

Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

31 March 2023 (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 2023 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.

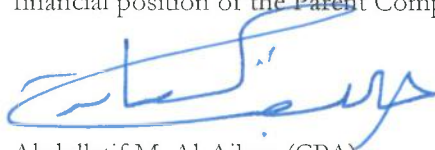
Conclusion

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, 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 three-month period ended 31 March 2023 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 three-month period ended 31 March 2023 that might have had a material effect on the business or financial position of the Parent Company.



Abdullatif M. Al-Aiban (CPA)
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of Grant Thornton – Al-Qatami, Al-Aiban & Partners



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Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2023 (Unaudited) KD '000	Three months ended 31 March 2022 (Unaudited) KD '000
Revenue			
Interest income		209	105
Dividend income		322	257
Management fees and commission		1,816	3,143
(Loss)/gain from financial assets at fair value through profit or loss	6	(2,836)	7,731
(Loss)/gain from financial liabilities at fair value through profit or loss		(6)	9
Share of results of associates and joint ventures		(91)	40
Gain on sale of investment properties	11	687	91
Net rental income		869	917
Foreign currency exchange gain/(loss)		93	(75)
Other income		129	22
		1,192	12,240
Expenses and other charges			
General and administrative expenses		(2,855)	(3,275)
Impairment of investment in joint venture		(106)	-
Other expenses		(85)	13
Finance costs		(854)	(546)
		(3,900)	(3,808)
(Loss)/profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat			
		(2,708)	8,432
Provision for contribution to KFAS		-	(73)
Provision for NLST		-	(208)
Provision for Zakat		-	(83)
(Loss)/profit for the period		(2,708)	8,068
(Loss)/profit for the period attributable to:			
Owners of the Parent Company		(3,175)	7,805
Non-controlling interests		467	263
(Loss)/profit for the period		(2,708)	8,068
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company			
	7	(6) Fils	16 Fils

The notes set out on pages 8 to 20 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 2023 (Unaudited) KD '000	Three months ended 31 March 2022 (Unaudited) KD '000
(Loss)/profit for the period	(2,708)	8,068
Other comprehensive income:		
<i>Items to be reclassified to statement of profit or loss in subsequent periods:</i>		
<i>Foreign currency translation:</i>		
- Exchange differences arising on translation of foreign operations	182	90
Share of other comprehensive income of associates and joint ventures	-	149
Total other comprehensive income	182	239
Total comprehensive (loss)/income for the period	(2,526)	8,307
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Parent Company	(3,006)	8,032
Non-controlling interests	480	275
	(2,526)	8,307

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	31 March 2023 (Unaudited) KD '000	31 Dec. 2022 (Audited) KD '000	31 March 2022 (Unaudited) KD '000
Assets				
Cash and bank balances	8	17,176	15,112	11,847
Time deposits	8	1,502	2,104	98
Accounts receivable and other assets		5,227	6,136	6,311
Loans to customers		2,658	2,709	670
Financial assets at fair value through profit or loss	9	104,246	105,069	116,282
Financial assets at amortised cost	10	4,011	1,976	2,146
Investment in associates and joint ventures		3,714	4,148	2,689
Investment properties	11	69,714	72,631	75,168
Right-of-use assets		925	994	1,240
Equipment		558	587	664
Total assets		209,731	211,466	217,115
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		17,091	14,178	21,650
Borrowings	12	30,376	29,015	21,700
Bonds issued	13	35,000	35,000	35,000
Total liabilities		82,467	78,193	78,350
Equity				
Share capital		50,484	50,484	48,080
Share premium		7,902	7,902	7,902
Treasury shares	14	(309)	(309)	(260)
Statutory reserve		18,642	18,642	18,339
Voluntary reserve		16,997	16,997	16,694
Other components of equity	15	163	(6)	(332)
Retained earnings		4,410	9,883	17,427
Equity attributable to the owners of the Parent Company		98,289	103,593	107,850
Non-controlling interests		28,975	29,680	30,915
Total equity		127,264	133,273	138,765
Total liabilities and equity		209,731	211,466	217,115


Diraar Yusuf Alghanim
Chairman


Ali Hassan Khalil
Chief Executive Officer

The notes set out on pages 8 to 20 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			Sub total KD '000
Balance at 1 January 2023	50,484	7,902	(309)	18,642	16,997	(6)	9,883	103,593	29,680	133,273
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	-	-	(843)	(843)
Net change in non-controlling interests (Note 5.1)	-	-	-	-	-	-	211	211	(211)	-
Cash dividend (Note 16)	-	-	-	-	-	-	(2,509)	(2,509)	-	(2,509)
Payment of cash dividend to non-controlling interests' shareholders	-	-	-	-	-	-	-	-	(131)	(131)
Transactions with owners	-	-	-	-	-	-	(2,298)	(2,298)	(1,185)	(3,483)
(Loss)/profit for the period	-	-	-	-	-	-	(3,175)	(3,175)	467	(2,708)
Total other comprehensive income for the period	-	-	-	-	-	169	-	169	13	182
Total comprehensive income/(loss) for the period	-	-	-	-	-	169	(3,175)	(3,006)	480	(2,526)
Balance at 31 March 2023	50,484	7,902	(309)	18,642	16,997	163	4,410	98,289	28,975	127,264

The notes set out on pages 8 to 20 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			Sub total KD '000
Balance at 1 January 2022	48,080	7,902	(260)	18,339	16,694	(559)	14,327	104,523	31,229	135,752
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	77	77	(77)	-
Net change in non-controlling interests (Note 5.1)	-	-	-	-	-	-	-	-	(394)	(394)
Cash dividend	-	-	-	-	-	-	(4,782)	(4,782)	-	(4,782)
Payment of cash dividend to non-controlling interests' shareholders	-	-	-	-	-	-	-	-	(118)	(118)
Transactions with owners	-	-	-	-	-	-	(4,705)	(4,705)	(589)	(5,294)
Profit for the period	-	-	-	-	-	-	7,805	7,805	263	8,068
Total other comprehensive income for the period	-	-	-	-	-	227	-	227	12	239
Total comprehensive income for the period	-	-	-	-	-	227	7,805	8,032	275	8,307
Balance at 31 March 2022	48,080	7,902	(260)	18,339	16,694	(332)	17,427	107,850	30,915	138,765

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2023 (Unaudited) KD '000	Three months ended 31 March 2022 (Unaudited) KD '000
OPERATING ACTIVITIES			
(Loss)/profit for the period		(2,708)	8,068
Adjustments for:			
Interest income		(209)	(105)
Depreciation		356	392
Amortisation of right-of-use assets		69	66
Gain on sale of investment properties		(687)	(91)
Share of results of associates and joint ventures		91	(40)
Impairment of investment in joint venture		106	-
Charge of provisions		-	2
Finance costs		854	546
		(2,128)	8,838
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		865	(4,664)
Accounts receivable and other assets		996	479
Loans to customers		51	(45)
Accounts payable and other liabilities		397	1,651
Net cash from operating activities		181	6,259
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		60	5
Purchase of equipment		(133)	(28)
Purchase of financial assets at amortised cost		(1,993)	-
Additions to investment properties	11	(3,901)	(2,022)
Proceeds from sale of investment properties	11	7,355	2,010
Decrease in investment in joint ventures		237	375
Interest income received		122	66
Net cash from investing activities		1,747	406
FINANCING ACTIVITIES			
Dividend paid		(8)	(6)
Dividend paid to non-controlling interests shareholders		(131)	(118)
Proceeds from borrowings	12	16,674	6,912
Repayment of borrowings	12	(15,324)	(10,561)
Finance costs paid		(817)	(545)
Payment of lease liabilities		(64)	(57)
Net change in non-controlling interests		(843)	(394)
Net cash used in financing activities		(513)	(4,769)
Increase in cash and cash equivalents		1,415	1,896
Foreign currency adjustments		107	(92)
Cash and cash equivalents at the beginning of the period	8	17,139	10,047
Cash and cash equivalents at the end of the period	8	18,661	11,851

The notes set out on pages 8 to 20 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 9 May 2023.

2 Basis of preparation

This interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2023 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 2022.

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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2022.

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>
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023

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.

The adoption of amendments did not 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.

The adoption of amendments did not 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

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>
IAS 1 Amendments- Classification of current and non-current	1 January 2024
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IFRS 16 Amendments- Leases	1 January 2024

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 amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities depends only on the covenants that an entity is required to comply with on or before the reporting date of the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

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

IFRS 16 Amendments – Leases

The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Amendments – Leases (continued)

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

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 2022.

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 2023 (Unaudited)	31 Dec. 2022 (Audited)	31 March 2022 (Unaudited)	
Markaz Arabian Fund	Kingdom of Bahrain	93.45%	93.46%	94.97%	Investment Fund
Markaz Gulf Real Estate Fund	Kuwait	40.25%	47.50%	50.58%	Real Estate Fund
GCC Momentum Fund	Kuwait	100.00%	-	-	Investment Fund

5.1 The ownership of Markaz Arabian Fund decreased by 0.01% (31 March 2022: increased by 0.08%) and Markaz Gulf Real Estate Fund decreased by 7.25% (31 March 2022: increased by 0.20%) 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 KD211 thousand (31 March 2022: net gain of KD77 thousand), which was included in interim condensed consolidated statement of changes in equity.

5.2 Consolidation of a subsidiary

During the period, the Group incorporated a fully owned investment fund (GCC Momentum Fund) and consolidated financial information of this fund in the interim condensed consolidated financial information of the Group, as of 31 March 2023.

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 31 March 2023 (Unaudited) KD '000	Three months ended 31 March 2022 (Unaudited) KD '000
Change in fair value of financial assets at fair value through profit or loss	(2,913)	7,189
Gain on sale of financial assets at fair value through profit or loss	77	542
	(2,836)	7,731

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 31 March 2023 (Unaudited)	Three months ended 31 March 2022 (Unaudited)
(Loss)/profit for the period attributable to the owners of the Parent Company (KD '000)	(3,175)	7,805
Weighted average number of shares outstanding and in issue during the period (net of treasury shares)	501,774,260	502,111,834
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	(6) Fils	16 Fils

8 Cash and cash equivalents

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

	31 March 2023 (Unaudited) KD '000	31 Dec. 2022 (Audited) KD '000	31 March 2022 (Unaudited) KD '000
Cash and bank balances	17,176	15,112	11,847
Time deposits	1,502	2,104	98
	18,678	17,216	11,945
Less: Time deposits maturing after three months	(17)	(77)	(94)
Cash and cash equivalent for the purpose of interim condensed consolidated statement of cash flows	18,661	17,139	11,851

The Group's time deposits carry an average effective interest and profit rates of 3.08% to 6.5% (31 December 2022: 0.65% to 6.5% and 31 March 2022: 0.65%) per annum.

Notes to the interim condensed consolidated financial information (continued)

8 Cash and cash equivalents (continued)

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 2022: KD5,000 thousand and 31 March 2022: KD5,000 thousand) and no amount has been availed from these facilities as at 31 March 2023 (31 December 2022 and 31 March 2022: Nil).

9 Financial assets at fair value through profit or loss

	31 March 2023 (Unaudited) KD '000	31 Dec. 2022 (Audited) KD '000	31 March 2022 (Unaudited) KD '000
Local quoted securities	2,231	2,264	2,810
Foreign quoted securities	16,679	12,575	22,659
Local managed funds	47,633	50,444	54,741
Foreign managed funds	13,257	13,509	13,403
Fixed income securities	7,010	6,395	4,531
Equity participation	17,436	19,882	18,138
	104,246	105,069	116,282

The interest rates on fixed income securities range from 2.25% to 7.625% (31 December 2022: 2.25% to 7.625% and 31 March 2022: 2.25% to 7.625%) per annum.

10 Financial assets at amortised cost

These represent debt instruments amounting to KD4,011 thousand (31 December 2022: KD1,976 thousand and 31 March 2022: KD2,146 thousand) carrying interest rate range from 7.5% to 8% per annum (31 December 2022: 8% per annum and 31 March 2022: 8% to 13% per annum).

11 Investment properties

The movement in investment properties is as follows:

	31 March 2023 (Unaudited) KD '000	31 Dec. 2022 (Audited) KD '000	31 March 2022 (Unaudited) KD '000
Carrying value at the beginning of the period/year	72,631	75,092	75,092
Additions	3,901	14,793	2,022
Disposal	(6,668)	(17,481)	(1,919)
Reversal of Impairment	-	442	-
Depreciation	(194)	(1,105)	(299)
Foreign currency translation adjustment	44	890	272
	69,714	72,631	75,168

Investment properties with carrying value of KD6,668 thousand (31 December 2022: KD17,481 thousand and 31 March 2022: KD1,919 thousand) were sold during the period for a consideration of KD7,355 thousand (31 December 2022: KD18,735 thousand and 31 March 2022: KD2,010 thousand) at a net gain of KD687 thousand (31 December 2022: KD1,254 thousand and 31 March 2022: KD91 thousand).

Investment properties with carrying value of KD22,687 thousand (31 December 2022: KD22,600 thousand and 31 March 2022: KD33,206 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 2022: KD17,000 thousand and 31 March 2022 KD15,000 thousand). Outstanding balance of these facilities as of 31 March 2023 amounted to KD3,500 thousand (31 December 2022: KD5,000 thousand and 31 March 2022: KD4,500 thousand).
- b. An unsecured loans facility amounting to USD12,000 thousand equivalents to KD3,679 thousand obtained from a local commercial bank carry interest rate 2.25% above 3-month Term Secured Overnight Financing Rate (SOFR). Outstanding balance of this facility as of 31 March 2023 amounted to USD11,616 thousand equivalents to KD3,560 thousand (31 December 2022: Nil and 31 March 2022: Nil).
- c. 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 31 March 2023 amounted to KD3,493 thousand (31 December 2022: KD3,497 thousand and 31 March 2022: Nil). Also, one unsecured Murabaha facility of USD20,000 thousand equivalents to KD6,131 thousand was obtained from a local Islamic bank with a profit rate of 2% above 6-month Term Secured Overnight Financing Rate (SOFR). Outstanding balance of this loan facility as at 31 March 2023 amounted to USD19,936 thousand equivalents to KD6,111 thousand (31 December 2022: USD19,962 equivalents to KD6,114 thousand and 31 March 2022: Nil).
- d. A secured loan facility amounting to AED35,000 thousand equivalents to KD2,922 thousand obtained from a foreign commercial bank which carry an interest rate of 2.75% above 3-month EIBOR. Outstanding balance of this loan facilities as at 31 March 2023 amounted to AED27,794 thousand equivalents to KD2,320 thousand (31 December 2022: AED28,151 thousand equivalents to KD2,348 thousand and 31 March 2022: AED29,224 thousand equivalents to KD2,418 thousand). This facility is secured by certain foreign investment properties.
- e. A revolving credit facility amounting to USD10,000 thousand equivalents to KD3,066 thousand was approved from a foreign commercial bank which carries an interest rate of 6.26% per annum. No facility availed as of 31 March 2023 (31 December 2022: USD2,230 thousand equivalents to KD683 thousand and 31 March 2022: USD1,250 thousand equivalents to KD380 thousand).
- f. A secured loan facility amounting to USD37,161 thousand equivalents to KD11,392 thousand obtained from a foreign commercial bank which carry an interest rate of 2.38% above 1-month Secured Overnight Financing Rate (SOFR). This loan facility was fully availed as at 31 March 2023 (31 December 2022: USD37,130 thousand equivalents to KD11,373 thousand and 31 March 2022: USD23,942 thousand equivalents to KD7,276 thousand). This facility is secured by certain foreign investment properties.
- g. A secured loan facility amounting to USD29,000 thousand equivalents to KD8,890 thousand obtained from a foreign financial institution carries an interest rate of 4.75% for the first 12 months and after that, 275 bps over the 3-month US Treasury Constant Maturity Yield Index. No facility has been availed as at 31 March 2023 (31 December 2022: Nil and 31 March 2022: Nil). This facility is secured by certain foreign investment properties.
- h. A secured loan facility amounting to USD21,040 thousand equivalents to KD6,450 thousand obtained from a foreign financial institution carries an interest rate 245 bps over Secured Overnight Financing Rate (SOFR). No facility has been availed as at 31 March 2023 (31 December 2022: Nil and 31 March 2022: Nil). This facility is secured by certain foreign investment properties.

Notes to the interim condensed consolidated financial information (continued)

12 Borrowings (continued)

Reconciliation of liabilities arising from financing activities

	31 March 2023 (Unaudited) KD '000	31 Dec. 2022 (Audited) KD '000	31 March 2022 (Unaudited) KD '000
Opening balance	29,015	25,280	25,280
Proceeds from bank borrowings	16,674	21,315	6,912
Repayment of bank borrowings	(15,324)	(17,765)	(10,561)
Effect of change in foreign exchange rates	11	185	69
Closing balance	30,376	29,015	21,700

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

	31 March 2023 (Unaudited)	31 Dec. 2022 (Audited)	31 March 2022 (Unaudited)
Number of shares	3,067,574	3,067,574	2,600,000
Percentage of issued shares	0.61%	0.61%	0.54%
Market value (KD '000)	289	322	481
Cost (KD'000)	309	309	260

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

15 Other components of equity

	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2023	(6)	(6)
Exchange differences arising on translation of foreign operations	169	169
Total other comprehensive income	169	169
Balance at 31 March 2023	163	163

Notes to the interim condensed consolidated financial information (continued)

15 Other components of equity (continued)

	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2022	(559)	(559)
Exchange differences arising on translation of foreign operations	78	78
Share of other comprehensive income of associates and joint ventures	149	149
Total other comprehensive income	227	227
Balance at 31 March 2022	(332)	(332)

16 Annual General Assembly of the Shareholders

The shareholders of the Parent Company at the Annual General Assembly held on 22 March 2023 approved the consolidated financial statements of the Group for the year ended 31 December 2022 and approved Board of Directors proposal of cash dividend of 5 Fils per share amounting to KD2,509 thousand and approved a total amount of KD70 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2022.

The cash dividend payable amounting to KD2,509 thousand is included in accounts payable and other liabilities as at 31 March 2023 and was paid subsequently.

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 31 March 2023 (Unaudited) KD '000	Three months ended 31 March 2022 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss:		
Interest income on loans to customers	1	-
Interest income on financial assets at amortised cost	57	45
Management fees and commission	1,053	2,436
Key management compensation:		
Salaries and other short-term benefits	140	122
End of service benefits	22	20
Board of directors' remuneration 2022 (note 16)	70	-
	232	142

Notes to the interim condensed consolidated financial information (continued)

17 Related party transactions (continued)

	31 March 2023 (Unaudited) KD '000	31 Dec. 2022 (Audited) KD '000	31 March 2022 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position:			
Loans to customers	90	108	75
Financial assets at amortised cost	4,011	1,976	2,146
Accounts receivable and other assets	2,524	2,570	2,498
Accounts payable and other liabilities	1,856	1,839	1,289

Related party commitments KD50 thousand (31 December 2022: KD78 thousand and 31 March 2022: Nil) (note 20).

18 Segmental information

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

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

	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	31 March 2023 (Unaudited) KD'000	31 March 2022 (Unaudited) KD'000	31 March 2023 (Unaudited) KD'000	31 March 2022 (Unaudited) KD'000	31 March 2023 (Unaudited) KD'000	31 March 2022 (Unaudited) KD'000
Segment revenue	1,191	12,170	1	70	1,192	12,240
Segment result	(1,738)	8,593	(970)	(161)	(2,708)	8,432
Provisions for KFAS, NLST and Zakat	-	(364)	-	-	-	(364)
(Loss)/profit the period	(1,738)	8,229	(970)	(161)	(2,708)	8,068
Total assets	201,103	211,330	8,628	5,785	209,731	217,115

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 31 March 2023 amounted to KD1,126,460 thousand (31 December 2022: KD1,153,963 thousand and 31 March 2022: KD1,170,351 thousand) which include related party assets under management at 31 March 2023 amounting to KD409,240 thousand (31 December 2022: KD416,508 thousand and 31 March 2022: KD436,776 thousand). The Group earned management fee of KD1,752 thousand (31 March 2022: KD3,077 thousand) from the asset management activities.

Notes to the interim condensed consolidated financial information (continued)

20 Commitments

	31 March 2023 (Unaudited) KD '000	31 Dec. 2022 (Audited) KD '000	31 March 2022 (Unaudited) KD '000
Commitments for purchase of investments	1,248	1,272	1,472
Commitments for investment properties	15,220	19,660	5,441
Unsold borrowed equity securities	1,180	1,354	3,127
Commitments to related parties	374	78	-
Letter of guarantee	175	175	-
	18,197	22,539	10,040

21 Forward foreign exchange contracts

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

	31 March 2023 (Unaudited)		31 Dec. 2022 (Audited)		31 March 2022 (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	10,708	(49)	10,710	69	10,650	(34)

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:

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

	KD'000			Total
	Level 1	Level 2	Level 3	
31 March 2023 (Unaudited)				
Financial assets at FVTPL				
Quoted securities	18,910	-	-	18,910
Managed funds	673	60,217	-	60,890
Equity participation	-	-	17,436	17,436
Fixed income securities	5,110	-	1,900	7,010
	24,693	60,217	19,336	104,246
Derivative				
Forward foreign currency contracts held for trading	-	(49)	-	(49)
	24,693	60,168	19,336	104,197
31 December 2022 (Audited)				
Financial assets at FVTPL				
Quoted securities	14,839	-	-	14,839
Managed funds	692	63,261	-	63,953
Equity participations	-	-	19,882	19,882
Fixed income securities	4,495	-	1,900	6,395
	20,026	63,261	21,782	105,069
Derivative				
Forward foreign currency contracts held for trading	-	69	-	69
	20,026	63,330	21,782	105,138
31 March 2022 (Unaudited)				
Financial assets at FVTPL				
Quoted securities	25,469	-	-	25,469
Managed funds	-	68,144	-	68,144
Equity participation	-	-	18,138	18,138
Fixed income securities	3,831	-	700	4,531
	29,300	68,144	18,838	116,282
Derivative				
Forward foreign currency contracts held for trading	-	(34)	-	(34)
	29,300	68,110	18,838	116,248

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.

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

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 2023 (Unaudited) KD '000	31 Dec. 2022 (Audited) KD '000	31 March 2022 (Unaudited) KD '000
Opening balance	21,782	20,898	20,898
Net redemption	(2,415)	(5,159)	(1,713)
Reclassification (from level 1 to level 3)	-	6,119	-
Net change in fair value	(31)	(76)	(347)
Closing balance	19,336	21,782	18,838

23 Structured entities (Special Purpose Vehicles)

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.