

Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

31 March 2021 (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 2021 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 2021 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 2021 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
4 May 2021

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2021 (Unaudited) KD '000	Three months ended 31 March 2020 (Unaudited) KD '000
Revenue			
Interest income		133	289
Dividend income		238	372
Management fees and commission		2,768	2,009
Gain/(loss) from financial assets at fair value through profit or loss	6	4,720	(13,961)
Share of results of associate and joint venture		(207)	14
Gain on sale of assets held for sale		-	1,066
Gain on sale of investment properties	11	130	-
Net rental income		892	609
Foreign currency exchange (loss)/gain		(464)	582
Other income		15	5
		8,225	(9,015)
Expenses and other charges			
General and administrative expenses		(2,815)	(2,778)
Other expenses		(1)	(291)
Finance costs		(762)	(839)
		(3,578)	(3,908)
Profit/(loss) before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat			
		4,647	(12,923)
Provision for contribution to KFAS		(38)	-
Provision for NLST		(105)	-
Provision for Zakat		(42)	-
Profit/(loss) for the period		4,462	(12,923)
Profit/(loss) for the period attributable to:			
Owners of the Parent Company		4,056	(12,021)
Non-controlling interests		406	(902)
Profit/(loss) for the period		4,462	(12,923)
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company			
	7	8 Fils	(25) Fils

The notes set out on pages 8 to 22 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 2021 (Unaudited) KD '000	Three months ended 31 March 2020 (Unaudited) KD '000
Profit/(loss) for the period	4,462	(12,923)
Other comprehensive (loss)/income:		
<i>Items to be reclassified to statement of profit or loss in subsequent periods:</i>		
<i>Financial assets at fair value through other comprehensive income:</i>		
- Net change in fair value arising during the period	1	(200)
<i>Foreign currency translation:</i>		
- Exchange differences arising on translation of foreign operations	(165)	520
Share of other comprehensive income/(loss) of associate and joint venture	12	(15)
Total other comprehensive (loss)/income	(152)	305
Total comprehensive income/(loss) for the period	4,310	(12,618)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Parent Company	3,929	(11,600)
Non-controlling interests	381	(1,018)
	4,310	(12,618)

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	31 March 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	31 March 2020 (Unaudited) KD '000
Assets				
Cash and bank balances	8	7,979	9,951	13,748
Time deposits	8	3,031	9,483	86
Accounts receivable and other assets		7,688	6,663	5,453
Loans to customers		462	505	430
Financial assets at fair value through profit or loss	9	97,120	90,101	94,225
Financial assets at fair value through other comprehensive income		406	410	2,586
Financial assets at amortised cost	10	5,944	4,988	9,158
Investment in associate and joint venture		3,220	3,415	3,594
Investment properties	11	75,106	75,401	56,027
Right-of-use assets		262	328	532
Equipment		875	928	1,084
Total assets		202,093	202,173	186,923
Liabilities and equity				
Liabilities				
Due to banks	8	1,712	649	1,000
Financial liabilities at fair value through profit or loss	12	17	-	-
Accounts payable and other liabilities		11,667	10,299	15,085
Borrowings	13	14,871	21,081	38,210
Bonds issued	14	44,350	44,350	25,000
Total liabilities		72,617	76,379	79,295
Equity				
Share capital		48,080	48,080	48,080
Share premium		7,902	7,902	7,902
Treasury shares	15	(260)	(260)	(260)
Statutory reserve		16,752	16,752	16,752
Voluntary reserve		15,107	15,107	15,107
Other components of equity	16	219	346	618
Retained earnings/(accumulated losses)		7,317	3,299	(4,434)
Equity attributable to the owners of the Parent Company		95,117	91,226	83,765
Non-controlling interests		34,359	34,568	23,863
Total equity		129,476	125,794	107,628
Total liabilities and equity		202,093	202,173	186,923


Dir'ar Yusuf Alghanim
Chairman


Ali Hassan Khalil
Chief Executive Officer

The notes set out on pages 8 to 22 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 16) KD '000	Retained earnings KD '000			Sub total KD '000
Balance at 1 January 2021	48,080	7,902	(260)	16,752	15,107	346	3,299	91,226	34,568	125,794
Net change in non-controlling interests	-	-	-	-	-	-	-	-	(507)	(507)
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	(38)	(38)	38	-
Payment of cash dividend to non-controlling interests' shareholders	-	-	-	-	-	-	-	-	(121)	(121)
Transactions with owners	-	-	-	-	-	-	(38)	(38)	(590)	(628)
Profit for the period	-	-	-	-	-	-	4,056	4,056	406	4,462
Total other comprehensive loss for the period	-	-	-	-	-	(127)	-	(127)	(25)	(152)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(127)	4,056	3,929	381	4,310
Balance at 31 March 2021	48,080	7,902	(260)	16,752	15,107	219	7,317	95,117	34,359	129,476

The notes set out on pages 8 to 22 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 16) 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	-	-	-	-	-	-	-	-	1,248	1,248
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	170	170	(170)	-
Transactions with owners	-	-	-	-	-	-	170	170	1,078	1,248
Loss for the period	-	-	-	-	-	-	(12,021)	(12,021)	(902)	(12,923)
Total other comprehensive income/(loss) for the period	-	-	-	-	-	421	-	421	(116)	305
Total comprehensive income/(loss) for the period	-	-	-	-	-	421	(12,021)	(11,600)	(1,018)	(12,618)
Balance at 31 March 2020	48,080	7,902	(260)	16,752	15,107	618	(4,434)	83,765	23,863	107,628

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2021 (Unaudited) KD '000	Three months ended 31 March 2020 (Unaudited) KD '000
OPERATING ACTIVITIES			
Profit/(loss) for the period		4,462	(12,923)
Adjustments for:			
Interest income		(133)	(289)
Depreciation		413	456
Amortisation of right-of-use assets		66	68
Gain on sale of investment properties		(130)	-
Gain on sale of assets held for sale		-	(1,066)
Share of results of associate and joint venture		207	(14)
Charge of provisions		-	13
Finance costs		762	839
		5,647	(12,916)
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(7,019)	12,421
Financial Liabilities at fair value through profit or loss		17	-
Accounts receivable and other assets		(1,024)	2,107
Loans to customers		43	(25)
Accounts payable and other liabilities		1,472	(2,255)
Net cash used in operating activities		(864)	(668)
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		15	(4)
Purchase of equipment		(30)	(215)
Proceeds from redemption of financial assets at fair value through OCI		5	4
Proceeds from redemption of financial assets at amortised cost		16	16
Purchase of financial assets at amortised cost		(973)	-
Additions to investment properties		(1,077)	(18)
Proceeds from sale of investment properties		975	-
Proceeds from sale of assets held for sale		-	10,960
Interest income received		132	157
Net cash (used in)/from investing activities		(937)	10,900
FINANCING ACTIVITIES			
Dividend paid		(13)	(5)
Dividend paid to non-controlling interests shareholders		(121)	-
Proceeds from borrowings		218	11,462
Repayment of borrowings		(6,387)	(14,608)
Finance costs paid		(782)	(786)
Payment of lease liabilities		(71)	(66)
Net change in non-controlling interests		(507)	1,248
Net cash used in financing activities		(7,663)	(2,755)
(Decrease)/increase in cash and cash equivalents		(9,464)	7,477
Foreign currency adjustments		(8)	(916)
Cash and cash equivalents at the beginning of the period	8	18,725	6,252
Cash and cash equivalents at the end of the period	8	9,253	12,813

The notes set out on pages 8 to 22 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 4 May 2021.

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 2021 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 2020 except for adoption of accounting policy for financial liabilities at fair value through profit or loss.

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 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2020.

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 which are relevant to the Group, is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IBOR Transition (Interest Rate Benchmark Reforms Phase 1)	1 January 2020

IBOR Transition (Interest Rate Benchmark Reforms Phase 1)

Effective from 1 January 2020, the Group has adopted amendments to IFRS9 Financial Instruments and IFRS7 Financial Instruments Disclosures relating to interest rate benchmark reforms. The amendments (referred as Phase I of IBOR transition project) address the hedge accounting requirements arising before IBOR and proposed a hedging relief for such hedges.

The Group does not currently have any hedging instruments. Hence, the IBOR reform Phase 1 does not have any significant impact on Group's interim condensed consolidated financial information.

However, the IFRS 16 Leases amendment relating to Covid19 Rent Related Concessions has been extended until 30 June 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
Annual Improvements 2018-2020 Cycle	1 January 2022

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

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

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

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

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

IAS 1 Amendments - Classification of current or non-current

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

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)

IAS 1 Amendments - Classification of current or non-current (continued)

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

IAS 1 Amendments – Disclosure of accounting policies

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

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

IAS 8 Amendments – Definition of accounting estimates

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

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

Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

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)

Annual Improvements 2018-2020 Cycle (continued)

Taxation in fair value measurements – Before this amendment, when an entity used a discounted cash flow technique to determine the fair value applying IAS 41, IAS 41.22 required the entity to exclude taxation cash flows from the calculation. The amendment to IAS 41 removed from this requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

3.3 New accounting policy adopted

Financial liabilities at fair value through profit or loss

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

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

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

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 2020.

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 2021 (Unaudited)	31 Dec. 2020 (Audited)	31 March 2020 (Unaudited)	
Markaz Arabian Fund	Kingdom of Bahrain	69.91%	69.40%	69.32%	Investment Fund
Markaz Gulf Real Estate Fund	Kuwait	49.04%	48.45%	-	Real Estate Fund

Notes to the interim condensed consolidated financial information (continued)

5 Group's subsidiaries (continued)

The ownership of Markaz Arabian Fund increased by 0.51% (31 March 2020: increased by 0.01%) and Markaz Gulf Real Estate Fund increased by 0.59% due to changes in the number of investment units owned by the non-controlling interests as a result of subscription and redemption. The changes in the ownership resulted in a net loss of KD38 thousand (31 March 2020: profit of KD170 thousand), which was included in interim condensed consolidated statement of changes in equity.

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

	Three months ended 31 March 2021 (Unaudited) KD '000	Three months ended 31 March 2020 (Unaudited) KD '000
Change in fair value of financial assets at fair value through profit or loss	3,812	(12,593)
Gain/(loss) on sale of financial assets at fair value through profit or loss	908	(1,368)
	4,720	(13,961)

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 31 March 2021 (Unaudited)	Three months ended 31 March 20 20 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Parent Company (KD '000)	4,056	(12,021)
Weighted average number of shares outstanding and in issue during the period (excluding treasury shares)	478,201,747	478,201,747
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	8 Fils	(25) 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:

	31 March 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	31 March 2020 (Unaudited) KD '000
Cash and bank balances	7,979	9,951	13,748
Time deposits	3,031	9,483	86
	11,010	19,434	13,834
Less: Due to banks	(1,712)	(649)	(1,000)
Less: Time deposits maturing after three months	(45)	(60)	(21)
Cash and cash equivalent for the purpose of interim condensed consolidated statement of cash flows	9,253	18,725	12,813

The Group's time deposits carry an average effective interest rate of 0.97% (31 December 2020: 1.14% and 31 March 2020: 2.17%) per annum.

The total overdraft facilities available to the Group from local commercial banks which carries interest rate at 1.5% to 2.25% above Central Bank of Kuwait discount rate were KD5,500 thousand (31 December 2020: KD5,500 thousand and 31 March 2020: KD3,500 thousand) out of which the Group has drawn an amount of KD1,712 thousand as at 31 March 2021.

9 Financial assets at fair value through profit or loss

	31 March 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	31 March 2020 (Unaudited) KD '000
Local quoted securities	3,253	3,844	2,573
Foreign quoted securities	20,651	18,958	14,812
Local managed funds	40,459	38,645	43,962
Foreign managed funds	12,782	13,528	13,658
Fixed income securities	5,033	5,066	5,471
Equity participation	14,942	10,060	13,749
	97,120	90,101	94,225

The interest rates on fixed income securities range from 2.375% to 7.625% (31 December 2020: 2.375% to 7.625% and 31 March 2020: 2.375% to 7.25%) per annum.

10 Financial assets at amortised cost

These represent investment in sukuk, a debt instrument amounting to KD4,835 thousand (31 December 2020: KD4,852 thousand and 31 March 2020: KD4,901 thousand) carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2020 and 31 March 2020: 2% above Central Bank of Kuwait discount rate) per annum. Also, includes foreign debt instruments amounting to KD1,109 thousand carrying interest rate ranged from 8% to 13% per annum (31 December 2020: KD136 thousand and 31 March 2020: KD4,257 thousand).

Notes to the interim condensed consolidated financial information (continued)

11 Investment properties

The movement in investment properties is as follows:

	31 March 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	31 March 2020 (Unaudited) KD '000
Carrying value at the beginning of the period/year	75,401	55,256	55,256
Additions	1,077	258	18
Result of consolidation of SPV	-	3,812	-
Result of consolidation of fund	-	19,994	-
Disposal	(845)	(990)	-
Impairment charged	-	(2,072)	-
Depreciation	(330)	(933)	(241)
Foreign currency translation adjustment	(197)	76	994
	75,106	75,401	56,027

Investment properties with carrying value of KD845 thousand were sold during the period for a consideration of KD975 thousand at a net gain of KD130 thousand.

Investment properties with carrying value of KD24,073 thousand (31 December 2020: KD23,158 thousand and 31 March 2020: KD21,140 thousand) are secured against bank borrowings.

12 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes short sales liabilities arising from borrowed securities sold in an anticipation of a decline in the market value of that security.

13 Borrowings

This represents following borrowings:

- a. Unsecured loan facilities amounting to KD14,000 thousand obtained from local commercial banks carry interest rate ranging from 2% to 2.5% above Central Bank of Kuwait discount rate (31 December 2020: KD14,000 thousand and 31 March 2020 KD22,000 thousand). No amount has been availed from these facilities as of as of 31st March 2021 (31 December 2020 : Nil and 31 March 2020 KD 11,000 thousand).
- b. Three unsecured Murabaha facilities amounting to KD10,000 thousand obtained from local Islamic banks with a profit rate of 1.5% to 2% above Central Bank of Kuwait discount rate. No facility availed as of 31st March 2021 (31 December 2020: Nil and 31 March 2020: KD4,893 thousand). Also, one unsecured Murabaha facility of USD20,000 thousand equivalents to KD6,048 thousand was obtained from a local Islamic bank with a profit rate of 2% above 6 months LIBOR. No facility availed as of 31st March 2021 (31 December 2020: Nil and 31st March 2020: USD19,969 thousand equivalent KD 6,161 thousand).
- c. Two secured loan facilities amounting to AED142,350 thousand equivalents to KD11,721 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 31 March 2021 amounted to AED125,989 thousand equivalents to KD10,374 thousand (31 December 2020: AED126,448 thousand equivalents to KD10,442 thousand and 31 March 2020: AED142,350 thousand equivalents to KD10,347 thousand). These facilities are secured by certain foreign investment properties.

Notes to the interim condensed consolidated financial information (continued)

13 Borrowings (continued)

- d. An unsecured loan facility amounting to USD18,500 thousand equivalents to KD5,594 thousand obtained from a local commercial bank carrying interest rate of 2.75% above 3 months LIBOR. Outstanding balance of this facility as of 31 March 2021 amounted to USD14,150 thousand equivalent KD4,279 thousand (31 December 2020: USD18,500 thousand equivalent KD5,610 thousand and 31 March 2020: Nil). The purpose of this facility is to finance the real estate activities in certain foreign countries.
- e. A revolving credit facility amounting to USD10 million was approved from a foreign commercial bank which carries an interest rate of 1.15% per annum. Outstanding balance of this credit facility as of 31 March 2021 amounted to USD720 thousand equivalent to KD218 thousand (31 December 2020: Nil and 31 March 2020: USD100 thousand equivalent KD31 thousand).
- f. An unsecured loan facility of USD16,585 thousand equivalents to KD5,015 thousand obtained from a local commercial bank carrying an interest rate of 2.75% above 3 months LIBOR repayable on every six months was settled during the period and the facility was closed (31 December 2020: USD16,585 thousand equivalents to KD5,029 thousand and 31 March 2020: USD16,585 thousand equivalent KD5,117 thousand).
- g. An unsecured loan facility of EUR2,125 thousand equivalents to KD752 thousand obtained from a related party (represented by a non-controlling interest of a foreign subsidiary) carrying an interest rate of 3% was settled during the year 2020 (31 December 2020: Nil and 31 March 2020: EUR1,943 thousand equivalent KD661 thousand).

Reconciliation of liabilities arising from financing activities

	31 March 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	31 March 2020 (Unaudited) KD '000
Opening balance	21,081	41,632	41,632
Proceeds from bank borrowings	218	5,919	11,462
Repayment of bank borrowings	(6,387)	(26,480)	(14,608)
Effect of change in foreign exchange rates	(41)	10	(276)
Closing balance	14,871	21,081	38,210

14 Bond issued

- a) On 26 December 2016, the Parent Company issued unsecured debenture bonds in the principle amount of KD25,000 thousand as follows:
- KD13,550 thousand with a fixed rate of 5% payable quarterly in arrears maturing on 26 December 2021. On 20 December 2020 the parent Company repurchased an amount of KD4,750 thousand out of these bonds. The outstanding balance as of 31 March 2021 is KD8,800 thousand (31 December 2020: KD8,800 thousand and 31 March 2020: KD13,350 thousand).

Notes to the interim condensed consolidated financial information (continued)

14 Bond issued (continued)

- KD11,450 thousand with variable rate of 2.25%, above Central Bank of Kuwait Discount rate, which is payable quarterly in arrears maturing on 26 December 2021. On 20 December 2020 the Parent Company repurchased an amount of KD10,900 thousand out of these bonds. The outstanding balance as of 31 March 2021 is KD550 thousand (31 December 2020: KD550 thousand and 31 March 2020: KD11,450 thousand).
- b) On 20 December 2020, the Parent Company issued unsecured debenture bonds in the principle amount of KD35,000 thousand as follows:
- KD17,500 thousand with a fixed rate of 4.75% payable quarterly in arrears maturing on 20 December 2025.
 - KD17,500 thousand with variable rate of 3%, above Central Bank of Kuwait Discount rate, capped at 5.5%, which is payable quarterly in arrears maturing on 20 December 2025.

15 Treasury shares

	31 March 2021 (Unaudited)	31 Dec. 2020 (Audited)	31 March 2020 (Unaudited)
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)	226	213	242
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.

16 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2021	88	258	346
<i>Financial assets at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	1	-	1
Exchange differences arising on translation of foreign operations	-	(140)	(140)
Share of other comprehensive income of associate and joint venture	-	12	12
Total other comprehensive income/(loss)	1	(128)	(127)
Balance at 31 March 2021	89	130	219
Balance at 1 January 2020	(174)	371	197
<i>Financial assets at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	(57)	-	(57)
Exchange differences arising on translation of foreign operations	-	463	463
Share of other comprehensive income of associate and joint venture	-	15	15
Total other comprehensive (loss)/income	(57)	478	421
Balance at 31 March 2020	(231)	849	618

Notes to the interim condensed consolidated financial information (continued)

17 Annual General Assembly of the Shareholders

The shareholders' of the Parent Company at the Annual General Assembly held on 22 March 2021 approved the consolidated financial statements of the Group for the year ended 31 December 2020 and approved cash dividend of nil for the year ended 31 December 2020.

Also, refer note 18a about the key management compensation.

18 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 2021 (Unaudited) KD '000	Three months ended 31 March 2020 (Unaudited) KD '000	
Transactions included in the interim condensed consolidated statement of profit or loss:			
Interest income on loans to customer	1	1	
Management fees and commission	2,026	1,304	
Finance costs (Borrowings)	-	14	
<hr/>			
Key management compensation:			
Salaries and other short-term benefits	402	203	
End of service benefits	33	36	
	435	239	
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	31 March 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	31 March 2020 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position:			
Loans to customers	119	127	116
Accounts receivable and other assets	1,403	1,717	1,947
Accounts payable and other liabilities	1,622	1,596	2,044
Borrowings (Note 13 g)	-	-	661

- a) Pursuant to decision issued by the Capital Markets Authority of Kuwait Disciplinary Board, the Parent Company collected back 2019 bonus paid in 2020 from all key management personnel except those who had retired prior to the decision. Thereafter, the Annual General Assembly held on 22 March 2021 approved 2019 bonus amounting to KD482 thousand to the key management personnel. Accordingly, the Parent Company has paid the approved bonus to the key management personnel during the period. Consequently, there is no impact on the interim condensed consolidated financial information for the period ended 31 March 2021.

Notes to the interim condensed consolidated financial information (continued)

19 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 2021 (Unaudited) KD'000	31 March 2020 (Unaudited) KD'000	31 March 2021 (Unaudited) KD'000	31 March 2020 (Unaudited) KD'000	31 March 2021 (Unaudited) KD'000	31 March 2020 (Unaudited) KD'000
Segment revenue	8,157	(9,686)	68	671	8,225	(9,015)
Segment result	4,944	(13,302)	(297)	379	4,647	(12,923)
Provisions for KFAS, NLST and Zakat	(185)	-	-	-	(185)	-
Profit/(loss) for the period	4,759	(13,302)	(297)	379	4,462	(12,923)
Total assets	181,395	164,025	20,698	22,898	202,093	186,923

20 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 2021 amounted to KD987,942 thousand (31 December 2020: KD978,666 thousand and 31 March 2020: KD982,033 thousand). The Group earned management fee of KD2,544 thousand (31 March 2020: KD1,806 thousand) from the asset management activities.

21 Commitments and contingent liability

	31 March 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	31 March 2020 (Unaudited) KD '000
Commitments for purchase of investments	1,996	2,073	2,251
Commitments for investment properties	13,248	14,600	78
Letter of guarantee	-	-	2
Unsold borrowed equity securities	552	-	-
	15,796	16,673	2,331

22 Forward foreign exchange contracts

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

	31 March 2021 (Unaudited)		31 Dec. 2020 (Audited)		31 March 2020 (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	10,602	93	10,665	101	10,810	(114)

Notes to the interim condensed consolidated financial information (continued)

23 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.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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:

	KD'000			
	Level 1	Level 2	Level 3	Total
31 March 2021 (Unaudited)				
Financial assets at FVTPL				
Quoted securities	23,904	-	-	23,904
Managed funds	-	53,241	-	53,241
Equity participation	-	-	14,942	14,942
Fixed income securities	4,333	-	700	5,033
	28,237	53,241	15,642	97,120
Derivative				
Forward foreign currency contracts held for trading	-	93	-	93
Financial assets at FVOCI				
Debt investments	-	-	406	406
	28,237	53,334	16,048	97,619
Financial liabilities at FVTPL				
	17	-	-	17
31 December 2020 (Audited)				
Financial assets at FVTPL				
Quoted securities	22,802	-	-	22,802
Managed funds	-	52,173	-	52,173
Equity participations	-	-	10,060	10,060
Fixed income securities	4,266	-	800	5,066
	27,068	52,173	10,860	90,101
Derivative				
Forward foreign currency contracts held for trading	-	101	-	101
Financial assets at FVOCI				
Debt investments	-	-	410	410
	27,068	52,274	11,270	90,612

Notes to the interim condensed consolidated financial information (continued)

23 Fair value measurement (continued)

31 March 2020 (Unaudited)

	KD'000			Total
	Level 1	Level 2	Level 3	
Financial assets at FVTPL				
Quoted securities	17,385	-	-	17,385
Managed funds	-	57,620	-	57,620
Equity participation	-	-	13,749	13,749
Fixed income securities	4,471	-	1,000	5,471
	21,856	57,620	14,749	94,225
Derivative				
Forward foreign currency contracts held for trading	-	(114)	-	(114)
Financial assets at FVOCI				
Debt instruments	-	-	2,586	2,586
	21,856	57,506	17,335	96,697

Fair value of financial assets 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:

	31 March 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	31 March 2020 (Unaudited) KD '000
Opening balance	11,270	17,470	17,470
Net additions/(disposal/redemption)	4,777	(7,109)	23
Net change in fair value	1	909	(158)
Closing balance	16,048	11,270	17,335

24 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 interim condensed consolidated financial information.

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

Notes to the interim condensed consolidated financial information (continued)

25 Fire incident

During the previous year, one of the structured entities reported a fire incident at a development project in the USA which has damaged substantial part of the project buildings. The project is covered by an insurance policy against damage due to fire. The loss due to fire incident has been fully assessed and the Group's management believes that the insurance claim will cover for the losses incurred on this project as the insurer has already accepted the claim and paid substantial part of the insurance claim for the reconstruction of the damaged site. Accordingly, this incident will not materially impact the Group's interim consolidated financial information.

26 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, 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.

Further, management is aware that a continued and persistent disruption could negatively impact the consolidated financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its industry reports and cash flows to minimise any negative impact on the Group.