

Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

30 September 2022 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Financial Centre – KPSC (“the Parent Company”) and its subsidiaries (“the Group”) as at 30 September 2022 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

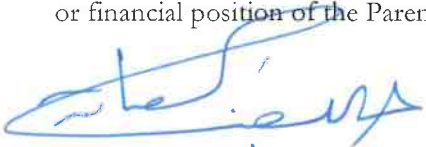
Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violation of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the nine-month period ended 30 September 2022 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, to the best of our knowledge and belief, 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 Markets Authority and its related regulations during the nine-month period ended 30 September 2022 that might have had a material effect on the business or financial position of the Parent Company.



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Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2022 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2022 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Revenue					
Interest income		102	115	305	386
Dividend income		327	148	779	900
Management fees and commission		3,304	2,026	9,304	7,013
(Loss)/gain from financial assets at fair value through profit or loss	6	(2,774)	2,927	(948)	14,373
Gain from financial liabilities at fair value through profit or loss		-	6	11	4
Gain from financial assets at fair value through other comprehensive income		4	218	4	218
Share of results of associate and joint ventures		(52)	(22)	(109)	8
Gain/(loss) on sale of investment properties	11	90	(122)	209	221
Net rental income		911	898	2,757	2,619
Foreign currency exchange loss		(565)	(175)	(1,121)	(700)
Other income		17	130	50	162
		1,364	6,149	11,241	25,204
Expenses and other charges					
General and administrative expenses	11	(2,377)	(2,314)	(8,141)	(7,711)
Impairment of investment properties		-	-	-	(429)
Other expenses		19	(53)	(31)	(225)
Finance costs		(796)	(630)	(1,951)	(2,028)
		(3,154)	(2,997)	(10,123)	(10,393)
(Loss)/profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		(1,790)	3,152	1,118	14,811
Reversal of provision for/(provision for) contribution to KFAS		18	(32)	(5)	(130)
Reversal of provision for/(provision for) NLST		40	(74)	(34)	(345)
Reversal of provision for/(provision for) Zakat		17	(30)	(13)	(138)
(Loss)/profit for the period		(1,715)	3,016	1,066	14,198
(Loss)/profit for the period attributable to:					
Owners of the Parent Company		(1,898)	3,383	533	13,794
Non-controlling interests		183	(367)	533	404
(Loss)/profit for the period		(1,715)	3,016	1,066	14,198
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	7	(4) Fils	7 Fils	1 Fils	28 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		Nine months ended	
	30 Sept. 2022 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2022 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000
(Loss)/profit for the period	(1,715)	3,016	1,066	14,198
Other comprehensive income/(loss):				
<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	-	(2)	-	-
- Transferred to interim condensed consolidated statement of profit or loss on redemption	-	(132)	-	(132)
<i>Foreign currency translation:</i>				
- Exchange differences arising on translation of foreign operations	419	104	818	(347)
Share of other comprehensive income/(loss) of associate and joint ventures	57	(7)	380	(26)
Total other comprehensive income/(loss)	476	(37)	1,198	(505)
Total comprehensive (loss)/income for the period	(1,239)	2,979	2,264	13,693
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Parent Company	(1,518)	3,355	1,552	13,372
Non-controlling interests	279	(376)	712	321
	(1,239)	2,979	2,264	13,693

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 Sept. 2022 (Unaudited) KD '000	31 Dec. 2021 (Audited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Assets				
Cash and bank balances	8	9,845	10,497	7,024
Time deposits	8	2,131	106	5,044
Accounts receivable and other assets		7,041	6,753	6,578
Loans to customers		768	625	525
Financial assets at fair value through profit or loss	9	118,753	111,618	107,069
Assets held for sale		-	-	2,090
Financial assets at amortised cost	10	1,804	2,167	774
Investment in associate and joint ventures		1,883	2,875	3,397
Investment properties	11	73,902	75,092	72,035
Right-of-use assets		1,063	1,104	124
Equipment		558	729	763
Total assets		217,748	211,566	205,423
Liabilities and equity				
Liabilities				
Due to banks	8	-	457	1,303
Accounts payable and other liabilities		13,778	15,077	12,374
Borrowings	12	36,801	25,280	13,337
Bonds issued	13	35,000	35,000	44,350
Total liabilities		85,579	75,814	71,364
Equity				
Share capital		50,484	48,080	48,080
Share premium		7,902	7,902	7,902
Treasury shares	14	(309)	(260)	(260)
Statutory reserve		18,339	18,339	16,752
Voluntary reserve		16,694	16,694	15,107
Other components of equity	15	460	(559)	(76)
Retained earnings		8,093	14,327	16,365
Equity attributable to the owners of the Parent Company		101,663	104,523	103,870
Non-controlling interests		30,506	31,229	30,189
Total equity		132,169	135,752	134,059
Total liabilities and equity		217,748	211,566	205,423


Diraar Yusuf Alghanim
Chairman


Ali Hassan Khalil
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 KD '000		
Balance at 1 January 2022	48,080	7,902	(260)	18,339	16,694	(559)	14,327	104,523	135,752
Net change in non-controlling interests	-	-	-	-	-	-	-	-	(561)
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	419	419	(419)
Cash dividend (Note 16)	-	-	-	-	-	-	(4,782)	(4,782)	-
Issue of bonus shares (Note 16)	2,404	-	-	-	-	-	(2,404)	-	(4,782)
Purchase of treasury shares	-	-	(49)	-	-	-	-	(49)	-
Payment of cash dividend to non-controlling interests' shareholders	-	-	-	-	-	-	-	-	(49)
Transactions with owners	2,404	-	(49)	-	-	-	(6,767)	(4,412)	(1,435)
Profit for the period	-	-	-	-	-	-	533	533	533
Total other comprehensive income for the period	-	-	-	-	-	1,019	-	1,019	179
Total comprehensive income for the period	-	-	-	-	-	1,019	533	1,552	712
Balance at 30 September 2022	50,484	7,902	(309)	18,339	16,694	460	8,093	101,663	30,506
									132,169

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 15) KD '000	Retained earnings KD '000		
Balance at 1 January 2021	48,080	7,902	(260)	16,752	15,107	346	3,299	91,226	125,794
Net change in non-controlling interests	-	-	-	-	-	-	-	-	(5,026)
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	(728)	(728)	728
Payment of cash dividend to non-controlling interests' shareholders	-	-	-	-	-	-	-	-	(402)
Transactions with owners	-	-	-	-	-	-	(728)	(728)	(4,700)
Profit for the period	-	-	-	-	-	-	13,794	13,794	404
Total other comprehensive loss for the period	-	-	-	-	-	(422)	-	(422)	(83)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(422)	13,794	13,372	321
Balance at 30 September 2021	48,080	7,902	(260)	16,752	15,107	(76)	16,365	103,870	30,189
								103,870	134,059

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	Nine months ended 30 Sept. 2022 (Unaudited) KD '000	Nine months ended 30 Sept. 2021 (Unaudited) KD '000
OPERATING ACTIVITIES			
Profit for the period		1,066	14,198
Adjustments for:			
Interest income		(305)	(386)
Share of results of associate and joint ventures		109	(8)
Gain on sale of investment properties	11	(209)	(221)
Gain on sale of financial assets at fair value through other comprehensive income		(4)	(218)
Depreciation		1,141	1,217
Amortisation of right-of-use assets		202	204
Impairment of investment properties		-	429
Charge of provisions		6	(2)
Finance costs		1,951	2,028
		3,957	17,241
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(7,135)	(16,968)
Accounts receivable and other assets		(267)	87
Loans to customers		(144)	(20)
Accounts payable and other liabilities		(1,408)	2,347
Net cash (used in)/from operating activities		(4,997)	2,687
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		(822)	(30)
Purchase of equipment		(96)	(103)
Purchase of financial assets at amortised cost		(743)	(639)
Proceeds from redemption of financial assets at amortised cost		932	4,852
Proceeds on redemption of financial assets at fair value through OCI		4	628
Additions to investment properties	11	(4,631)	(5,928)
Proceeds from sale of investment properties	11	6,953	5,622
Decrease in investment in joint ventures		1,263	-
Interest income received		279	386
Net cash from investing activities		3,139	4,788
FINANCING ACTIVITIES			
Dividend paid		(4,739)	(38)
Dividend paid to non-controlling interests shareholders		(455)	(402)
Purchase of treasury shares		(49)	-
Proceeds from borrowings	12	23,952	3,079
Repayment of borrowings	12	(12,836)	(10,768)
Finance costs paid		(1,861)	(2,048)
Payment of lease liabilities		(185)	(214)
Net change in non-controlling interests		(561)	(5,026)
Net cash from/(used in) financing activities		3,266	(15,417)
Increase/(decrease) in cash and cash equivalents		1,408	(7,942)
Foreign currency adjustments		(400)	(108)
Cash and cash equivalents at the beginning of the period	8	10,047	18,725
Cash and cash equivalents at the end of the period	8	11,055	10,675

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 this interim condensed consolidated financial information for issue on 10 November 2022.

2 Basis of preparation

This interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2022 has been prepared in accordance with IAS 34, Interim Financial Reporting except as noted below.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

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 2021.

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

Operating results for the nine months ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2021.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

The following new amendments or standards were effective for the current period.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

IFRS 3 – Reference to the conceptual framework

The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The adoption of the amendments did not have a significant impact on the Group’s interim condensed consolidated financial information.

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

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)

IAS 16 Amendments - Proceeds before intended use (continued)

The adoption of the amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

The adoption of the amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

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.

Amendment to IFRS 16 avoids 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.

The adoption of the amendments did not have a significant impact on the Group's interim condensed 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.

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)

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

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.

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

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 – 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 interim condensed consolidated financial information.

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 interim condensed consolidated financial information.

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 2021.

5 Group's subsidiaries

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

Name	Country of incorporation	Ownership percentage			Activities
		30 Sept. 2022 (Unaudited)	31 Dec. 2021 (Audited)	30 Sept. 2021 (Unaudited)	
Markaz Arabian Fund	Kingdom of Bahrain	94.79%	94.89%	94.88%	Investment Fund
Markaz Gulf Real Estate Fund	Kuwait	46.57%	50.38%	50.18%	Real Estate Fund

The ownership of Markaz Arabian Fund decreased by 0.10% (30 September 2021: increased by 25.48%) and Markaz Gulf Real Estate Fund decreased by 3.81% (30 September 2021: increased by 1.73%) 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 gain of KD419 thousand (30 September 2021: net loss of KD728 thousand), which was included in interim condensed consolidated statement of changes in equity.

Notes to the interim condensed consolidated financial information (continued)

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

	Three months ended		Nine months ended	
	30 Sept. 2022 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2022 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Change in fair value of financial assets at fair value through profit or loss	(2,989)	2,112	(1,671)	12,485
Gain on sale of financial assets at fair value through profit or loss	215	815	723	1,888
	(2,774)	2,927	(948)	14,373

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

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

	Three months ended		Nine months ended	
	30 Sept. 2022 (Unaudited)	30 Sept. 2021 (Unaudited)	30 Sept. 2022 (Unaudited)	30 Sept. 2021 (Unaudited)
(Loss)/profit for the period attributable to the owners of the Parent Company (KD '000)	(1,898)	3,383	533	13,794
Weighted average number of shares outstanding and in issue during the period (excluding treasury shares)	501,774,260	502,111,834	501,978,242	502,111,834
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	(4) Fils	7 Fils	1 Fils	28 Fils

The weighted average number of shares outstanding during previous period has been restated to add the bonus shares approved at the Annual General Meeting of the Parent Company's shareholders held on 27 March 2022 (Note 16). The basic and diluted earnings per share reported during the three months ended 30 September 2021 and nine months ended 30 September 2021 were 7 Fils and 29 Fils respectively.

8 Cash and cash equivalents

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

	30 Sept. 2022 (Unaudited) KD '000	31 Dec. 2021 (Audited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Cash and bank balances	9,845	10,497	7,024
Time deposits	2,131	106	5,044
	11,976	10,603	12,068
Less: Due to banks	-	(457)	(1,303)
Less: Time deposits maturing after three months	(921)	(99)	(90)
Cash and cash equivalent for the purpose of interim condensed consolidated statement of cash flows	11,055	10,047	10,675

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 0.65% (31 December 2021: 0.84% and 30 September 2021: 0.86%) per annum.

The total overdraft facilities available to the Group from local commercial banks which carries interest rate at 2.00% to 2.25% above Central Bank of Kuwait discount rate were KD5,000 thousand (31 December 2021: KD5,000 thousand and 30 September 2021: KD5,500 thousand) and no amount has been availed from these facilities as at 30 September 2022 (31 December 2021: KD457 thousand and 30 September 2021: KD1,303 thousand).

9 Financial assets at fair value through profit or loss

	30 Sept. 2022 (Unaudited) KD '000	31 Dec. 2021 (Audited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Local quoted securities	2,691	2,627	2,678
Foreign quoted securities	19,830	21,575	21,027
Local managed funds	49,645	48,150	47,730
Foreign managed funds	13,617	13,540	13,248
Fixed income securities	5,010	5,328	5,450
Equity participation	27,960	20,398	16,936
	118,753	111,618	107,069

The interest rates on fixed income securities range from 2.25% to 7.625% (31 December 2021: 2.625% to 7.625% and 30 September 2021: 2.375% to 7.625%) per annum.

10 Financial assets at amortised cost

These represent debt instruments amounting to KD1,804 thousand (31 December 2021: KD2,167 thousand and 30 September 2021: KD774 thousand) carrying interest rate 8% per annum (31 December 2021 and 30 September 2021: 8% to 13% per annum).

11 Investment properties

The movement in investment properties is as follows:

	30 Sept. 2022 (Unaudited) KD '000	31 Dec. 2021 (Audited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Carrying value at the beginning of the period/year	75,092	75,401	75,401
Additions	4,631	8,351	5,928
Disposal	(6,744)	(6,849)	(5,401)
Transfer to assets held for sale	-	(2,090)	(2,090)
Reversal of Impairment/(impairment charged) (net)	-	1,722	(429)
Depreciation	(874)	(1,254)	(949)
Foreign currency translation adjustment	1,797	(189)	(425)
	73,902	75,092	72,035

Investment properties with carrying value of KD6,744 thousand were sold during the period for a consideration of KD6,953 thousand at a net gain of KD209 thousand.

Investment properties with carrying value of KD33,458 thousand (31 December 2021: KD31,125 thousand and 30 September 2021: KD27,831 thousand) are secured against bank borrowings.

Notes to the interim condensed consolidated financial information (continued)

12 Borrowings

This represents following borrowings:

- a. Unsecured loans facilities amounting to KD17,000 thousand obtained from local commercial banks carry interest rate ranging from 1.5% to 2% above Central Bank of Kuwait discount rate (31 December 2021: KD15,000 thousand and 30 September 2021 KD15,000 thousand). Outstanding balance of these facilities as of 30 September 2022 amounted to KD7,000 thousand (31 December 2021: KD9,000 thousand and 30 September 2021: Nil).
- b. Two unsecured Murabaha facilities amounting to KD10,000 thousand obtained from local Islamic banks with a profit rate of 1.75% to 2% above Central Bank of Kuwait discount rate. Outstanding balance of these facilities as of 30 September 2022 amounted to KD5,500 thousand (31 December 2021: KD1,500 thousand and 30 September 2021: Nil). Also, one unsecured Murabaha facility of USD20,000 thousand equivalents to KD6,216 thousand was obtained from a local Islamic bank with a profit rate of 2% above 6 months LIBOR. Outstanding balance of these loan facilities as at 30 September 2022 amounted to USD19,987 thousand equivalents to KD6,212 thousand (31 December 2021: Nil and 30 September 2021: Nil).
- c. Two secured loan facilities amounting to AED142,350 thousand equivalents to KD12,047 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 September 2022 amounted to AED87,644 thousand equivalents to KD7,417 thousand (31 December 2021: AED114,819 thousand equivalents to KD9,458 thousand and 30 September 2021: AED117,363 thousand equivalents to KD9,640 thousand). These facilities are secured by certain foreign investment properties.
- d. A revolving credit facility amounting to USD10,000 thousand equivalents to KD3,108 thousand was approved from a foreign commercial bank which carries an interest rate of 2.03% per annum. No facility availed as of 30 September 2022 (31 December 2021: USD120 thousand equivalents to KD36 thousand and 30 September 2021: Nil).
- e. A secured loan facility amounting to USD37,161 thousand equivalents to KD11,550 thousand obtained from a foreign commercial bank which carry an interest rate of 2.38% above 1-month LIBOR. Outstanding balance of this loan facility as at 30 September 2022 amounted to USD34,337 thousand equivalents to KD10,672 thousand (31 December 2021: USD17,476 thousand equivalents to KD5,286 thousand and 30 September 2021: USD10,207 thousand equivalents to KD3,079 thousand). This facility is secured by certain foreign investment properties.

Reconciliation of liabilities arising from financing activities

	30 Sept. 2022 (Unaudited) KD '000	31 Dec. 2021 (Audited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Opening balance	25,280	21,081	21,081
Proceeds from bank borrowings	23,952	15,823	3,079
Repayment of bank borrowings	(12,836)	(11,600)	(10,768)
Effect of change in foreign exchange rates	405	(24)	(55)
Closing balance	36,801	25,280	13,337

Notes to the interim condensed consolidated financial information (continued)

13 Bond issued

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.

14 Treasury shares

	30 Sept. 2022 (Unaudited)	31 Dec. 2021 (Audited)	30 Sept. 2021 (Unaudited)
Number of shares	3,067,574	2,600,000	2,600,000
Percentage of issued shares	0.61%	0.54%	0.54%
Market value (KD '000)	353	471	455
Cost (KD'000)	309	260	260

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

The increase in number of treasury shares during the current period includes 130,000 shares issued on account of 5% bonus issue.

15 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2022	-	(559)	(559)
Exchange differences arising on translation of foreign operations	-	639	639
Share of other comprehensive income of associate and joint ventures	-	380	380
Total other comprehensive income	-	1,019	1,019
Balance at 30 September 2022	-	460	460
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	(88)	-	(88)
Exchange differences arising on translation of foreign operations	-	(308)	(308)
Share of other comprehensive loss of associate and joint ventures	-	(26)	(26)
Total other comprehensive loss	(88)	(334)	(422)
Balance at 30 September 2021	-	(76)	(76)

Notes to the interim condensed consolidated financial information (continued)

16 Annual General Assembly of the Shareholders

The shareholders of the Parent Company at the Annual General Assembly held on 27 March 2022 approved the consolidated financial statements of the Group for the year ended 31 December 2021 and approved Board of Directors proposal of cash dividend of 10 Fils per share amounting to KD4,782 thousand and bonus shares of 5% (5 shares for each 100 shares) for the year ended 31 December 2021.

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.

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

	Three months ended		Nine months ended	
	30 Sept. 2022 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2022 (Unaudited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss:				
Interest income on loans to customers	1	-	2	2
Interest income on financial assets at amortised cost	28	-	111	-
Management fees and commission	2,286	1,398	6,690	4,884
<hr/>				
Key management compensation:				
Salaries and other short-term benefits	138	202	398	874
End of service benefits	52	20	128	73
	190	222	526	947
<hr/>				
	30 Sept. 2022 (Unaudited) KD '000	31 Dec. 2021 (Audited) KD '000	30 Sept. 2021 (Unaudited) KD '000	
Balances included in the interim condensed consolidated statement of financial position:				
Loans to customers	114	81	87	
Financial assets at amortised cost	1,804	2,167	-	
Accounts receivable and other assets	2,511	2,478	2,015	
Accounts payable and other liabilities	1,766	1,464	1,255	

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.

Notes to the interim condensed consolidated financial information (continued)

18 Segmental information (continued)

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

	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	30 Sept. 2022 (Unaudited) KD'000	30 Sept. 2021 (Unaudited) KD'000	30 Sept. 2022 (Unaudited) KD'000	30 Sept. 2021 (Unaudited) KD'000	30 Sept. 2022 (Unaudited) KD'000	30 Sept. 2021 (Unaudited) KD'000
Segment revenue	12,354	23,711	(1,113)	1,493	11,241	25,204
Segment result	2,998	15,974	(1,880)	(1,163)	1,118	14,811
Provisions for KFAS, NLST and Zakat	(52)	(613)	-	-	(52)	(613)
Profit/(loss) for the period	2,946	15,361	(1,880)	(1,163)	1,066	14,198
Total assets	202,306	186,543	15,442	18,880	217,748	205,423

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 September 2022 amounted to KD1,142,285 thousand (31 December 2021: KD1,041,187 thousand and 30 September 2021: KD1,053,186 thousand) which include related party assets under management at 30 September 2022 amounting to KD424,651 thousand (31 December 2021: KD457,330 thousand and 30 September 2021: KD484,222 thousand). The Group earned management fee of KD8,731 thousand (30 September 2021: KD6,448 thousand) from the asset management activities.

20 Commitments and contingent liability

	30 Sept. 2022 (Unaudited) KD '000	31 Dec. 2021 (Audited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Commitments for purchase of investments	1,385	1,686	1,044
Commitments for investment properties	2,168	6,681	8,443
Unsold borrowed equity securities	2,436	2,260	1,763
Commitments to related party	50	24	-
Letter of guarantee	175	-	-
	6,214	10,651	11,250

Notes to the interim condensed consolidated financial information (continued)

21 Forward foreign exchange contracts

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

	30 Sept. 2022 (Unaudited)		31 Dec. 2021 (Audited)		30 Sept. 2021 (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	10,870	(150)	10,617	(31)	10,575	9

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.

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
30 September 2022 (Unaudited)				
Financial assets at FVTPL				
Quoted securities	22,521	-	-	22,521
Managed funds	-	63,262	-	63,262
Equity participation	-	-	27,960	27,960
Fixed income securities	4,310	-	700	5,010
	26,831	63,262	28,660	118,753
Derivative				
Forward foreign currency contracts held for trading	-	(150)	-	(150)
	26,831	63,112	28,660	118,603

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

	KD'000			
	Level 1	Level 2	Level 3	Total
31 December 2021 (Audited)				
Financial assets at FVTPL				
Quoted securities	24,202	-	-	24,202
Managed funds	-	61,690	-	61,690
Equity participations	-	-	20,398	20,398
Fixed income securities	4,828	-	500	5,328
	29,030	61,690	20,898	111,618
Derivative				
Forward foreign currency contracts held for trading	-	(31)	-	(31)
	29,030	61,659	20,898	111,587
30 September 2021 (Unaudited)				
Financial assets at FVTPL				
Quoted securities	23,705	-	-	23,705
Managed funds	-	60,978	-	60,978
Equity participation	-	-	16,936	16,936
Fixed income securities	4,950	-	500	5,450
	28,655	60,978	17,436	107,069
Derivative				
Forward foreign currency contracts held for trading	-	9	-	9
	28,655	60,987	17,436	107,078

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:

	30 Sept. 2022 (Unaudited) KD '000	31 Dec. 2021 (Audited) KD '000	30 Sept. 2021 (Unaudited) KD '000
Opening balance	20,898	11,270	11,270
Net additions	8,479	9,525	6,357
Net change in fair value	(717)	103	(191)
Closing balance	28,660	20,898	17,436

Notes to the interim condensed consolidated financial information (continued)

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 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.

24 Effect of COVID-19

The rate of new infections due to Covid-19 has drastically reduced globally due to mass vaccination campaigns, leading to loosening of public health measures to a great extent. There has been an overall revival in global economic activity as life has gradually returned to normal. The Group's operating environment has accordingly improved moderately and signs of economic recovery are visible across the region and globally. However, uncertainty prevails over emergence of a new and more infectious variant of Covid-19 virus with potential to cause global economic disruption.

The decline in the fair value of Group's financial assets consequent to Covid-19 has been substantially fully recovered as of reporting date. The Group has in place an operational Business Continuity Plan which had been effectively applied during 2020 following the emergence of Covid-19. In addition, the Group continually deploys its risk management and forecasting tools to analyse and measure the impact of Covid-19 like events on Group's financial statements. The Group has considered that no additional adjustments and changes in judgements, estimates and risk management are required to be considered and reported in the condensed interim consolidated financial information.