

Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

30 June 2020 (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 June 2020 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 six-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 six-month period ended 30 June 2020 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 six-month period ended 30 June 2020 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
12 August 2020

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Six months ended	
		30 June 2020 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000	30 June 2020 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000
Revenue					
Interest income		283	155	572	307
Dividend income		258	475	630	883
Management fees and commission		1,496	2,089	3,505	4,000
Gain/(loss) from financial assets at fair value through profit or loss	6	3,757	2,314	(10,204)	6,670
Share of results of associate and joint venture		(19)	(20)	(5)	(52)
Gain on sale of asset held for sale	10	-	-	1,066	-
Profit on sale of investment properties		-	-	-	299
Net rental income		829	190	1,438	364
Foreign currency exchange gain/(loss)		19	(57)	601	(25)
Other income		684	(54)	689	28
		7,307	5,092	(1,708)	12,474
Expenses and other charges					
General and administrative expenses		(1,944)	(2,958)	(4,722)	(5,600)
Impairment/reversal of investment properties	12	(3,121)	37	(3,121)	37
Other expenses		(456)	(9)	(747)	(22)
Finance costs		(631)	(729)	(1,470)	(1,222)
		(6,152)	(3,659)	(10,060)	(6,807)
Profit/(loss) before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat					
		1,155	1,433	(11,768)	5,667
Provision for contribution to KFAS		-	(11)	-	(45)
Provision for NLST		-	(33)	-	(131)
Provision for Zakat		-	(13)	-	(52)
Profit/(loss) for the period		1,155	1,376	(11,768)	5,439
Profit/(loss) for the period attributable to:					
Owners of the Parent Company		1,971	1,175	(10,050)	4,818
Non-controlling interests		(816)	201	(1,718)	621
Profit/(loss) for the period		1,155	1,376	(11,768)	5,439
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company					
	7	4 Fils	2 Fils	(21) Fils	10 Fils

The notes set out on pages 8 to 21 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		Six months ended	
	30 June 2020 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000	30 June 2020 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000
Profit/(loss) for the period	1,155	1,376	(11,768)	5,439
Other comprehensive (loss)/income:				
<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	(134)	-	(334)	3
<i>Foreign currency translation:</i>				
- Exchange differences arising on translation of foreign operations	56	(150)	576	(23)
Share of other comprehensive (loss)/income of associate and joint venture	(20)	3	(35)	19
Total other comprehensive (loss)/profit	(98)	(147)	207	(1)
Total comprehensive income/(loss) for the period	1,057	1,229	(11,561)	5,438
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Parent Company	1,850	1,033	(9,750)	4,821
Non-controlling interests	(793)	196	(1,811)	617
	1,057	1,229	(11,561)	5,438

The notes set out on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Assets				
Cash and bank balances	8	10,399	4,937	7,319
Time deposits	8	127	1,332	1,387
Accounts receivable and other assets		4,778	7,430	5,100
Loans to customers		390	405	301
Financial assets at fair value through profit or loss	9	95,773	106,646	108,304
Asset held for sale	10	-	7,819	-
Investments at fair value through other comprehensive income		2,071	2,735	422
Investments carried at amortised cost	11	9,401	9,099	4,951
Investment in associate and joint venture		3,562	3,594	3,679
Investment properties	12	52,659	55,256	63,518
Right-of-use assets		464	600	739
Equipment		1,033	1,084	1,033
Total assets		180,657	200,937	196,753
Liabilities and equity				
Liabilities				
Due to banks	8	495	-	996
Accounts payable and other liabilities		12,399	15,307	12,257
Borrowings	13	37,425	41,632	41,246
Bonds issued		25,000	25,000	25,000
Total liabilities		75,319	81,939	79,499
Equity				
Share capital		48,080	48,080	48,080
Share premium		7,902	7,902	7,902
Treasury shares	14	(260)	(260)	(260)
Statutory reserve		16,752	16,752	16,005
Voluntary reserve		15,107	15,107	14,360
Other components of equity	15	497	197	558
(Accumulated losses)/retained earnings		(4,851)	7,417	6,809
Equity attributable to the owners of the Parent Company		83,227	95,195	93,454
Non-controlling interests		22,111	23,803	23,800
Total equity		105,338	118,998	117,254
Total liabilities and equity		180,657	200,937	196,753


Diraar Yusuf Alghanim
Chairman


Manaf AbdulAziz Alhajeri
Chief Executive Officer

The notes set out on pages 8 to 21 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 15) KD '000	Retained earnings / (accumulated losses) KD '000			Sub total KD '000
Balance at 1 January 2020	48,080	7,902	(260)	16,752	15,107	197	7,417	95,195	23,803	118,998
Net change in non-controlling interests	-	-	-	-	-	-	-	-	292	292
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	173	173	(173)	-
Cash dividend (Note 16)	-	-	-	-	-	-	(2,391)	(2,391)	-	(2,391)
Transactions with owners	-	-	-	-	-	-	(2,218)	(2,218)	119	(2,099)
Loss for the period	-	-	-	-	-	-	(10,050)	(10,050)	(1,718)	(11,768)
Total other comprehensive income/(loss) for the period	-	-	-	-	-	300	-	300	(93)	207
Total comprehensive loss for the period	-	-	-	-	-	300	(10,050)	(9,750)	(1,811)	(11,561)
Balance at 30 June 2020	48,080	7,902	(260)	16,752	15,107	497	(4,851)	83,227	22,111	105,338

The notes set out on pages 8 to 21 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	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	-	-	-	-	-	-	-	-	87	87
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	(94)	(94)	94	-
Gain arising on redemption of units of a subsidiary	-	-	-	-	-	-	68	68	-	68
Cash dividend (Note 15)	-	-	-	-	-	-	(2,391)	(2,391)	-	(2,391)
Transactions with owners	-	-	-	-	-	-	(2,417)	(2,417)	181	(2,236)
Profit for the period	-	-	-	-	-	-	4,818	4,818	621	5,439
Total other comprehensive income/(loss) for the period	-	-	-	-	-	3	-	3	(4)	(1)
Total comprehensive income for the period	-	-	-	-	-	3	4,818	4,821	617	5,438
Balance at 30 June 2019	48,080	7,902	(260)	16,005	14,360	558	6,809	93,454	23,800	117,254

The notes set out on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2020 (Unaudited) KD '000	Six months ended 30 June 2019 (Unaudited) KD '000
OPERATING ACTIVITIES			
(Loss)/profit for the period		(11,768)	5,439
Adjustments for:			
Interest income		(572)	(307)
Depreciation		711	397
Amortisation of right-of-use assets		136	136
Share of results of associate and joint venture		5	52
Gain on sale of investment properties		-	(299)
Gain on sale of asset held for sale		(1,066)	-
Impairment/(reversal) of investment properties		3,121	(37)
Charge/(reversal) of provisions		24	(1)
Finance costs		1,470	1,222
		(7,939)	6,602
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		10,873	(15,630)
Accounts receivable and other assets		265	(1,588)
Loans to customers		15	4
Accounts payable and other liabilities		(3,102)	465
Net cash from/(used in) operating activities		112	(10,147)
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		(41)	4
Purchase of equipment		(175)	(316)
Purchase of investments at amortised cost		(335)	2,015
Proceeds from redemption of investments at amortised cost		33	32
Proceeds on redemption of debt instruments at fair value through OCI		330	8
Additions to investment properties		(149)	(6,937)
Proceeds from sale of asset held for sale		10,960	-
Proceeds from sale of investment properties		-	523
Increase in investment in associate and joint venture		(8)	(61)
Interest income received		860	298
Net cash from/(used in) investing activities		11,475	(4,434)
FINANCING ACTIVITIES			
Dividend paid		(1,984)	(2,317)
Proceeds from borrowings		16,037	24,446
Repayment of borrowings		(20,483)	(5,765)
Finance costs paid		(1,515)	(1,328)
Payment of lease liabilities		(133)	(140)
Net change in non-controlling interests		292	155
Net cash (used in)/from financing activities		(7,786)	15,051
Increase in cash and cash equivalents		3,801	470
Foreign currency adjustments		(80)	(12)
Cash and cash equivalents at the beginning of the period	8	6,252	7,235
Cash and cash equivalents at the end of the period	8	9,973	7,693

The notes set out on pages 8 to 21 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 12 August 2020.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation

This interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2020 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 2019 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 six months ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2019.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020
IFRS 7 and IFRS 9- Amendments	1 January 2020
IFRS 16 – Amendments	1 June 2020

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 3 – Amendments (continued)

The application of the amendments did not have a significant impact on the Group's interim consolidated financial information.

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

IFRS 7 and IFRS 9- Amendments

This includes amendments regarding pre-replacement issues in the context of the IBOR reform.

IFRS 16- Amendments

This includes amendments on Covid-19-Related Rent Concessions.

The application of the amendments did not have a significant impact on the Group's interim consolidated financial information.

3.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation

Effective for annual periods beginning

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments
IAS 1 Amendments

No stated date
1 January 2023

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

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

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

IAS 1 Amendments

The amendments provide for consistent application of the requirements with respect to determining whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (i.e. due to be settled within one year) or non-current.

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 2019.

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 June 2020 (Unaudited)	31 Dec. 2019 (Audited)	30 June 2019 (Unaudited)	
Markaz Arabian Fund	Kingdom of Bahrain	69.33%	69.31%	69.52%	Investment Fund
Markaz Development 3	Cayman Island	62.64%	67.67%	-	Real Estate

The ownership of Markaz Arabian Fund increased by 0.02% (30 June 2019: decreased by 0.23%) and Markaz Development 3 decreased by 5.03% (30 June 2019: Nil) due to changes in units and shares held by non-controlling interest holders as a result of subscription and redemption of the fund's units and entity shares. These changes in the ownership resulted in a net gain of KD173 thousand (30 June 2019: loss KD94 thousand) which was included in interim condensed consolidated statement of changes in equity.

Notes to the interim condensed consolidated financial information (continued)

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

	Three months ended		Six months ended	
	30 June 2020 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000	30 June 2020 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000
(Loss)/gain on sale of financial assets at fair value through profit or loss	(59)	231	(1,427)	694
Change in fair value of financial assets at fair value through profit or loss	3,816	2,083	(8,777)	5,976
	3,757	2,314	(10,204)	6,670

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

Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company is calculated by dividing the profit/(loss) 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		Six months ended	
	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Parent Company (KD '000)	1,971	1,175	(10,050)	4,818
Weighted average number of shares outstanding and in issue during the period (excluding treasury shares)	478,201,747	478,201,747	478,201,747	478,201,747
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	4 Fils	2 Fils	(21 Fils)	10 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:

	30 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Cash and bank balances	10,399	4,937	7,319
Time deposits	127	1,332	1,387
	10,526	6,269	8,706
Less: Due to banks	(495)	-	(996)
Less: Time deposits maturing after three months	(58)	(17)	(17)
Cash and cash equivalent for the purpose of interim condensed consolidated statement of cash flows	9,973	6,252	7,693

Notes to the interim condensed consolidated financial information (continued)

8 Cash and cash equivalents (continued)

The Group's time deposits carry an average effective interest rate of 1.125% (31 December 2019: 1.85% and 30 June 2019: 2.31%) per annum.

During the period, the Group obtained a KD3,500 thousand unsecured over draft facility from certain local banks which carries interest rate at 1.5% to 2.25% above Central Bank of Kuwait discount rate. As of 30 June 2020 the Group has drawn an amount of KD495 thousand of this facility.

9 Financial assets at fair value through profit or loss

	30 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Local quoted securities	2,876	3,448	3,063
Foreign quoted securities	15,868	18,729	19,307
Local managed funds	46,127	50,922	48,097
Foreign managed funds	13,039	13,374	13,506
Fixed income securities	6,079	6,338	6,088
Equity participation	11,784	13,835	18,243
	95,773	106,646	108,304

The interest rates on fixed income securities range from 2.375% to 7.25% (31 December 2019 2.375% to 7.60% and 30 June 2019: 2.375% to 7.50%) per annum.

10 Asset held for sale

During the previous year, the management of the Group has transferred, one of its investment properties with a carrying value of KD7,819 thousand to assets held for sale category, upon meeting the criteria for recognition as non-current assets held for sale, as of 31 December 2019. During the current period, this property has been disposed for a consideration of KD10,960 thousand, realising a gain of KD1,066 thousand.

11 Investments carried at amortised cost

These represent investment in sukuk, a debt instrument amounting to KD4,885 thousand carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2019 and 30 June 2019: 2% above Central Bank of Kuwait discount rate) per annum. Also includes investment in foreign debt instruments amounting to KD4,516 thousand which is secured by charges over real estate properties and carrying interest rate 13% per annum (31 December 2019 KD4,181 thousand and 30 June 2019: KD Nil).

Notes to the interim condensed consolidated financial information (continued)

12 Investment properties

The movement in investment properties is as follows:

	30 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Carrying value at the beginning of the period/year	55,256	56,830	56,830
Additions	149	9,504	7,122
Disposal	-	(1,476)	(224)
Transferred to assets held for sale	-	(7,819)	-
Net impairment charged	(3,121)	(1,065)	37
Depreciation	(485)	(675)	(236)
Foreign currency translation adjustment	860	(43)	(11)
	52,659	55,256	63,518

During the period, no finance costs (30 June 2019: KD185 thousand) has been capitalised to investment properties.

Investment properties with carrying value of KD19,481 thousand (31 December 2019: KD20,849 thousand and 30 June 2019: KD21,080 thousand) are secured against bank borrowings.

During the period, the Group performed an internal impairment assessment on certain foreign real estate investments as there were indications of further impairment/recovery of previously recognised impairment for such properties. Consequently, the Group recognised an impairment of KD3,121 thousand (30 June 2019: net reversal of impairment of KD37 thousand) in respect of those foreign properties.

13 Borrowings

This represents following borrowings:

- 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 June 2020 amounted to KD11,000 thousand (31 December 2019: KD8,000 thousand and 30 June 2019: KD12,819 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 30 June 2020 amounted to KD4,890 thousand (31 December 2019: KD4,905 thousand and 30 June 2019: KD7,914 thousand). Also, one unsecured Murabaha facility of USD20,000 thousand equivalent to KD6,156 thousand was obtained from a local Islamic bank with a profit rate of 2% above 6 months LIBOR. Outstanding balance of this Murabaha facility as at 30 June 2020 amounted to USD19,969 thousand equivalent KD6,146 thousand (31 December 2019: USD 19,982 thousand equivalent KD6,056 thousand and 30 June 2019: Nil).

Notes to the interim condensed consolidated financial information (continued)

13 Borrowings (continued)

- c. Two secured loan facilities amounting to AED142,350 thousand equivalent to KD11,931 thousand obtained from a foreign commercial bank which carry an interest rate of 2.75% above 3 month EIBOR. Outstanding balance of these loan facilities as at 30 June 2020 amounted to AED122,612 thousand equivalent to KD10,277 thousand (31 December 2019: AED123,661 thousand equivalent to KD10,204 thousand and 30 June 2019: AED124,560 thousand equivalents to KD10,282 thousand). These facilities are secured by certain foreign investment properties.
- d. An unsecured credit facility amounting to USD10 million was approved from a foreign commercial bank which carries an interest rate of 2.09% per annum. No amount has been availed from this facility as of 30 June 2020. (31 December 2019: USD275 thousand equivalent KD83 thousand and 30 June 2019: USD880 thousand equivalent KD266 thousand).
- e. An unsecured loan facility of USD16,585 thousand equivalent to KD5,105 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 June 2020 this facility was fully availed (31 December 2019: USD16,585 thousand equivalent to KD5,026 thousand and 30 June 2019: USD9,000 equivalent KD5,028 thousand). The purpose of this facility is to finance the real estate activities in certain foreign countries.
- f. An unsecured loan facility of EUR2,125 thousand equivalent to KD735 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 June 2020 amounted to EUR20 thousand equivalent to KD7 thousand. (31 December 2019: EUR1,903 thousand equivalent KD646 thousand and 30 June 2019: EUR1,859 thousand equivalent KD641 thousand).
- g. A secured loan facility (development facility) of EUR21,319 thousand equivalent to KD7,378 thousand obtained by a foreign subsidiary from a foreign commercial bank carrying an interest rate of 2.6% above 3 months EURIBOR was settled during the period. (31 December 2019: EUR18,702 thousand equivalent KD6,350 thousand and 30 June 2019: EUR9,692 equivalent KD3,341 thousand).
- h. A secured loan facility of PLN22,000 thousand equivalent to KD1,756 thousand obtained by a foreign subsidiary from a foreign commercial bank carrying an interest rate of 1.8% above 3 months WIBOR per annum was settled during the period. (31 December 2019: PLN1,067 thousand equivalent KD362 thousand and 30 June 2019: PLN11,911 thousand equivalent KD955 thousand).

Reconciliation of liabilities arising from financing activities

	30 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Opening balance	41,632	22,565	22,565
Proceeds from bank borrowings	16,037	25,173	24,446
Repayment of bank borrowings	(20,483)	(6,096)	(5,759)
Effect of change in foreign exchange rates	239	(10)	(6)
Closing balance	37,425	41,632	41,246

Notes to the interim condensed consolidated financial information (continued)

14 Treasury shares

	30 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Number of shares	2,600,000	2,600,000	2,600,000
Percentage of issued shares	0.54%	0.54%	0.54%
Market value (KD '000)	203	273	224
Cost (KD'000)	260	260	260

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

15 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2020	(174)	371	197
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	(190)	-	(190)
Exchange differences arising on translation of foreign operations	-	525	525
Share of other comprehensive income of associate and joint venture	-	(35)	(35)
Total other comprehensive income	(190)	490	300
Balance at 30 June 2020	(364)	861	497
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	-	(18)	(18)
Share of other comprehensive income of associate and joint venture	-	19	19
Total other comprehensive income	2	1	3
Balance at 30 June 2019	81	477	558

16 Annual General Assembly of the Shareholders

The shareholders' of the Parent Company at the Annual General Assembly held on 28 April 2020 approved the consolidated financial statements of the Group for the year ended 31 December 2019 and approved a cash dividend of 5 Fils per share amounting to KD2,391 thousand (31 December 2018: 5 Fils per share amounting to KD2,391 thousand) instead of the cash dividend of 10 Fils per share proposed by the Board of Directors at their meeting held on 16 February, 2020. Also Shareholders agreed to reduce directors remuneration from KD175 thousand to KD105 thousand for the year end 31 December 2019.

17 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)

17 Related party transactions (continued)

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

	Three months ended		Six months ended	
	30 June 2020 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000	30 June 2020 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss:				
Interest income on loans to customers	1	-	2	-
Management fees and commission	1,027	1,330	2,331	2,513
Finance costs (Borrowings)	2	-	16	-
Key management compensation:				
Salaries and other short-term benefits	204	243	407	436
End of service benefits	36	25	72	50
Board of Directors' remuneration (Note 16)	-	70	-	70
	240	338	479	556

	30 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position:			
Loans to customers	110	102	65
Accounts receivable and other assets	2,128	1,744	1,529
Accounts payable and other liabilities	1,693	2,348	1,694
Borrowings (Note 13 f)	7	646	641

18 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 June 2020 (Unaudited) KD'000	30 June 2019 (Unaudited) KD'000	30 June 2020 (Unaudited) KD'000	30 June 2019 (Unaudited) KD'000	30 June 2020 (Unaudited) KD'000	30 June 2019 (Unaudited) KD'000
Segment revenue	(3,092)	11,477	1,384	997	(1,708)	12,474
Segment result	(13,240)	5,580	1,472	87	(11,768)	5,667
Provision for KFAS, NLST and Zakat	-	(224)	-	(4)	-	(228)
(Loss)/profit for the period	(13,240)	5,356	1,472	83	(11,768)	5,439
Total assets	158,646	176,136	22,011	20,617	180,657	196,753

Notes to the interim condensed consolidated financial information (continued)

19 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 June 2020 amounted to KD1,026,054 thousand (31 December 2019: KD1,142,838 thousand and 30 June 2019: KD1,112,181 thousand). The Group earned management fee of KD3,247 thousand (30 June 2019: KD3,675 thousand) from the asset management activities.

20 Commitments and contingent liability

	30 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Commitments for purchase of investments	2,245	2,243	1,521
Commitments for investment properties	-	83	2,217
Letter of guarantee	-	1	-
	2,245	2,327	3,738

21 Forward foreign exchange contracts

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

	30 June 2020 (Unaudited)		31 Dec. 2019 (Audited)		30 June 2019 (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	10,875	80	10,625	39	15,165	(1)

22 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 six levels of a fair value hierarchy. The six 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)

22 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 June 2020 (Unaudited)

	KD'000			Total KD'000
	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	
Financial assets at FVTPL				
Quoted securities	18,744	-	-	18,744
Managed funds	-	59,166	-	59,166
Equity participation	-	-	11,784	11,784
Fixed income securities	5,079	-	1,000	6,079
	23,823	59,166	12,784	95,773
Derivative				
Forward foreign currency contracts held for trading	-	80	-	80
Financial assets at FVOCI				
Debt instruments	-	-	2,071	2,071
	23,823	59,246	14,855	97,924

31 December 2019 (Audited)

Financial assets at fair value through profit or loss				
Quoted securities	22,177	-	-	22,177
Managed funds	-	64,296	-	64,296
Equity participations	-	-	13,835	13,835
Fixed income securities	5,438	-	900	6,338
	27,615	64,296	14,735	106,646
Derivative				
Forward foreign currency contracts held for trading	-	39	-	39
Financial assets at fair value through OCI				
Debt instruments	-	-	418	418
Equity participation	-	-	2,317	2,317
	27,615	64,335	17,470	109,420

30 June 2019 (Unaudited)

Financial assets at FVTPL				
Quoted securities	22,370	-	-	22,370
Managed funds	-	61,603	-	61,603
Equity participation	-	-	18,243	18,243
Fixed income securities	5,188	-	900	6,088
	27,558	61,603	19,143	108,304
Derivative				
Forward foreign currency contracts (included in other liabilities)	-	(1)	-	(1)
Financial assets at FVOCI				
Debt instruments	-	-	422	422
	27,558	61,602	19,565	108,725

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

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 June 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 June 2019 (Unaudited) KD '000
Opening balance	17,470	12,540	12,540
Net (disposal/redemption)/additions	(1,999)	5,929	7,521
Net change in fair value	(616)	(999)	(496)
Closing balance	14,855	17,470	19,565

23 Structured entities (Special Purpose Vehicle)

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

Investment in SPVs that are not consolidated, are included in financial assets at fair value through profit or loss, investments at fair value through other comprehensive income and investments carried at amortised cost in the interim condensed consolidated statement of financial position.

During the current period one of the structured entity reported a fire incident at a development project in the USA which has damaged 2/3rd of the project buildings. The construction cost incurred on the damaged building as on the reporting date is KD3,722 thousand. The project is covered by an insurance policy against damage due to fire. The property developer is in the process of assessing the damages and coordinating with insurers to recover losses. Group's management believes that the insurance claim will cover for any losses incurred on this project as the insurer has already accepted the claim and paid an advance amount for reconstruction of the damaged site. Accordingly, no adjustments have been made to the carrying value of the Groups investment in this structured entity as on the reporting date.

Notes to the interim condensed consolidated financial information (continued)

24 Effect of COVID-19

The outbreak of Coronavirus (“COVID-19”) pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. Management of the Group is actively monitoring the effects COVID-19 may have on its business operations.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed interim consolidated financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the interim condensed consolidated financial information:

Impairment of non-financial assets

The Group has analyzed impairment indicators arising and significant uncertainties around its investment properties located in UAE and KSA, especially arising as a result of COVID-19.

Accordingly, the Group has performed an impairment assessment of its investment properties, considering the negative impact of COVID-19 on market value of properties located in UAE and KSA, and concluded that recoverable amounts of certain properties are lower than their carrying values as at 30 June 2020. As a result, the Group has identified an impairment loss amounting to KD 3.1 million in respect of these properties in this interim condensed consolidated financial information.

Fair valuation of financial assets

The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of fair value of financial assets at FVTPL.

The Group has determined the fair value of its equity securities, managed funds and fixed income securities based on most recent market information relating to the respective investments and recognized resulting unrealized loss in this interim condensed consolidated financial information.

With regards to Group’s equity participations in real estate properties in USA and Europe the Group has performed an analysis of market conditions in respective locations under current condition including analysis of property specific factors. Based on this analysis Group management has concluded that values of the underlying properties as at 31 December 2019 remains largely unchanged.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group’s future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, this interim condensed consolidated financial information has been appropriately prepared on a going concern basis.