

Interim condensed consolidated financial information and review report

**Kuwait Financial Centre – KPSC and Subsidiaries**

**Kuwait**

31 March 2020 (Unaudited)

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## Report on review of interim condensed consolidated financial information

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Financial Centre – KPSC (“the Parent Company”) and its subsidiaries (“the Group”) as at 31 March 2020 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

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

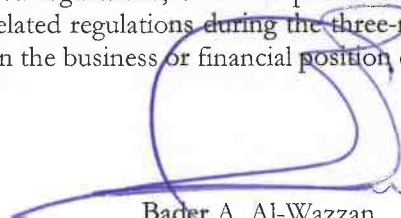
### **Report on review of other legal and regulatory requirements**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2020 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provision of Law No. 7 of 2010 concerning the Capital Market Authority and its related regulations during the three-month period ended 31 March 2020 that might have had a material effect on the business or financial position of the Parent Company.



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Kuwait  
12 August 2020

## Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
<b>Revenue</b>			
Interest income		289	152
Dividend income		372	408
Management fees and commission		2,009	1,911
(Loss)/gain from financial assets at fair value through profit or loss	6	(13,961)	4,356
Share of results of associate and joint venture		14	(32)
Gain on sale of assets held for sale	10	1,066	-
Gain on sale of investment properties		-	299
Net rental income		609	174
Foreign currency exchange gain		582	32
Other income		5	82
		<b>(9,015)</b>	<b>7,382</b>
<b>Expenses and other charges</b>			
General and administrative expenses		(2,778)	(2,642)
Other expenses		(291)	(13)
Finance costs		(839)	(493)
		<b>(3,908)</b>	<b>(3,148)</b>
<b>(Loss)/profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat</b>			
		<b>(12,923)</b>	<b>4,234</b>
Provision for contribution to KFAS		-	(34)
Provision for NLST		-	(98)
Provision for Zakat		-	(39)
<b>(Loss)/profit for the period</b>		<b>(12,923)</b>	<b>4,063</b>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Parent Company		(12,021)	3,643
Non-controlling interests		(902)	420
<b>(Loss)/profit for the period</b>		<b>(12,923)</b>	<b>4,063</b>
<b>Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company</b>	7	<b>(25) Fils</b>	<b>8 Fils</b>

*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 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
(Loss)/profit for the period	(12,923)	4,063
<b>Other comprehensive income/(loss):</b>		
<i>Items to be reclassified to statement of profit or loss in subsequent periods:</i>		
<i>Debt instruments at fair value through other comprehensive income:</i>		
- Net change in fair value arising during the period	(200)	3
<i>Foreign currency translation:</i>		
- Exchange differences arising on translation of foreign operations	520	127
Share of other comprehensive income of associate and joint venture	(15)	16
<b>Total other comprehensive income</b>	<b>305</b>	<b>146</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(12,618)</b>	<b>4,209</b>
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
Owners of the Parent Company	(11,600)	3,788
Non-controlling interests	(1,018)	421
	<b>(12,618)</b>	<b>4,209</b>

*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	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
<b>Assets</b>				
Cash and bank balances	8	13,748	4,937	7,466
Time deposits	8	86	1,332	1,662
Accounts receivable and other assets		5,453	7,430	4,874
Loans to customers		430	405	278
Financial assets at fair value through profit or loss	9	94,225	106,646	97,541
Assets held for sale	10	-	7,819	-
Investments at fair value through other comprehensive income		2,586	2,735	427
Investments carried at amortised cost	11	9,158	9,099	4,967
Investment in associate and joint venture		3,594	3,594	3,696
Investment properties	12	56,027	55,256	61,794
Right-of-use assets		532	600	807
Equipment		1,084	1,084	856
<b>Total assets</b>		<b>186,923</b>	<b>200,937</b>	<b>184,368</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks	8	1,000	-	-
Accounts payable and other liabilities		15,085	15,307	15,420
Borrowings	13	38,210	41,632	25,708
Bonds issued		25,000	25,000	25,000
<b>Total liabilities</b>		<b>79,295</b>	<b>81,939</b>	<b>66,128</b>
<b>Equity</b>				
Share capital		48,080	48,080	48,080
Share premium		7,902	7,902	7,902
Treasury shares	14	(260)	(260)	(260)
Statutory reserve		16,752	16,752	16,005
Voluntary reserve		15,107	15,107	14,360
Other components of equity	15	618	197	700
(Accumulated losses)/retained earnings		(4,434)	7,417	8,016
<b>Equity attributable to the owners of the Parent Company</b>		<b>83,765</b>	<b>95,195</b>	<b>94,803</b>
Non-controlling interests		23,863	23,803	23,437
<b>Total equity</b>		<b>107,628</b>	<b>118,998</b>	<b>118,240</b>
<b>Total liabilities and equity</b>		<b>186,923</b>	<b>200,937</b>	<b>184,368</b>

  
Diraar Yusuf Alghanim  
Chairman

  
Manaf AbdulAziz Alhajeri  
Chief Executive Officer

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

## Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total	
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Other components of equity (Note 15) KD '000	Retained earnings / (accumulated losses) KD '000			Sub total KD '000
<b>Balance at 1 January 2020</b>	48,080	7,902	(260)	16,752	15,107	197	7,417	95,195	23,803	118,998
Net change in non-controlling interests	-	-	-	-	-	-	-	-	1,248	1,248
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	170	170	(170)	-
Transactions with owners	-	-	-	-	-	-	170	170	1,078	1,248
Loss for the period	-	-	-	-	-	-	(12,021)	(12,021)	(902)	(12,923)
Total other comprehensive income/(loss) for the period	-	-	-	-	-	421	-	421	(116)	305
Total comprehensive loss for the period	-	-	-	-	-	421	(12,021)	(11,600)	(1,018)	(12,618)
<b>Balance at 31 March 2020</b>	48,080	7,902	(260)	16,752	15,107	618	(4,434)	83,765	23,863	107,628

The notes set out on pages 8 to 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		
<b>Balance at 1 January 2019</b>	48,080	7,902	(260)	16,005	14,360	555	4,408	91,050	114,052
Net change in non-controlling interests	-	-	-	-	-	-	-	-	(21)
Effect of change in ownership percentage of subsidiaries (refer note 5)	-	-	-	-	-	-	(35)	(35)	35
Transactions with owners	-	-	-	-	-	-	(35)	(35)	14
Profit for the period	-	-	-	-	-	-	3,643	3,643	420
Total other comprehensive income for the period	-	-	-	-	-	145	-	145	1
Total comprehensive income for the period	-	-	-	-	-	145	3,643	3,788	421
<b>Balance at 31 March 2019</b>	48,080	7,902	(260)	16,005	14,360	700	8,016	94,803	118,240

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	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit for the period		(12,923)	4,063
Adjustments for:			
Interest income		(289)	(152)
Depreciation		456	164
Amortisation of right-of-use assets		68	68
Gain on sale of investment properties		-	(299)
Gain on sale of assets held for sale		(1,066)	-
Share of results of associate and joint venture		(14)	32
Charge/(reversal) of provisions		13	(1)
Finance costs		839	493
		(12,916)	4,368
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		12,421	(4,867)
Accounts receivable and other assets		2,107	(1,351)
Loans to customers		(25)	27
Accounts payable and other liabilities		(2,255)	3,648
<b>Net cash (used in)/from operating activities</b>		<b>(668)</b>	<b>1,825</b>
<b>INVESTING ACTIVITIES</b>			
Change in time deposits maturing after three months		(4)	(78)
Purchase of equipment		(215)	(54)
Proceeds from redemption of debt instruments at fair value through OCI		4	3
Proceeds from redemption of investments at amortised cost		16	16
Movement in investments at amortised cost		-	2,015
Additions to investment properties		(18)	(4,908)
Proceeds from sale of investment properties		-	523
Proceeds from sale of assets held for sale		10,960	-
Increase in investment in associate and joint venture		-	(61)
Interest income received		157	132
<b>Net cash from/(used in) investing activities</b>		<b>10,900</b>	<b>(2,412)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(5)	(5)
Proceeds from borrowings		11,462	8,723
Repayment of borrowings		(14,884)	(5,580)
Finance costs paid		(786)	(612)
Payment of lease liabilities		(66)	(68)
Net change in non-controlling interests		1,248	(21)
<b>Net cash (used in)/ from financing activities</b>		<b>(3,031)</b>	<b>2,437</b>
<b>Increase in cash and cash equivalents</b>		<b>7,201</b>	<b>1,850</b>
Foreign currency adjustments		(640)	(56)
Cash and cash equivalents at the beginning of the period	8	6,252	7,235
<b>Cash and cash equivalents at the end of the period</b>	8	<b>12,813</b>	<b>9,029</b>

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

# Notes to the interim condensed consolidated financial information

## 1 Incorporation and activities

Kuwait Financial Centre – KPSC (“the Parent Company”) was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company is listed on Boursa Kuwait and is governed under the directives of the Central Bank of Kuwait and Capital Markets Authority of Kuwait.

The principal activities of the Parent Company are as follows:

- Funding import and export operations, whether by direct credit or accepting drafts drawn on the Company for short terms, as well as brokerage in securing the banking facilities for clients in Kuwait and abroad.
- Undertake the job of broker between the public of borrowers and lenders, undertake approved agency works for the payment processes arising from issuing medium and long term securities, in addition to keeping securities on behalf of the clients.
- Dealing and trading in the foreign currencies and the precious metal markets inside and outside Kuwait.
- Undertake all the services which assist to extend and support the money and capital market capacity in Kuwait and fulfil its needs within the limits of the law and the procedures or instructions issued by the Central Bank of Kuwait. The Company may have an interest or participate in any manner with the bodies practicing business similar to its business or which may assist it to achieve its objectives inside or outside Kuwait and it may acquire such bodies or append them to itself.
- Offering personal, commercial and consumer loans, undertake finance operations on the basis of margin related to investment operations in the local and international markets, trading currencies, as well as the finance operations related to pledging investment portfolios and securities, and undertaking finance and brokerage in international and local commercial operations.
- Investment in the various economic sectors such as the industrial, real estate, agricultural, services and other sectors, whether directly or by contribution through existing companies or incorporating these companies related to the said activity or acquire projects which fulfil such objective.
- Undertake the functions of investment trustees and investment portfolio management for the account of third parties with the required loaning and borrowing operations.
- Unregistered securities broker in the stock exchange.
- Investment portfolio manager.
- Collective investment scheme manager.
- Investment advisor.
- Placement agent.
- Custodian.

The address of the Parent Company’s registered office is PO Box 23444, Safat 13095, State of Kuwait.

The Board of Directors of the Parent Company approved these interim condensed consolidated financial information for issue on 12 August 2020.

## Notes to the interim condensed consolidated financial information (continued)

### 2 Basis of preparation

This interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2020 has been prepared in accordance with IAS 34, Interim Financial Reporting except as noted below.

The annual consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require expected credit loss (“ECL”) to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instruction; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”) (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the changes described in Note 3.

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

Operating results for the three months ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2019.

### 3 Changes in accounting policies

#### 3.1 New and amended standards adopted by the Group

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

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

#### ***IFRS 3 – Amendments***

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

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

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

##### *IFRS 3 – Amendments (continued)*

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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

##### *IAS 1 and IAS 8 – Amendments*

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

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

#### 3.2 IASB Standards issued but not yet effective

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

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

<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	1 January 2022

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

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

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

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

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

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

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

##### *IAS 1 Amendments*

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

### 4 Judgment and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2019.

### 5 Group's subsidiaries

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

Name	Country of incorporation	Ownership percentage			Activities
		31 March 2020 (Unaudited)	31 Dec. 2019 (Audited)	31 March 2019 (Unaudited)	
Markaz Arabian Fund	Kingdom of Bahrain	69.32%	69.31%	68.64%	Investment Fund
Markaz Development 3	Cayman Island	54.20%	67.67%	-	Real Estate

The ownership of Markaz Arabian Fund increased by 0.01% (31 March 2019: decreased by 1.11%) and Markaz Development 3 decreased by 13.47% (31 March 2019: Nil) due to changes in units and shares held by non-controlling interest holders as a result of subscription and redemption of the fund's units and entities shares. These changes in the ownership resulted in a net gain of KD170 thousand (31 March 2019: loss KD35 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 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
Change in fair value of financial assets at fair value through profit or loss	(12,593)	3,893
(Loss)/gain on sale of financial assets at fair value through profit or loss	(1,368)	463
	<b>(13,961)</b>	<b>4,356</b>

### 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 2020 (Unaudited)	Three months ended 31 March 2019 (Unaudited)
(Loss)/profit for the period attributable to the owners of the Parent Company (KD '000)	(12,021)	3,643
Weighted average number of shares outstanding and in issue during the period (excluding treasury shares)	478,201,747	478,201,747
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	(25) Fils	8 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 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Cash and bank balances	13,748	4,937	7,466
Time deposits	86	1,332	1,662
	<b>13,834</b>	<b>6,269</b>	<b>9,128</b>
Less: Due to banks	(1,000)	-	-
Less: Time deposits maturing after three months	(21)	(17)	(99)
Cash and cash equivalent for the purpose of interim condensed consolidated statement of cash flows	<b>12,813</b>	<b>6,252</b>	<b>9,029</b>

## 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 2.17% (31 December 2019: 1.85% and 31 March 2019: 2.54%) per annum.

During the period, The Group obtained a KD 3,500 thousand unsecured over draft facility from local banks which carries interest rate at 1.5% to 2.25% above Central Bank of Kuwait discount rate. As of 31 March 2020 the Group has drawn an amount of KD 1,000 thousand of this facility.

### 9 Financial assets at fair value through profit or loss

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Local quoted securities	2,573	3,448	2,943
Foreign quoted securities	14,812	18,729	19,235
Local managed funds	43,962	50,922	45,905
Foreign managed funds	13,658	13,374	13,160
Fixed income securities	5,471	6,338	5,657
Equity participation	13,749	13,835	10,641
	<b>94,225</b>	<b>106,646</b>	<b>97,541</b>

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

### 10 Assets held for sale

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

### 11 Investments carried at amortised cost

These represent investment in sukuk, a debt instrument amounting to KD4,901 thousand carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2019 and 31 March 2019: 2% above Central Bank of Kuwait discount rate) per annum. Also includes investment in foreign debt instruments amounting to KD4,257 thousand which is secured by charges over real estate properties and carrying interest rate 13% per annum (31 December 2019 KD 4,181 thousand and 31 March 2019: KD Nil).

## Notes to the interim condensed consolidated financial information (continued)

### 12 Investment properties

The movement in investment properties is as follows:

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Carrying value at the beginning of the period/year	55,256	56,830	56,830
Additions	18	9,504	5,093
Disposal	-	(1,476)	(224)
Transferred to assets held for sale	-	(7,819)	-
Net impairment charged	-	(1,065)	-
Depreciation	(241)	(675)	(88)
Foreign currency translation adjustment	994	(43)	183
	<b>56,027</b>	<b>55,256</b>	<b>61,794</b>

During the period, no finance costs (31 March 2019: KD185 thousand) has been capitalised to investment properties.

Investment properties with carrying value of KD21,140 thousand (31 December 2019: KD20,849 thousand and 31 March 2019: KD20,366 thousand) are secured against bank borrowings.

### 13 Borrowings

This represents following borrowings:

- Unsecured loan facilities amounting to KD22,000 thousand obtained from local commercial banks carry interest rate of 2.0% to 2.5% above Central Bank of Kuwait discount rate. Outstanding balance of these loan facilities as at 31 March 2020 amounted to KD11,000 thousand (31 December 2019: KD8,000 thousand and 31 March 2019: KD7,014 thousand).
- Two unsecured Murabaha facilities amounting to KD8,000 thousand obtained from a local Islamic bank with a profit rate of 1.5% to 1.9% above Central Bank of Kuwait discount rate. Outstanding balance of these Murabaha facilities as at 31 March 2020 amounted to KD4,893 thousand (31 December 2019: KD4,905 thousand and 31 March 2019: KD4,917 thousand). Also one unsecured Murabaha facility of USD20,000 thousand equivalent to KD6,171 thousand was obtained from a local Islamic bank with a profit rate of 2% above 6 months LIBOR. Outstanding balance of this Murabaha facility as at 31 March 2020 amounted to USD19,969 thousand equivalent KD6,161 thousand (31 December 2019: USD 19,982 thousand equivalent KD6,056 thousand and 31 March 2019: Nil).
- Two secured loan facilities amounting to AED142,350 thousand equivalent to KD11,960 thousand obtained from a foreign commercial bank which carry an interest rate of 2.75% above 3 month EIBOR. Outstanding balance of these loan facilities as at 31 March 2020 amounted to AED123,160 thousand equivalent to KD10,347 thousand (31 December 2019: AED123,661 thousand equivalent to KD10,204 thousand and 31 March 2019: AED124,513 thousand equivalents to KD10,314 thousand). These facilities are secured by certain foreign investment properties.



## Notes to the interim condensed consolidated financial information (continued)

### 13 Borrowings (continued)

- d. An unsecured credit facility amounting to USD 10 million was approved from a foreign commercial bank which carries an interest rate of 2.09% per annum. Outstanding balance of this credit facility as at 31 March 2020 amounted to USD100 thousand equivalent to KD31 thousand (31 December 2019: USD 275 thousand equivalent KD 83 thousand and 31 March 2019: Nil).
- e. An unsecured loan facility of USD16,585 thousand equivalent to KD5,117 thousand obtained from a local commercial bank carrying an interest rate of 2.75% above 3 months LIBOR repayable on every six months and mature on 31 October 2022. As of 31 March 2020 this facility was fully availed (31 December 2019: USD16,585 thousand equivalent to KD5,026 thousand and 31 March 2019: USD9,000 equivalent KD2,738 thousand). The purpose of this facility is to finance the real estate activities in certain foreign countries.
- f. An unsecured loan facility of EUR2,125 thousand equivalent to KD723 thousand obtained from a related party (represented by a non-controlling interests of a foreign subsidiary) carrying an interest rate of 3% mature in December 2048. Outstanding balance of this facility as at 31 March 2020 amounted to EUR1,943 thousand equivalent to KD661 thousand (31 December 2019: EUR1,903 thousand equivalent KD646 thousand and 31 March 2019: EUR2,125 thousand equivalent KD725 thousand).
- g. A secured loan facility (development facility) of EUR21,319 thousand equivalent to KD7,250 thousand obtained by a foreign subsidiary from a foreign commercial bank carrying an interest rate of 2.6% above 3 months EURIBOR was settled during the period (31 December 2019: EUR18,702 thousand equivalent KD6,350 thousand and 31 March 2019: Nil).
- h. A secured loan facility of PLN22,000 thousand equivalent to KD1,756 thousand obtained by a foreign subsidiary from a foreign commercial bank carrying an interest rate of 1.8% above 3 months WIBOR per annum was settled during the period (31 December 2019: PLN1,067 thousand equivalent KD362 thousand and 31 March 2019: Nil).

### 14 Treasury shares

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Number of shares	2,600,000	2,600,000	2,600,000
Percentage of issued shares	0.54%	0.54%	0.54%
Market value (KD '000)	242	273	234
Cost (KD'000)	260	260	260

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

## Notes to the interim condensed consolidated financial information (continued)

### 15 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
<b>Balance at 1 January 2020</b>	(174)	371	197
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	(57)	-	(57)
Exchange differences arising on translation of foreign operations	-	463	463
Share of other comprehensive income of associate and joint venture	-	15	15
<b>Total other comprehensive income</b>	<b>(57)</b>	<b>478</b>	<b>421</b>
<b>Balance at 31 March 2020</b>	<b>(231)</b>	<b>849</b>	<b>618</b>
<b>Balance at 1 January 2019</b>	79	476	555
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	2	-	2
Exchange differences arising on translation of foreign operations	-	127	127
Share of other comprehensive income of associate and joint venture	-	16	16
<b>Total other comprehensive income</b>	<b>2</b>	<b>143</b>	<b>145</b>
<b>Balance at 31 March 2019</b>	<b>81</b>	<b>619</b>	<b>700</b>

### 16 Annual General Assembly of the Shareholders

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

### 17 Related party transactions

Related parties represent associate, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Details of transactions between the Group and other related parties are disclosed below.

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

	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
<b>Transactions included in the interim condensed consolidated statement of profit or loss:</b>		
Interest income on loans to customer	1	-
Management fees and commission	1,304	1,183
Finance costs (Borrowings)	14	12
<b>Key management compensation:</b>		
Salaries and other short term benefits	203	193
End of service benefits	36	25
	<b>239</b>	<b>218</b>

## Notes to the interim condensed consolidated financial information (continued)

### 17 Related party transactions (continued)

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
<b>Balances included in the interim condensed consolidated statement of financial position:</b>			
Loans to customers	116	102	20
Accounts receivable and other assets	1,947	1,744	1,412
Accounts payable and other liabilities	2,044	2,348	1,685
Borrowings (Note 13 f)	661	646	725

### 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 2020 (Unaudited) KD'000	31 March 2019 (Unaudited) KD'000	31 March 2020 (Unaudited) KD'000	31 March 2019 (Unaudited) KD'000	31 March 2020 (Unaudited) KD'000	31 March 2019 (Unaudited) KD'000
Segment revenue	(9,686)	6,875	671	507	(9,015)	7,382
Segment result	(13,302)	4,125	379	109	(12,923)	4,234
Provisions for KFAS, NLST and Zakat	-	(166)	-	(5)	-	(171)
(Loss)/profit for the period	(13,302)	3,959	379	104	(12,923)	4,063
Total assets	164,025	164,755	22,898	19,613	186,923	184,368

### 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 2020 amounted to KD982,033 thousand (31 December 2019: KD1,142,838 thousand and 31 March 2019: KD1,156,505 thousand). The Group earned management fee of 1,806 thousand (31 March 2019: KD1,766 thousand) from the asset management activities.

### 20 Commitments and contingent liability

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Commitments for purchase of investments	2,251	2,243	1,691
Commitments for investment properties	78	83	2,217
Letter of guarantee	2	1	-
	2,331	2,327	3,908

## Notes to the interim condensed consolidated financial information (continued)

### 21 Derivative instruments

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

	31 March 2020 (Unaudited)		31 Dec. 2019 (Audited)		31 March 2019 (Unaudited)	
	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000
<i>At fair value through profit or loss:</i>						
Forward foreign exchange contracts	10,810	(114)	10,625	39	15,216	(74)

### 22 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value on a recurring basis in the interim condensed consolidated financial position are grouped into the fair value hierarchy as follows:

31 March 2020 (Unaudited)	KD'000			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Quoted securities	17,385	-	-	17,385
Managed funds	-	57,620	-	57,620
Equity participation	-	-	13,749	13,749
Fixed income securities	4,471	-	1,000	5,471
	<b>21,856</b>	<b>57,620</b>	<b>14,749</b>	<b>94,225</b>
<b>Derivative</b>				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(114)	-	(114)
<b>Financial assets at FVOCI</b>				
Debt instruments	-	-	2,586	2,586
	<b>21,856</b>	<b>57,506</b>	<b>17,335</b>	<b>96,697</b>

## Notes to the interim condensed consolidated financial information (continued)

### 22 Fair value measurement (continued)

	KD'000			Total
	Level 1	Level 2	Level 3	
<b>31 December 2019 (Audited)</b>				
<b>Financial assets at fair value through profit or loss</b>				
Quoted securities	22,177	-	-	22,177
Managed funds-GCC	-	64,296	-	64,296
Equity participations	-	-	13,835	13,835
Fixed income securities	5,438	-	900	6,338
	<u>27,615</u>	<u>64,296</u>	<u>14,735</u>	<u>106,646</u>
<b>Derivative</b>				
Forward foreign currency contracts held for trading (included in other assets)	-	39	-	39
<b>Financial assets at fair value through OCI</b>				
Debt instruments	-	-	418	418
Equity participation	-	-	2,317	2,317
	<u>27,615</u>	<u>64,335</u>	<u>17,470</u>	<u>109,420</u>
<b>31 March 2019 (Unaudited)</b>				
<b>Financial assets at FVTPL</b>				
Quoted securities	22,178	-	-	22,178
Managed funds	-	59,065	-	59,065
Equity participation	-	-	10,641	10,641
Fixed income securities	4,757	-	900	5,657
	<u>26,935</u>	<u>59,065</u>	<u>11,541</u>	<u>97,541</u>
<b>Derivative</b>				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(74)	-	(74)
<b>Financial assets at FVOCI</b>				
Debt instruments	-	-	427	427
	<u>26,935</u>	<u>58,991</u>	<u>11,968</u>	<u>97,894</u>

Fair value of investments carried at amortised cost are not materially different from their carrying values.

There have been no significant transfers between levels 1 and 2 during the reporting period.

#### Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting year/period.

#### Level 3 fair value measurements

The Group's financial assets and liabilities classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

## Notes to the interim condensed consolidated financial information (continued)

### 22 Fair value measurement (continued)

#### Level 3 fair value measurements (continued)

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Opening balance	17,470	12,540	12,540
Net additions/(disposal/redemption)	23	5,929	(74)
Net change in fair value	(158)	(999)	(498)
Closing balance	17,335	17,470	11,968

### 23 Structured entities (Special Purpose Vehicle)

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

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

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

### 24 Effect of COVID-19

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

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

## Notes to the interim condensed consolidated financial information (continued)

### 24 Effect of COVID-19 (continued)

#### *Impairment of non-financial assets*

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

Accordingly, the Group has performed an impairment assessment of its investment properties, considering the negative impact of COVID-19 on market value of properties located in UAE and KSA, and concluded that the impairment assessment as at 31 December 2019 remains largely unchanged.

#### *Fair valuation of financial assets*

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

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

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

#### *Going concern*

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