

Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

31 March 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 31 March 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 three-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.

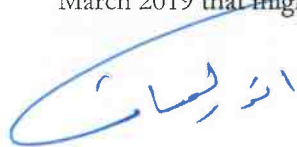
Conclusion

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.

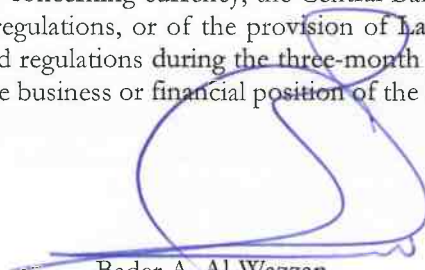
Report on review of other legal and regulatory requirements

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 three-month period ended 31 March 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 three-month period ended 31 March 2019 that might have had a material effect on the business or financial position of the Parent Company.



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Kuwait
8 May 2019

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
Revenue			
Interest income		152	148
Dividend income		408	376
Management fees and commission		1,911	2,101
Gain from financial assets at fair value through profit or loss	6	4,356	2,350
Gain on redemption of debt instruments at fair value through other comprehensive income		-	5
Share of results of associate and joint venture		(32)	(35)
Profit on sale of investment properties		299	-
Net rental income		174	96
Foreign currency exchange gain/(loss)		32	(160)
Other Income		82	20
		7,382	4,901
Expenses and other charges			
General and administrative expenses		(2,642)	(2,406)
Other expenses		(13)	-
Finance costs		(493)	(432)
		(3,148)	(2,838)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat			
		4,234	2,063
Provision for contribution to KFAS		(34)	(16)
Provision for NLST		(98)	(46)
Provision for Zakat		(39)	(19)
Profit for the period		4,063	1,982
Profit for the period attributable to:			
Owners of the Parent Company		3,643	1,714
Non-controlling interests		420	268
Profit for the period		4,063	1,982
Basic and diluted earnings per share attributable to the owners of the Parent Company	7	8 Fils	4 Fils

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 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
Profit for the period	4,063	1,982
Other comprehensive income/(loss):		
<i>Items to be reclassified to statement of profit or loss in subsequent periods:</i>		
<i>Debt instruments at fair value through other comprehensive income:</i>		
- Net change in fair value arising during the period	3	6
- 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	127	(245)
Share of other comprehensive income/(loss) of associate and joint venture	16	(3)
Total other comprehensive income/(loss)	146	(247)
Total comprehensive income for the period	4,209	1,735
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	3,788	1,468
Non-controlling interests	421	267
	4,209	1,735

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	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Assets				
Cash and bank balances	8	7,466	4,691	6,725
Time deposits	8	1,662	2,565	7,154
Accounts receivable and other assets		4,874	3,503	4,875
Loans to customers		278	304	270
Financial assets at fair value through profit or loss	9	97,541	92,674	91,042
Debt instruments at fair value through other comprehensive income		427	427	428
Investments carried at amortised cost	10	4,967	6,998	4,971
Investment in associate and joint venture		3,696	3,651	3,313
Investment properties	11	61,794	56,830	48,363
Right-of-use assets	3	807	-	-
Equipment		856	878	605
Total assets		184,368	172,521	167,746
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		15,420	10,904	12,984
Borrowings	12	25,708	22,565	17,563
Bonds issued		25,000	25,000	25,000
Total liabilities		66,128	58,469	55,547
Equity				
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	700	555	242
Retained earnings		8,016	4,408	4,328
Equity attributable to the owners of the Parent Company		94,803	91,050	90,419
Non-controlling interests		23,437	23,002	21,780
Total equity		118,240	114,052	112,199
Total liabilities and equity		184,368	172,521	167,746


Diraar Yusuf Alghanim
Chairman


Manaf AbdulAziz Alhajeri
Chief Executive Officer

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

	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
Balance at 1 January 2019	48,080	7,902	(260)	16,005	14,360	555	4,408	91,050	23,002	114,052
Net change in non-controlling interests	-	-	-	-	-	-	-	-	(21)	(21)
Effect of change in ownership percentage of subsidiaries (refer note 5)	-	-	-	-	-	-	(35)	(35)	35	-
Transactions with owners	-	-	-	-	-	-	(35)	(35)	14	(21)
Profit for the period	-	-	-	-	-	-	3,643	3,643	420	4,063
Total other comprehensive income for the period	-	-	-	-	-	145	-	145	1	146
Total comprehensive income for the period	-	-	-	-	-	145	3,643	3,788	421	4,209
Balance at 31 March 2019	48,080	7,902	(260)	16,005	14,360	700	8,016	94,803	23,437	118,240

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)		Retained earnings KD '000			Sub Total KD '000
					of equity KD '000	Total KD '000				
Balance at 1 January 2018	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	-	-	-	
Balance at 1 January 2018 (Restated)	48,080	7,902	15,756	14,111	488	6,081	92,418	20,864	113,282	
Net change in non-controlling interests	-	-	-	-	-	-	-	548	548	
Effect of change in ownership percentage of subsidiaries (refer note 5)	-	-	-	-	-	(101)	(101)	101	-	
Cash dividend (refer note 15)	-	-	-	-	-	(3,366)	(3,366)	-	(3,366)	
Transactions with owners	-	-	-	-	-	(3,467)	(3,467)	649	(2,818)	
Profit for the period	-	-	-	-	-	1,714	1,714	268	1,982	
Total other comprehensive loss	-	-	-	-	(246)	-	(246)	(1)	(247)	
Total comprehensive (loss)/income for the period	-	-	-	-	(246)	1,714	1,468	267	1,735	
Balance at 31 March 2018	48,080	7,902	15,756	14,111	242	4,328	90,419	21,780	112,199	

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	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
OPERATING ACTIVITIES			
Profit for the period		4,063	1,982
Adjustments for:			
Interest income		(152)	(148)
Depreciation		164	155
Amortisation of right-of-use assets		68	-
Gain on redemption of debt instruments at fair value through OCI		-	(5)
Profit on sale of investment properties		(299)	-
Share of results of associate and joint venture		32	35
Reversal of provisions		(1)	(1)
Finance costs		493	432
		4,368	2,450
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(4,867)	2,858
Accounts receivable and other assets		(1,351)	2,325
Loans to customers		27	3
Accounts payable and other liabilities		3,648	(692)
Net cash from operating activities		1,825	6,944
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		(78)	786
Purchase of equipment		(54)	(53)
Proceeds from redemption of debt instruments at fair value through OCI		3	19
Proceeds from redemption of investments at amortised cost		16	-
Movement in investments at amortised cost		2,015	-
Additions to investment properties		(4,908)	(1,762)
Proceeds from sale of investment properties		523	-
Increase in investment in associate and joint venture		(61)	(120)
Interest income received		132	107
Net cash used in investing activities		(2,412)	(1,023)
FINANCING ACTIVITIES			
Dividend paid		(5)	(12)
Proceeds from borrowings		8,723	9,942
Repayment of borrowings		(5,580)	(9,895)
Finance costs paid		(612)	(892)
Payment of lease liabilities		(68)	-
Net change in non-controlling interests		(21)	548
Net cash from/(used in) financing activities		2,437	(309)
Increase in cash and cash equivalents		1,850	5,612
Foreign currency adjustments		(56)	1
Cash and cash equivalents at the beginning of the period	8	7,235	8,226
Cash and cash equivalents at the end of the period	8	9,029	13,839

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 8 May 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 three-month period ended 31 March 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 three months ended 31 March 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.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 16 Leases (continue)

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 31 March 2019 amounted to KD807 thousand and KD819 thousand respectively.

Depreciation charge for right-of-use assets and amortised cost on lease liabilities for the current period amounted to KD68 thousand and KD12 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
		31 March 2019 (Unaudited)	31 Dec. 2018 (Audited)	31 March 2018 (Unaudited)	
Markaz Arabian Fund	Kingdom of Bahrain	68.64%	69.75%	61.25%	Investment Fund
Markaz Fixed Income Fund	Kuwait	80.65%	76.38%	78.21%	Investment Fund
Markaz European Development 1 (Note 5.2)	Grand Duchy of Luxembourg	68.37%	-	-	Real Estate

Notes to the interim condensed consolidated financial information (continued)

5 Group's subsidiaries (continued)

- 5.1 The ownership of Markaz Arabian Fund decreased by 1.11% (31 March 2018: increased by 2.33%) and Markaz Fixed Income Fund increased by 4.27% 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 KD35 thousand (31 March 2018: KD101 thousand) which was 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 current period, upon completion of certain formalities and procedures, the unaudited financial position and results of the subsidiary as at and for the period ended 31 March 2019 respectively were consolidated with the Group's interim condensed consolidated financial information.

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

	<u>31 March 2019</u>
Total assets	7,049
Total liabilities	(6,733)
Total equity	316
Equity attributable to the owners of the Parent Company	216
Non-controlling interests	100

6 Gain from financial assets at fair value through profit or loss

	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
Change in fair value of financial assets at fair value through profit or loss	3,893	1,900
Gain on sale of financial assets at fair value through profit or loss	463	450
	4,356	2,350

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

Basic and diluted earnings per share attributable to the owners of the Parent Company is calculated by dividing the profit for the 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 share).

Notes to the interim condensed consolidated financial information (continued)

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

	Three months ended 31 March 2019 (Unaudited)	Three months ended 31 March 2018 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD '000)	3,643	1,714
Weighted average number of shares outstanding and in issue during the period (excluding treasury shares)	478,201,747	480,801,747
Basic and diluted earnings per share attributable to the owners of the Parent Company	8 Fils	4 Fils

8 Cash and cash equivalents

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

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Cash and bank balances	7,466	4,691	6,725
Time deposits	1,662	2,565	7,154
	9,128	7,256	13,879
Less: Time deposits maturing after three months	(99)	(21)	(40)
Cash and cash equivalent for the purpose of interim condensed consolidated statement of cash flows	9,029	7,235	13,839

The Group's time deposits carry an average effective interest rate of 2.54% (31 December 2018: 1.08% and 31 March 2018: 1.09%) per annum.

9 Financial assets at fair value through profit or loss

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Local quoted securities	2,943	2,857	3,212
Foreign quoted securities	19,235	18,137	22,493
Local managed funds	45,905	42,764	37,336
Foreign managed funds	13,160	13,039	11,484
Fixed income securities	5,657	5,518	5,130
Equity participation	10,641	10,359	11,387
	97,541	92,674	91,042

The interest rates on fixed income securities range from 2.375% to 7.50% (31 December 2018: 2.375% to 7.50% and 31 March 2018: 2.375% to 9.00%) per annum.

Notes to the interim condensed consolidated financial information (continued)

10 Investments carried at amortised cost

These represent investment in sukuk, a debt instrument amounting to KD4,967 thousand carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2018 and 31 March 2018: 2% above Central Bank of Kuwait discount rate) per annum.

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 current period, upon consolidation of the above foreign company, carrying value of the investment as at 31 March 2019 was eliminated against the outstanding balance of the loan facility included in the subsidiary's total liabilities (Note 5.2).

11 Investment properties

The movement in investment properties is as follows:

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 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)	5,093	12,636	2,233
Disposal	(224)	-	-
Impairment	-	(2,335)	-
Depreciation	(88)	(197)	(76)
Foreign currency translation adjustment	183	276	(244)
	61,794	56,830	48,363

During the period, finance costs of KD185 thousand (31 March 2018: KD471 thousand) has been capitalised to investment properties.

Certain foreign investment properties amounting to KD20,366 thousand (31 December 2018: KD20,083 thousand and 31 March 2018: KD18,201 thousand) are secured against borrowings (Note 12 c).

12 Borrowings

This represents following borrowings:

- Unsecured loan facilities amounting to KD24,800 thousand obtained from local commercial banks carry interest rate ranging from 1.5% to 2.5% above Central Bank of Kuwait discount rate. Outstanding balance of these loan facilities as at 31 March 2019 amounted to KD7,014 thousand (31 December 2018: KD5,099 thousand and 31 March 2018: KD2,986 thousand).
- 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 31 March 2019 amounted to KD4,917 thousand (31 December 2018: KD4,929 thousand and 31 March 2018: KD7,945 thousand).
- Two secured loan facilities amounting to AED142,350 thousand equivalent to KD11,791 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 31 March 2019 amounted to AED124,513 thousand equivalent to KD10,314 thousand. (31 December 2018: AED123,904 thousand equivalent to KD10,232 thousand and 31 March 2018: AED77,575 thousand equivalents to KD6,332 thousand). These facilities are secured by certain foreign investment properties.

Notes to the interim condensed consolidated financial information (continued)

12 Borrowings (continued)

- d. An unsecured credit facility amounting to USD 10 million was approved from a foreign commercial bank which carries an interest rate of 3.275% per annum. No amount has been availed from this loan facility as of 31 March 2019. (31 December 2018: Nil and 31 March 2018: USD1,000 thousand equivalent to KD300 thousand).
- e. An unsecured loan facility of USD16,585 thousand equivalent to KD5,045 thousand obtained from a local commercial bank carrying an interest rate of 3% above 3 months LIBOR repayable on every six months and mature on 31 October 2022. Outstanding balance of this loan facility as at 31 March 2019 amounted to USD9,000 thousand equivalents to KD2,738 thousand. (31 December 2018: USD7,600 thousand equivalent to KD2,305 thousand and 31 March 2018: Nil). The purpose of this facility is to finance the real estate activities in certain foreign countries.
- f. During the period an unsecured loan facility of EUR2,160 thousand equivalent to KD738 thousand obtained from a related party (represented by a non-controlling interest of a foreign subsidiary) carrying an interest rate of 3.5% mature in December 2048. Outstanding balance of this facility as at 31 March 2019 amounted to EUR2,125 thousand equivalent to KD725 thousand.

13 Treasury shares

	31 March 2019 (Unaudited)	31 Dec. 2018 (Audited)	31 March 2018 (Unaudited)
Number of shares	2,600,000	2,600,000	-
Percentage of issued shares	0.54%	0.54%	-
Market value (KD '000)	234	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.

14 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2019	79	476	555
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	2	-	2
Exchange differences arising on translation of foreign operations	-	127	127
Share of other comprehensive income of associate and joint venture	-	16	16
Total other comprehensive income	2	143	145
Balance at 31 March 2019	81	619	700

Notes to the interim condensed consolidated financial information (continued)

14 Other components of equity (continued)

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2018	2,477	413	2,890
Adjustments arising on adoption of IFRS 9 on 1 January 2018	(2,402)	-	(2,402)
Balance at 1 January 2018 (Restated)	75	413	488
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	6	-	6
- Transferred to interim condensed consolidated statement of profit or loss on redemption	(5)	-	(5)
Exchange differences arising on translation of foreign operations	-	(244)	(244)
Share of other comprehensive loss of associate and joint venture	-	(3)	(3)
Total other comprehensive income/(loss)	1	(247)	(246)
Balance at 31 March 2018	76	166	242

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).

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.

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

	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss:		
Interest income on loans to customer	-	22
Management fees and commission	1,183	1,222
Key management compensation:		
Salaries and other short term benefits	193	195
End of service benefits	25	25
	218	220

Notes to the interim condensed consolidated financial information (continued)

16 Related party transactions (continued)

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position:			
Loans to customers	20	22	29
Accounts receivable and other assets	1,412	1,337	803
Accounts payable and other liabilities	1,685	1,670	1,417
Borrowings (Note 12)	725	-	-

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)	
	31 March 2019 (Unaudited) KD'000	31 March 2018 (Unaudited) KD'000	31 March 2019 (Unaudited) KD'000	31 March 2018 (Unaudited) KD'000	31 March 2019 (Unaudited) KD'000	31 March 2018 (Unaudited) KD'000
Segment revenue	6,875	4,334	507	567	7,382	4,901
Segment result	4,125	2,282	109	(219)	4,234	2,063
Provision for KFAS, NLST and Zakat	(166)	(81)	(5)	-	(171)	(81)
Profit/(loss) for the period	3,959	2,201	104	(219)	4,063	1,982
Total assets	164,755	142,339	19,613	25,407	184,368	167,746

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 31 March 2019 amounted to KD1,156,505 thousand (31 December 2018: KD1,093,010 thousand and 31 March 2018: KD1,042,406 thousand). The Group earned management fee of KD1,766 thousand (31 March 2018: KD1,663 thousand) from the asset management activities.

19 Commitments

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Commitments for purchase of investments	1,691	1,686	3,952
Commitments for investment properties	2,217	3,526	12,692
	3,908	5,212	16,644

Notes to the interim condensed consolidated financial information (continued)

20 Forward foreign exchange contracts

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

	31 March 2019 (Unaudited)		31 Dec. 2018 (Audited)		31 March 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	15,216	(74)	18,213	(64)	15,623	28

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).

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:

31 March 2019 (Unaudited)

	KD'000			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Quoted securities	22,178	-	-	22,178
Managed funds	-	59,065	-	59,065
Equity participation	-	-	10,641	10,641
Fixed income securities	4,757	-	900	5,657
	26,935	59,065	11,541	97,541
Derivative				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(74)	-	(74)
Financial assets at FVOCI				
Debt instruments	-	-	427	427
	26,935	58,991	11,968	97,894

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

31 December 2018 (Audited)

	KD'000			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
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
	24,758	55,803	12,113	92,674
Derivative				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(64)	-	(64)
Financial assets at FVOCI				
Debt instruments	-	-	427	427
	24,758	55,739	12,540	93,037

31 March 2018 (Unaudited)

	KD'000			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Quoted securities	25,705	-	-	25,705
Managed funds	-	48,820	-	48,820
Equity participation	-	-	11,387	11,387
Fixed income securities	4,530	-	600	5,130
	30,235	48,820	11,987	91,042
Derivative				
Forward foreign currency contracts held for sale (included in other assets)	-	28	-	28
Financial assets at FVOCI				
Debt instruments	-	-	428	428
	30,235	48,848	12,415	91,498

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:

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

Level 3 fair value measurements (continued)

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Opening balance	12,540	20,351	20,351
Reclassification on adoption of IFRS 9	-	(4,973)	(4,973)
Net disposal/redemption	(74)	(2,551)	(2,996)
Net change in fair value	(498)	(287)	33
Closing balance	11,968	12,540	12,415

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.