b>	48,080	7,902	15,756	14,111	637	6,757	93,243	22,924	116,167

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2019 (Unaudited) KD '000	Nine months ended 30 Sept. 2018 (Unaudited) KD '000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		3,919	3,696
Adjustments for:			
Interest income		(476)	(517)
Gain on redemption of debt instruments at fair value through OCI		-	(5)
Gain on liquidation of subsidiaries		-	(328)
Share of results of associate and joint venture		70	43
Gain on sale of investment properties		(820)	-
Depreciation		686	417
Amortisation of right-of-use assets		207	-
Net (reversal)/impairment of investment properties		(37)	2,746
Charge of provisions		-	7
Finance costs		1,991	1,305
		<b>5,540</b>	<b>7,364</b>
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(12,371)	(1,789)
Accounts receivable and other assets		(1,480)	2,919
Loans to customers		(80)	(21)
Accounts payable and other liabilities		252	(359)
<b>Net cash (used in)/from operating activities</b>		<b>(8,139)</b>	<b>8,114</b>
<b>INVESTING ACTIVITIES</b>			
Change in time deposits maturing after three months		17	826
Purchase of equipment		(469)	(97)
Movement in investments at amortised cost	10	2,015	-
Proceeds from redemption of investments at amortised cost		49	-
Proceeds from redemption of debt instruments at fair value through OCI		11	20
Purchase of investments carried at amortised cost		(136)	(27)
Additions to investment properties		(8,444)	(9,198)
Proceeds from sale of investment properties		1,237	-
Increase in investment in associate and joint venture		(76)	(400)
Interest income received		440	467
<b>Net cash used in investing activities</b>		<b>(5,356)</b>	<b>(8,409)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(2,354)	(3,359)
Proceeds from bank borrowings		26,135	14,889
Repayment of bank borrowings		(5,596)	(11,922)
Finance costs paid		(2,131)	(2,084)
Payment of lease liability		(218)	-
Net change in non-controlling interests		118	2,389
<b>Net cash from/(used in) financing activities</b>		<b>15,954</b>	<b>(87)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>2,459</b>	<b>(382)</b>
Foreign currency adjustments		(84)	(40)
Cash and cash equivalents at the beginning of the period	8	7,235	8,226
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>9,610</b>	<b>7,804</b>

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

# Notes to the interim condensed consolidated financial information

## 1 Incorporation and activities

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

The principal activities of the Parent Company are as follows:

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

The address of the Parent Company’s registered office is PO Box 23444, Safat 13095, State of Kuwait.

The Board of Directors of the Parent Company approved these interim condensed consolidated financial information for issue on 27 October 2019.

## Notes to the interim condensed consolidated financial information (continued)

### 2 Basis of preparation

This interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2019 has been prepared in accordance with IAS 34, Interim Financial Reporting except as noted below.

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

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the changes described in Note 3.

This interim condensed consolidated financial information does not contain all information and disclosures required for complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company’s management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2018.

### 3 Changes in accounting policies

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the Group. Information on these new standards is presented below:

#### *IFRS 16 Leases*

The Group has adopted IFRS 16 Leases effective from 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by an impairment loss, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group’s incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings.

The Group presents right-of-use assets separately and lease liabilities in “accounts payable and other liabilities” in the interim condensed consolidated statement of financial position. The carrying value of right-of-use assets and lease liabilities as at 30 September 2019 amounted to KD668 thousand and KD691 thousand respectively.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### *IFRS 16 Leases (continued)*

Depreciation charge for right-of-use assets and amortised cost on lease liabilities for the current period amounted to KD207 thousand and KD34 thousand and are included in “general and administrative expenses” and “finance costs” respectively in the interim condensed consolidated statement of profit or loss.

Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the interim condensed consolidated financial information of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but is not yet effective.

### 4 Judgment and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2018 except for the changes arising from applying IFRS 16 as noted in 3 above. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract, determination of appropriate discount rate, and assessment of impairment.

### 5 Group’s subsidiaries

During the period, the Group’s ownership has changed in the following subsidiaries:

Name	Country of incorporation	Ownership percentage			Activities
		30 Sept. 2019 (Unaudited)	31 Dec. 2018 (Audited)	30 Sept. 2018 (Unaudited)	
Markaz Arabian Fund (Note 5.1)	Kingdom of Bahrain	69.07%	69.75%	69.52%	Investment Fund
Markaz Fixed Income Fund (Note 5.1)	Kuwait	80.65%	76.38%	78.21%	Investment Fund
Markaz European Development 1 (Note 5.2)	Grand Duchy of Luxembourg	68.37%	-	-	Real Estate
Azzuri Real Estate Co. WLL (Note 5.3)	Kuwait	100.00%	-	-	Real Estate

5.1 The ownership of Markaz Arabian Fund decreased by 0.68% (30 September 2018: increased by 10.60%) and Markaz Fixed Income Fund increased by 4.27% (30 September 2018: Nil) due to changes in units held by non-controlling interest holders as a result of subscription and redemption of the fund’s units. These changes in the ownership resulted in a net loss of KD149 thousand (30 September 2018: KD98 thousand). Further on redemption of units of Markaz Arabian Fund resulted a gain of KD166 thousand. These impacts were included in the interim condensed consolidated statement of changes in equity.

5.2 The Parent Company incorporated a new foreign subsidiary, Markaz European Development 1 SARL, in Luxembourg with participation of another party. During the period, upon completion of certain formalities and procedures, the unaudited financial position and results of the subsidiary as at and for the period ended 30 September 2019 respectively were consolidated with the Group’s interim condensed consolidated financial information.

## Notes to the interim condensed consolidated financial information (continued)

### 5 Group's subsidiaries (continued)

Summarised financial information of the above newly consolidated foreign subsidiary, before intragroup eliminations, is as follows:

	30 Sept. 2019 KD '000
Total assets	8,880
Total liabilities	(8,576)
<b>Total equity</b>	<b>304</b>
Equity attributable to the owners of the Parent Company	208
Non-controlling interests	96

5.3 Further during the period, the Parent Company with the participation of another subsidiary incorporated a new local subsidiary, Azzuri Real Estate Co. WLL.

### 6 (Loss)/gain from financial assets at fair value through profit or loss

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Gain on sale of financial assets at fair value through profit or loss	309	822	1,003	1,749
Change in fair value of financial assets at fair value through profit or loss	(1,987)	2,043	3,989	4,134
	<b>(1,678)</b>	<b>2,865</b>	<b>4,992</b>	<b>5,883</b>

### 7 Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company

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

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited)	30 Sept. 2018 (Unaudited)	30 Sept. 2019 (Unaudited)	30 Sept. 2018 (Unaudited)
(Loss)/profit for the period attributable to the owners of the Parent Company (KD '000)	(1,370)	1,521	3,448	4,140
Weighted average number of shares outstanding and issued during the period (excluding treasury shares)	478,201,747	480,801,747	478,201,747	480,801,747
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	(3) Fils	3 Fils	7 Fils	9 Fils

## Notes to the interim condensed consolidated financial information (continued)

### 8 Cash and cash equivalents

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

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Cash and bank balances	7,632	4,691	6,036
Time deposits	1,982	2,565	1,768
	<b>9,614</b>	<b>7,256</b>	<b>7,804</b>
Less: Time deposits maturing after three months	(4)	(21)	-
Cash and cash equivalent for the purpose of interim condensed consolidated statement of cash flows	<b>9,610</b>	<b>7,235</b>	<b>7,804</b>

The Group's time deposits carry an average effective interest rate of 2.17% (31 December 2018: 1.08% and 30 September 2018: 1.03%) per annum.

### 9 Financial assets at fair value through profit or loss

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Local quoted securities	3,307	2,857	2,631
Foreign quoted securities	17,493	18,137	20,099
Local managed funds	47,161	42,764	43,230
Foreign managed funds	13,849	13,039	12,401
Fixed income securities	6,537	5,518	6,958
Equity participation	16,698	10,359	10,732
	<b>105,045</b>	<b>92,674</b>	<b>96,051</b>

The interest rates on fixed income securities range from 2.375% to 7.60% (31 December 2018 and 30 September 2018: 2.375% to 7.50) per annum.

### 10 Investments carried at amortised cost

These represent investment in sukuk, a debt instrument amounting to KD4,934 thousand carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2018 and 30 September 2018: 2% above Central Bank of Kuwait discount rate) per annum. Also includes a foreign debt instrument amounting to KD136 thousand carrying interest rate 13% per annum (31 December 2018 and 30 September 2018: Nil).

Further, carrying value of investments carried at amortised cost as at 31 December 2018 included an investment in a foreign debt instrument (a Euro loan facility provided by the Parent Company to Markaz European Development 1, a foreign company) of KD2,015 thousand carrying interest at 3% per annum. During the period, upon consolidation of the above foreign company, carrying value of the investment as at 30 September 2019 was eliminated against the outstanding balance of the loan facility included in the subsidiary's total liabilities (Note 5.2).

## Notes to the interim condensed consolidated financial information (continued)

### 11 Investment properties

The movement in investment properties is as follows:

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Carrying value at the beginning of the period/year	56,830	46,450	46,450
Additions including addition on consolidation of a new foreign subsidiary (Note 5.2)	8,752	12,636	9,973
Disposal	(417)	-	-
Net impairment reversal/(charged)	37	(2,335)	(2,746)
Depreciation	(437)	(197)	(227)
Foreign currency translation adjustment	158	276	216
	<b>64,923</b>	<b>56,830</b>	<b>53,666</b>

During the period, finance costs of KD308 thousand (30 September 2018: KD775 thousand) has been capitalised to investment properties.

During the 2<sup>nd</sup> quarter, the Group performed an internal impairment assessment on certain foreign real estate investments based on valuations obtained from Independent evaluators as there were indications of further impairment/recovery of previously recognised impairment for such properties. Consequently, the Group recognised a net reversal of impairment of KD37 thousand (30 September 2018: an impairment of KD2,746 thousand) in respect of those foreign properties.

### 12 Borrowings

This represents following borrowings:

- a. Unsecured loan facilities amounting to KD22,000 thousand obtained from local commercial banks carry interest rate of 2.0% to 2.5% above Central Bank of Kuwait discount rate. Outstanding balance of these loan facilities as at 30 September 2019 amounted to KD8,500 thousand (31 December 2018: KD5,099 thousand and 30 September 2018: KD3,437 thousand).
- b. Two unsecured Murabaha facilities amounting to KD8,000 thousand obtained from a local Islamic bank with a profit rate of 1.5% to 1.9% above Central Bank of Kuwait discount rate. Outstanding balance of these Murabaha facilities as at 30 September 2019 amounted to KD6,404 thousand (31 December 2018: KD4,929 thousand and 30 September 2018: KD6,929 thousand). An unsecured Murabaha facility of USD20,000 thousand equivalent to KD6,081 thousand was obtained from a local Islamic bank with a profit rate of 2% above 6 months LIBOR. As of 30 September 2019 this facility was fully availed (31 December 2018 and 30 September 2018: Nil).
- c. An unsecured loan facility of USD16,585 thousand equivalent to KD5,043 thousand obtained from a local commercial bank carrying an interest rate of 2.75% above 3 months LIBOR repayable on every six months and mature on 31 October 2022. As of 30 September 2019 this facility was fully availed (31 December 2018: USD7,600 thousand equivalent to KD2,305 thousand and 30 September 2018: Nil). The purpose of this facility is to finance the real estate activities in certain foreign countries.

## Notes to the interim condensed consolidated financial information (continued)

### 12 Borrowings (continued)

- d. Two secured loan facilities amounting to AED142,350 thousand equivalent to KD11,785 thousand obtained from a foreign commercial bank which carry an interest rate of 3.25% to 3.50% above 3 month EIBOR. Outstanding balance of these loan facilities as at 30 September 2019 amounted to AED123,860 thousand equivalent to KD10,254 thousand (31 December 2018: AED123,904 thousand equivalent to KD10,232 thousand and 30 September 2018: AED122,578 thousand equivalents to KD10,117 thousand). These facilities are secured by certain foreign investment properties.
- e. An unsecured credit facility amounting to USD 10 million was approved from a foreign commercial bank which carries an interest rate of 3.32% per annum. Outstanding balance of this credit facility as at 30 September 2019 amounted to USD300 thousand equivalent to KD91 thousand (31 December 2018 and 30 September 2018: Nil).
- f. During the period an unsecured loan facility of EUR2,125 thousand equivalent to KD707 thousand obtained from a related party (represented by a non-controlling interest of a foreign subsidiary) carrying an interest rate of 3% mature in December 2048. Outstanding balance of this facility as at 30 September 2019 amounted to EUR1,903 thousand equivalent to KD633 thousand.
- g. During the period a secured loan facility (development facility) of EUR21,319 thousand equivalent to KD7,088 thousand obtained by a foreign subsidiary from a foreign commercial bank carrying an interest rate of 2.6% above 3 months EURIBOR is repayable as a lump sum payment at the maturity on 15 February 2021. Outstanding balance of this loan facility as at 30 September 2019 amounted to EUR16,472 thousand equivalent to KD5,477 thousand. The purpose of this facility is to finance the real estate activities of the above foreign subsidiary.
- h. During the period a secured loan facility of PLN22,000 thousand equivalent to KD1,669 thousand obtained by a foreign subsidiary from a foreign commercial bank carrying an interest rate of 1.8% above 3 months WIBOR per annum is repayable as a lump sum payment at maturity on 15 August 2020. Outstanding balance of this loan facility as at 30 September 2019 amounted to PLN8,184 thousand equivalent to KD621 thousand. The purpose of this facility is to finance the real estate activities of the above foreign subsidiary.

### 13 Treasury shares

	30 Sept. 2019 (Unaudited)	31 Dec. 2018 (Audited)	30 Sept. 2018 (Unaudited)
Number of shares	2,600,000	2,600,000	-
Percentage of issued shares	0.54%	0.54%	-
Market value (KD '000)	232	250	-
Cost (KD'000)	260	260	-

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



## Notes to the interim condensed consolidated financial information (continued)

### 14 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
<b>Balance at 1 January 2019</b>	79	476	555
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	4	-	4
Exchange differences arising on translation of foreign operations	-	53	53
Share of other comprehensive income of associate and joint venture	-	12	12
Total other comprehensive income	4	65	69
<b>Balance at 30 September 2019</b>	83	541	624
<b>Balance at 1 January 2018</b>	2,477	413	2,890
Adjustments arising on adoption of IFRS 9 on 1 January 2018	(2,402)	-	(2,402)
<b>Balance at 1 January 2018 (Restated)</b>	75	413	488
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	9	-	9
- Transferred to interim condensed consolidated statement of profit or loss on redemption	(5)	-	(5)
Exchange differences arising on translation of foreign operations	-	164	164
Share of other comprehensive loss of associate and joint venture	-	(19)	(19)
Total other comprehensive income	4	145	149
<b>Balance at 30 September 2018</b>	79	558	637

### 15 Annual General Assembly of the Shareholders

The shareholders' of the Parent Company at the Annual General Assembly held on 2 April 2019 approved the consolidated financial statements of the Group for the year ended 31 December 2018 and approved a cash dividend of 5 Fils per share instead of the proposed cash dividend of 4 Fils per share by the Board of Directors of the Parent Company at the meeting held on 17 February 2019 (31 December 2017: 7 Fils per share) amounting to KD2,391 thousand (31 December 2017: KD3,366 thousand).

Further, the shareholders of the Parent Company at the above Annual General Assembly approved to distribute a total amount of KD70 thousand as remuneration to the Board of Directors for the year ended 31 December 2018 and this has been included under general and administrative expenses for the period ended 30 September 2019.

### 16 Related party transactions

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

## Notes to the interim condensed consolidated financial information (continued)

### 16 Related party transactions (continued)

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

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
<b>Transactions included in the interim condensed consolidated statement of profit or loss:</b>				
Interest income on loans to customers	1	-	1	22
Management fees and commission	1,305	1,123	3,818	3,694
Finance costs (Note 12 f)	(15)	-	(70)	-
<b>Key management compensation:</b>				
Salaries and other short term benefits	158	194	594	583
End of service benefits	68	25	118	75
Board of Directors' remuneration (Note 15)	-	-	70	-
	226	219	782	658
<b>Balances included in the interim condensed consolidated statement of financial position:</b>				
Loans to customers		109	22	25
Accounts receivable and other assets		1,572	1,337	892
Accounts payable and other liabilities		1,763	1,670	1,271
Borrowings (Note 12 f)		633	-	-

### 17 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Group profit or loss. The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its annual consolidated financial statements.

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

	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	30 Sept. 2019 (Unaudited) KD'000	30 Sept. 2018 (Unaudited) KD'000	30 Sept. 2019 (Unaudited) KD'000	30 Sept. 2018 (Unaudited) KD'000	30 Sept. 2019 (Unaudited) KD'000	30 Sept. 2018 (Unaudited) KD'000
Segment revenue	12,550	12,368	1,523	2,751	14,073	15,119
Segment result	4,042	2,731	46	1,251	4,088	3,982
Provision for KFAS, NLST and Zakat	(167)	(231)	(2)	(55)	(169)	(286)
Profit for the period	3,875	2,500	44	1,196	3,919	3,696
Total assets	174,966	150,463	20,922	21,127	195,888	171,590

## Notes to the interim condensed consolidated financial information (continued)

### 18 Fiduciary accounts

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 September 2019 amounted to KD1,095,099 thousand (31 December 2018: KD1,093,010 thousand and 30 September 2018: KD1,063,795 thousand). The Group earned management fee of KD5,536 thousand (30 September 2018: KD5,151 thousand) from the asset management activities.

### 19 Commitments and contingent liability

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Commitments for purchase of investments	2,239	1,686	3,577
Commitments for investment properties	488	3,526	8,367
Letter of guarantee	1	-	-
	<b>2,728</b>	<b>5,212</b>	<b>11,944</b>

### 20 Forward foreign exchange contracts

The contractual amounts of outstanding derivative instruments together with the fair value are as follows:

	30 Sept. 2019 (Unaudited)		31 Dec. 2018 (Audited)		30 Sept. 2018 (Unaudited)	
	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000
<i>At fair value through profit or loss:</i>						
Forward foreign exchange contracts	10,659	(15)	18,213	(64)	18,172	(82)

### 21 Fair value measurement

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

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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

## Notes to the interim condensed consolidated financial information (continued)

### 21 Fair value measurement (continued)

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

30 September 2019 (Unaudited)

	KD'000			Total
	Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL</b>				
Quoted securities	20,800	-	-	20,800
Managed funds	-	61,010	-	61,010
Equity participation	-	-	16,698	16,698
Fixed income securities	5,637	-	900	6,537
	<b>26,437</b>	<b>61,010</b>	<b>17,598</b>	<b>105,045</b>
<b>Derivative</b>				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(15)	-	(15)
<b>Financial assets at FVOCI</b>				
Debt instruments	-	-	422	422
	<b>26,437</b>	<b>60,995</b>	<b>18,020</b>	<b>105,452</b>

31 December 2018 (Audited)

	KD'000			Total
	Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL</b>				
Quoted securities	20,994	-	-	20,994
Managed funds	-	55,803	-	55,803
Equity participation	-	-	10,359	10,359
Fixed income securities	3,764	-	1,754	5,518
	<b>24,758</b>	<b>55,803</b>	<b>12,113</b>	<b>92,674</b>
<b>Derivative</b>				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(64)	-	(64)
<b>Financial assets at FVOCI</b>				
Debt instruments	-	-	427	427
	<b>24,758</b>	<b>55,739</b>	<b>12,540</b>	<b>93,037</b>

## Notes to the interim condensed consolidated financial information (continued)

### 21 Fair value measurement (continued)

30 September 2018 (Unaudited)

	KD'000			Total
	Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL</b>				
Quoted securities	22,730	-	-	22,730
Managed funds	-	55,631	-	55,631
Equity participation	-	-	10,732	10,732
Fixed income securities	6,058	-	900	6,958
	28,788	55,631	11,632	96,051
<b>Derivative</b>				
Forward foreign currency contracts (included in other liabilities)	-	(82)	-	(82)
<b>Financial assets at FVOCI</b>				
Debt instruments	-	-	428	428
	-	-	428	428
	28,788	55,549	12,060	96,397

Fair value of investments carried at amortised cost are not materially different from their carrying values.

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

#### Measurement at fair value

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

#### Level 3 fair value measurements

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

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Opening balance	12,540	20,351	20,351
Reclassification on adoption of IFRS 9	-	(4,973)	(4,973)
Net additions/(disposal/redemption)	6,117	(2,551)	(3,176)
Net change in fair value	(637)	(287)	(142)
Closing balance	18,020	12,540	12,060

### 22 Comparative information

Certain comparative figures have been reclassified to conform to the presentation in the current period, and such reclassification does not affect previously reported net assets, net equity and net results for the period or net increase in cash and cash equivalents.