

Interim condensed consolidated financial information and review report

**Kuwait Financial Centre – KPSC and Subsidiaries**

**Kuwait**

30 June 2019 (Unaudited)

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## Report on review of interim condensed consolidated financial information

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Financial Centre – KPSC (“the Parent Company”) and its subsidiaries (“the Group”) as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

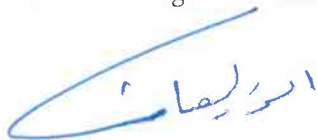
### *Conclusion*

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

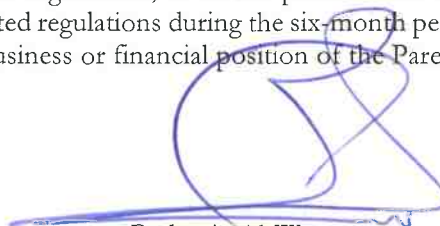
### **Report on review of other legal and regulatory requirements**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2019 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provision of Law No. 7 of 2010 concerning the Capital Market Authority and its related regulations during the six-month period ended 30 June 2019 that might have had a material effect on the business or financial position of the Parent Company.



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Kuwait  
31 July 2019

## Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Six months ended	
		30 June 2019 (Unaudited) KD '000	30 June 2018 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000	30 June 2018 (Unaudited) KD '000
<b>Revenue</b>					
Interest income		155	134	307	282
Dividend income		475	312	883	688
Management fees and commission		2,089	2,163	4,000	4,264
Gain from financial assets at fair value through profit or loss	6	2,314	668	6,670	3,018
Gain on redemption of debt instruments at fair value through other comprehensive income		-	-	-	5
Gain on liquidation of subsidiaries	5.4	-	309	-	309
Share of results of associate and joint venture		(20)	3	(52)	(32)
Profit on sale of investment properties		-	-	299	-
Net rental income		190	119	364	215
Foreign currency exchange (loss)/gain		(57)	159	(25)	(1)
Other income		(54)	4	28	24
		<b>5,092</b>	<b>3,871</b>	<b>12,474</b>	<b>8,772</b>
<b>Expenses and other charges</b>					
General and administrative expenses		(2,958)	(2,284)	(5,600)	(4,690)
Net reversal of impairment of investment properties	11	37	-	37	-
Other expenses		(9)	(43)	(22)	(43)
Finance costs		(729)	(434)	(1,222)	(866)
		<b>(3,659)</b>	<b>(2,761)</b>	<b>(6,807)</b>	<b>(5,599)</b>
<b>Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat</b>					
		<b>1,433</b>	<b>1,110</b>	<b>5,667</b>	<b>3,173</b>
Provision for contribution to KFAS		(11)	(9)	(45)	(25)
Provision for NLST		(33)	(26)	(131)	(72)
Provision for Zakat		(13)	(10)	(52)	(29)
<b>Profit for the period</b>		<b>1,376</b>	<b>1,065</b>	<b>5,439</b>	<b>3,047</b>
<b>Profit for the period attributable to:</b>					
Owners of the Parent Company		1,175	905	4,818	2,619
Non-controlling interests		201	160	621	428
<b>Profit for the period</b>		<b>1,376</b>	<b>1,065</b>	<b>5,439</b>	<b>3,047</b>
<b>Basic and diluted earnings per share attributable to the owners of the Parent Company</b>					
	7	<b>2 Fils</b>	<b>2 Fils</b>	<b>10 Fils</b>	<b>5 Fils</b>

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.


## Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Six months ended	
	30 June 2019 (Unaudited) KD '000	30 June 2018 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000	30 June 2018 (Unaudited) KD '000
Profit for the period	1,376	1,065	5,439	3,047
<b>Other comprehensive (loss)/income:</b>				
<b>Items to be reclassified to statement of profit or loss in subsequent periods:</b>				
<i>Debt instruments at fair value through other comprehensive income:</i>				
- Net change in fair value arising during the period	-	2	3	8
- Transferred to interim condensed consolidated statement of profit or loss on redemption	-	-	-	(5)
<i>Foreign currency translation:</i>				
- Exchange differences arising on translation of foreign operations	(150)	405	(23)	160
Share of other comprehensive income/(loss) of associate and joint venture	3	(16)	19	(19)
<b>Total other comprehensive (loss)/income</b>	<b>(147)</b>	<b>391</b>	<b>(1)</b>	<b>144</b>
<b>Total comprehensive income for the period</b>	<b>1,229</b>	<b>1,456</b>	<b>5,438</b>	<b>3,191</b>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Parent Company	1,033	1,284	4,821	2,752
Non-controlling interests	196	172	617	439
	<b>1,229</b>	<b>1,456</b>	<b>5,438</b>	<b>3,191</b>

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of financial position

	Note	30 June 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 June 2018 (Unaudited) KD '000
<b>Assets</b>				
Cash and bank balances	8	7,319	4,691	10,683
Time deposits	8	1,387	2,565	1,427
Accounts receivable and other assets		5,100	3,503	4,127
Loans to customers		301	304	270
Financial assets at fair value through profit or loss	9	108,304	92,674	88,149
Debt instruments at fair value through other comprehensive income		422	427	430
Investments carried at amortised cost	10	4,951	6,998	4,968
Investment in associate and joint venture		3,679	3,651	3,466
Investment properties	11	63,518	56,830	53,373
Right-of-use assets	3	739	-	-
Equipment		1,033	878	572
<b>Total assets</b>		<b>196,753</b>	<b>172,521</b>	<b>167,465</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks	8	996	-	-
Accounts payable and other liabilities		12,257	10,904	9,333
Borrowings	12	41,246	22,565	18,735
Bonds issued		25,000	25,000	25,000
<b>Total liabilities</b>		<b>79,499</b>	<b>58,469</b>	<b>53,068</b>
<b>Equity</b>				
Share capital		48,080	48,080	48,080
Share premium		7,902	7,902	7,902
Treasury shares	13	(260)	(260)	-
Statutory reserve		16,005	16,005	15,756
Voluntary reserve		14,360	14,360	14,111
Other components of equity	14	558	555	621
Retained earnings		6,809	4,408	5,303
<b>Equity attributable to the owners of the Parent Company</b>		<b>93,454</b>	<b>91,050</b>	<b>91,773</b>
Non-controlling interests		23,800	23,002	22,624
<b>Total equity</b>		<b>117,254</b>	<b>114,052</b>	<b>114,397</b>
<b>Total liabilities and equity</b>		<b>196,753</b>	<b>172,521</b>	<b>167,465</b>

  
Diraar Yusuf Alghanim  
Chairman

  
Manaf AbdulAziz Alhajeri  
Chief Executive Officer

The notes set out on pages 8 to 19 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 14) KD '000	Retained earnings KD '000			Sub total KD '000
<b>Balance at 1 January 2019</b>	48,080	7,902	(260)	16,005	14,360	555	4,408	91,050	23,002	114,052
Net change in non-controlling interests	-	-	-	-	-	-	-	-	87	87
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	-	(94)	(94)	94	-
Gain arising on redemption of units of a subsidiary	-	-	-	-	-	-	68	68	-	68
Cash dividend (Note 15)	-	-	-	-	-	-	(2,391)	(2,391)	-	(2,391)
Transactions with owners	-	-	-	-	-	-	(2,417)	(2,417)	181	(2,236)
Profit for the period	-	-	-	-	-	-	4,818	4,818	621	5,439
Total other comprehensive income/(loss) for the period	-	-	-	-	-	3	-	3	(4)	(1)
Total comprehensive income for the period	-	-	-	-	-	3	4,818	4,821	617	5,438
<b>Balance at 30 June 2019</b>	48,080	7,902	(260)	16,005	14,360	558	6,809	93,454	23,800	117,254

The notes set out on pages 8 to 19 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
	Other components								
	Share capital KD '000	Share premium KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	of equity (Note 14) KD '000	Retained earnings KD '000	Sub total KD '000		
<b>Balance at 1 January 2018</b>	48,080	7,902	15,756	14,111	2,890	3,679	92,418	20,864	113,282
Adjustments arising on adoption of IFRS 9 on 1 January 2018	-	-	-	-	(2,402)	2,402	-	-	-
<b>Balance at 1 January 2018 (Restated)</b>	48,080	7,902	15,756	14,111	488	6,081	92,418	20,864	113,282
Net change in non-controlling interests	-	-	-	-	-	-	-	1,290	1,290
Effect of change in ownership percentage of subsidiaries (Note 5)	-	-	-	-	-	(31)	(31)	31	-
Cash dividend (Note 15)	-	-	-	-	-	(3,366)	(3,366)	-	(3,366)
Transactions with owners	-	-	-	-	-	(3,397)	(3,397)	1,321	(2,076)
Profit for the period	-	-	-	-	-	2,619	2,619	428	3,047
Total other comprehensive income	-	-	-	-	133	-	133	11	144
Total comprehensive income for the period	-	-	-	-	133	2,619	2,752	439	3,191
<b>Balance at 30 June 2018</b>	48,080	7,902	15,756	14,111	621	5,303	91,773	22,624	114,397

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2019 (Unaudited) KD '000	Six months ended 30 June 2018 (Unaudited) KD '000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		5,439	3,047
Adjustments for:			
Interest income		(307)	(282)
Depreciation		397	287
Amortisation of right-of-use assets		136	-
Gain on redemption of debt instruments at fair value through OCI		-	(5)
Share of results of associate and joint venture		52	32
Gain on liquidation of subsidiaries		-	(309)
Profit on sale of investment properties		(299)	-
Net reversal of impairment of investment properties		(37)	-
Reversal of provisions		(1)	(2)
Finance costs		1,222	866
		6,602	3,634
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(15,630)	5,779
Accounts receivable and other assets		(1,588)	3,025
Loans to customers		4	4
Accounts payable and other liabilities		465	(717)
<b>Net cash (used in)/from operating activities</b>		<b>(10,147)</b>	<b>11,725</b>
<b>INVESTING ACTIVITIES</b>			
Change in time deposits maturing after three months		4	792
Purchase of equipment		(316)	(76)
Movement in investments at amortised cost		2,015	-
Proceeds from redemption of investments at amortised cost		32	-
Proceeds on redemption of debt instruments at fair value through OCI		8	17
Additions to investment properties		(6,937)	(6,908)
Proceeds from sale of investment properties		523	-
Increase in investment in associate and joint venture		(61)	(286)
Interest income received		298	235
<b>Net cash used in investing activities</b>		<b>(4,434)</b>	<b>(6,226)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(2,317)	(3,315)
Proceeds from borrowings		24,446	11,287
Repayment of borrowings		(5,765)	(10,068)
Finance costs paid		(1,328)	(841)
Payment of lease liabilities		(140)	-
Net change in non-controlling interests		155	1,290
<b>Net cash from/(used in) financing activities</b>		<b>15,051</b>	<b>(1,647)</b>
<b>Increase in cash and cash equivalents</b>		<b>470</b>	<b>3,852</b>
Foreign currency adjustments		(12)	(2)
Cash and cash equivalents at the beginning of the period	8	7,235	8,226
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>7,693</b>	<b>12,076</b>

The notes set out on pages 8 to 19 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 31 July 2019.

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

### 2 Basis of preparation

This interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2019 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 2018 except for the changes described in Note 3.

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

Operating results for the six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2018.

### 3 Changes in accounting policies

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the Group. Information on these new standards is presented below:

#### *IFRS 16 Leases*

The Group has adopted IFRS 16 Leases effective from 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by an impairment loss, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group’s incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings.

The Group presents right-of-use assets separately and lease liabilities in “accounts payable and other liabilities” in the interim condensed consolidated statement of financial position. The carrying value of right-of-use assets and lease liabilities as at 30 June 2019 amounted to KD739 thousand and KD758 thousand respectively.

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

### 3 Changes in accounting policies (continued)

#### *IFRS 16 Leases (continued)*

Depreciation charge for right-of-use assets and amortised cost on lease liabilities for the current period amounted to KD136 thousand and KD23 thousand and are included in “general and administrative expenses” and “finance costs” respectively in the interim condensed consolidated statement of profit or loss.

Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the interim condensed consolidated financial information of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but is not yet effective.

### 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 2018 except for the changes arising from applying IFRS 16 as noted in 3 above. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract, determination of appropriate discount rate, and assessment of impairment.

### 5 Group’s subsidiaries

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

Name	Country of incorporation	Ownership percentage			Activities
		30 June 2019 (Unaudited)	31 Dec. 2018 (Audited)	30 June 2018 (Unaudited)	
Markaz Arabian Fund (Note 5.1)	Kingdom of Bahrain	69.52%	69.75%	64.49%	Investment Fund
Markaz Fixed Income Fund (Note 5.1)	Kuwait	80.65%	76.38%	78.21%	Investment Fund
Markaz European Development 1 (Note 5.2)	Grand Duchy of Luxembourg	68.37%	-	-	Real Estate
Azzuri Real Estate Co. WLL (Note 5.3)	Kuwait	100.00%	-	-	Real Estate

5.1 The ownership of Markaz Arabian Fund decreased by 0.23% (30 June 2018: increased by 5.57%) and Markaz Fixed Income Fund increased by 4.27% due to changes in units held by non-controlling interest holders as a result of subscription and redemption of the fund’s units. These changes in the ownership resulted in a net loss of KD94 thousand (30 June 2018: KD31 thousand) which was included in the interim condensed consolidated statement of changes in equity.

5.2 The Parent Company incorporated a new foreign subsidiary, Markaz European Development 1 SARL, in Luxembourg with participation of another party. During the period, upon completion of certain formalities and procedures, the unaudited financial position and results of the subsidiary as at and for the period ended 30 June 2019 respectively were consolidated with the Group’s interim condensed consolidated financial information.

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

### 5 Group's subsidiaries (continued)

Summarised financial information of the above newly consolidated foreign subsidiary, before intragroup eliminations, is as follows:

	30 June 2019 KD '000
Total assets	7,657
Total liabilities	(7,483)
<b>Total equity</b>	<b>174</b>
Equity attributable to the owners of the Parent Company	119
Non-controlling interests	55

5.3 Further during the current period, the Parent Company with the participation of another subsidiary incorporated a new local subsidiary, Azzuri Real Estate Co. WLL.

5.4 During the prior period, the Group had liquidated its 100% owned subsidiary fund "Markaz Mena Islamic Fund". The resulting gain of KD309 thousand was recognised in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2018.

### 6 Gain from financial assets at fair value through profit or loss

	Three months ended		Six months ended	
	30 June 2019 (Unaudited) KD '000	30 June 2018 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000	30 June 2018 (Unaudited) KD '000
Gain on sale of financial assets at fair value through profit or loss	231	477	694	927
Change in fair value of financial assets at fair value through profit or loss	2,083	191	5,976	2,091
	<b>2,314</b>	<b>668</b>	<b>6,670</b>	<b>3,018</b>

### 7 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share attributable to the owners of the Parent Company is calculated by dividing the 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		Six months ended	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD '000)	1,175	905	4,818	2,619
Weighted average number of shares outstanding and in issue during the period (excluding treasury shares)	478,201,747	480,801,747	478,201,747	480,801,747
Basic and diluted earnings per share attributable to the owners of the Parent Company	2 Fils	2 Fils	10 Fils	5 Fils

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

### 8 Cash and cash equivalents

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

	30 June 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 June 2018 (Unaudited) KD '000
Cash and bank balances	7,319	4,691	10,683
Time deposits	1,387	2,565	1,427
	<b>8,706</b>	<b>7,256</b>	<b>12,110</b>
Less: Time deposits maturing after three months	(17)	(21)	(34)
Less: Due to banks	(996)	-	-
Cash and cash equivalent for the purpose of interim condensed consolidated statement of cash flows	<b>7,693</b>	<b>7,235</b>	<b>12,076</b>

The Group's time deposits carry an average effective interest rate of 2.31% (31 December 2018: 1.08% and 30 June 2018: 1.09%) per annum.

Due to banks represent outstanding balance of unsecured bank overdraft facilities obtained from local commercial banks which carry interest rate ranging from 1.5% to 2% above Central Bank of Kuwait discount rate.

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

	30 June 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 June 2018 (Unaudited) KD '000
Local quoted securities	3,063	2,857	2,200
Foreign quoted securities	19,307	18,137	20,186
Local managed funds	48,097	42,764	37,994
Foreign managed funds	13,506	13,039	11,712
Fixed income securities	6,088	5,518	5,398
Equity participation	18,243	10,359	10,659
	<b>108,304</b>	<b>92,674</b>	<b>88,149</b>

The interest rates on fixed income securities range from 2.375% to 7.50% (31 December 2018: 2.375% to 7.50% and 30 June 2018: 2.375% to 9.00%) per annum.

### 10 Investments carried at amortised cost

These represent investment in sukuk, a debt instrument amounting to KD4,951 thousand carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2018 and 30 June 2018: 2% above Central Bank of Kuwait discount rate) per annum.

Further, carrying value of investments carried at amortised cost as at 31 December 2018 included an investment in a foreign debt instrument (a Euro loan facility provided by the Parent Company to Markaz European Development 1, a foreign company) of KD2,015 thousand carrying interest at 3% per annum. During the period, upon consolidation of the above foreign company, carrying value of the investment as at 30 June 2019 was eliminated against the outstanding balance of the loan facility included in the subsidiary's total liabilities (Note 5.2).

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

### 11 Investment properties

The movement in investment properties is as follows:

	30 June 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 June 2018 (Unaudited) KD '000
Carrying value at the beginning of the period/year	56,830	46,450	46,450
Additions including addition on consolidation of a new foreign subsidiary (Note 5.2)	7,122	12,636	6,908
Disposal	(224)	-	-
Net impairment reversal/(charged)	37	(2,335)	-
Depreciation	(236)	(197)	(152)
Foreign currency translation adjustment	(11)	276	167
	<b>63,518</b>	<b>56,830</b>	<b>53,373</b>

During the period, finance costs of KD185 thousand (30 June 2018: KD648 thousand) has been capitalised to investment properties.

During the current period, the Group performed an internal impairment assessment on certain foreign real estate investments based on valuations obtained from Independent evaluators as there were indications of further impairment/recovery of previously recognised impairment for such properties. Consequently, the Group recognised a net reversal of impairment of KD37 thousand (30 June 2018: Nil) in respect of those foreign properties.

### 12 Borrowings

This represents following borrowings:

- a. Unsecured loan facilities amounting to KD21,000 thousand obtained from local commercial banks carry interest rate of 2.5% above Central Bank of Kuwait discount rate. Outstanding balance of these loan facilities as at 30 June 2019 amounted to KD12,819 thousand (31 December 2018: KD5,099 thousand and 30 June 2018: KD3,847 thousand).
- b. Two unsecured Murabaha facilities amounting to KD8,000 thousand obtained from a local Islamic bank with a profit rate of 1.5% to 1.9% above Central Bank of Kuwait discount rate. Outstanding balance of these Murabaha facilities as at 30 June 2019 amounted to KD7,914 thousand (31 December 2018: KD4,929 thousand and 30 June 2018: KD4,946 thousand).
- c. An unsecured loan facility of USD16,585 thousand equivalent to KD5,028 thousand obtained from a local commercial bank carrying an interest rate of 3% above 3 months LIBOR repayable on every six months and mature on 31 October 2022. As of 30 June 2019 this facility was fully availed (31 December 2018: USD7,600 thousand equivalent to KD2,305 thousand and 30 June 2018: Nil). The purpose of this facility is to finance the real estate activities in certain foreign countries.
- d. Two secured loan facilities amounting to AED142,350 thousand equivalent to KD11,750 thousand obtained from a foreign commercial bank which carry an interest rate of 3.25% to 3.50% above 3 month EIBOR. Outstanding balance of these loan facilities as at 30 June 2019 amounted to AED124,560 thousand equivalent to KD10,282 thousand (31 December 2018: AED123,904 thousand equivalent to KD10,232 thousand and 30 June 2018: AED107,183 thousand equivalents to KD8,837 thousand). These facilities are secured by certain foreign investment properties.

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

### 12 Borrowings (continued)

- e. An unsecured credit facility amounting to USD 10 million was approved from a foreign commercial bank which carries an interest rate of 3.79% per annum. Outstanding balance of this loan facility as at 30 June 2019 amounted to USD880 thousand equivalent to KD266 thousand (31 December 2018: Nil and 30 June 2018: USD3,650 thousand equivalent to KD1,105 thousand).
- f. During the period an unsecured loan facility of EUR2,160 thousand equivalent to KD738 thousand obtained from a related party (represented by a non-controlling interest of a foreign subsidiary) carrying an interest rate of 3.5% mature in December 2048. Outstanding balance of this facility as at 30 June 2019 amounted to EUR1,859 thousand equivalent to KD641 thousand.
- g. During the period a secured loan facility (development facility) of EUR21,319 thousand equivalent to KD7,348 thousand obtained by a foreign subsidiary from a foreign commercial bank carrying an interest rate of 2.6% above 3 months EURIBOR is repayable as a lump sum payment at the maturity on 15 February 2021. Outstanding balance of this loan facility as at 30 June 2019 amounted to EUR9,692 thousand equivalent to KD3,341 thousand. The purpose of this facility is to finance the real estate activities of the above foreign subsidiary.
- h. During the period a secured loan facility of PLN22,000 thousand equivalent to KD1,787 thousand obtained by a foreign subsidiary from a foreign commercial bank carrying an interest rate of 1.8% above 3 months WIBOR per annum is repayable as a lump sum payment at the maturity on 15 August 2020. Outstanding balance of this loan facility as at 30 June 2019 amounted to PLN11,911 thousand equivalent to KD955 thousand. The purpose of this facility is to finance the real estate activities of the above foreign subsidiary.

### 13 Treasury shares

	30 June 2019 (Unaudited)	31 Dec. 2018 (Audited)	30 June 2018 (Unaudited)
Number of shares	2,600,000	2,600,000	-
Percentage of issued shares	0.54%	0.54%	-
Market value (KD '000)	224	250	-
Cost (KD'000)	260	260	-

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

### 14 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2019	79	476	555
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	2	-	2
Exchange differences arising on translation of foreign operations	-	(18)	(18)
Share of other comprehensive income of associate and joint venture	-	19	19
Total other comprehensive income	2	1	3
<b>Balance at 30 June 2019</b>	<b>81</b>	<b>477</b>	<b>558</b>



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

### 14 Other components of equity (continued)

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2018	2,477	413	2,890
Adjustments arising on adoption of IFRS 9 on 1 January 2018	(2,402)	-	(2,402)
<b>Balance at 1 January 2018 (Restated)</b>	<b>75</b>	<b>413</b>	<b>488</b>
<i>Debt instruments at fair value through other comprehensive income:</i>			
- Net change in fair value arising during the period	8	-	8
- Transferred to interim condensed consolidated statement of profit or loss on redemption	(5)	-	(5)
Exchange differences arising on translation of foreign operations	-	149	149
Share of other comprehensive loss of associate and joint venture	-	(19)	(19)
Total other comprehensive income	3	130	133
<b>Balance at 30 June 2018</b>	<b>78</b>	<b>543</b>	<b>621</b>

### 15 Annual General Assembly of the Shareholders

The shareholders' of the Parent Company at the Annual General Assembly held on 2 April 2019 approved the consolidated financial statements of the Group for the year ended 31 December 2018 and approved a cash dividend of 5 Fils per share instead of the proposed cash dividend of 4 Fils per share by the Board of Directors of the Parent Company at the meeting held on 17 February 2019 (31 December 2017: 7 Fils per share) amounting to KD2,391 thousand (31 December 2017: KD3,366 thousand).

Further, the shareholders of the Parent Company at the above Annual General Assembly approved to distribute a total amount of KD70 thousand as remuneration to the Board of Directors for the year ended 31 December 2018 and this has been included under general and administrative expenses for the period ended 30 June 2019.

### 16 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		Six months ended	
	30 June 2019 (Unaudited) KD '000	30 June 2018 (Unaudited) KD '000	30 June 2019 (Unaudited) KD '000	30 June 2018 (Unaudited) KD '000
<b>Transactions included in the interim condensed consolidated statement of profit or loss:</b>				
Interest income on loans to customers	-	-	-	22
Management fees and commission	1,330	1,349	2,513	2,571
<b>Key management compensation:</b>				
Salaries and other short term benefits	243	194	436	389
End of service benefits	25	25	50	50
Board of Directors' remuneration (Note 15)	70	-	70	-
	<b>338</b>	<b>219</b>	<b>556</b>	<b>439</b>

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

### 16 Related party transactions (continued)

	30 June 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 June 2018 (Unaudited) KD '000
<b>Balances included in the interim condensed consolidated statement of financial position:</b>			
Loans to customers	65	22	27
Accounts receivable and other assets	1,529	1,337	765
Accounts payable and other liabilities	1,694	1,670	1,345
Borrowings (Note 12 f)	641	-	-

### 17 Segmental information

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

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

	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	30 June 2019 KD'000	30 June 2018 KD'000	30 June 2019 KD'000	30 June 2018 KD'000	30 June 2019 KD'000	30 June 2018 KD'000
Segment revenue	11,477	7,394	997	1,378	12,474	8,772
Segment result	5,580	2,679	87	494	5,667	3,173
Provision for KFAS, NLST and Zakat	(224)	(104)	(4)	(22)	(228)	(126)
Profit for the period	5,356	2,575	83	472	5,439	3,047
Total assets	176,136	144,716	20,617	22,749	196,753	167,465

### 18 Fiduciary accounts

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 June 2019 amounted to KD1,112,181 thousand (31 December 2018: KD1,093,010 thousand and 30 June 2018: KD1,019,893 thousand). The Group earned management fee of KD3,675 thousand (30 June 2018: KD3,652 thousand) from the asset management activities.

### 19 Commitments

	30 June 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 June 2018 (Unaudited) KD '000
Commitments for purchase of investments	1,521	1,686	3,992
Commitments for investment properties	2,217	3,526	9,002
	3,738	5,212	12,994

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

### 20 Forward foreign exchange contracts

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

	30 June 2019 (Unaudited)		31 Dec. 2018 (Audited)		30 June 2018 (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	15,165	(1)	18,213	(64)	18,370	(109)

### 21 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:

30 June 2019 (Unaudited)	KD'000			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Quoted securities	22,370	-	-	22,370
Managed funds	-	61,603	-	61,603
Equity participation	-	-	18,243	18,243
Fixed income securities	5,188	-	900	6,088
	<b>27,558</b>	<b>61,603</b>	<b>19,143</b>	<b>108,304</b>
<b>Derivative</b>				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(1)	-	(1)
<b>Financial assets at FVOCI</b>				
Debt instruments	-	-	422	422
	<b>27,558</b>	<b>61,602</b>	<b>19,565</b>	<b>108,725</b>

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

### 21 Fair value measurement (continued)

31 December 2018 (Audited)

	KD'000			Total
	Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL</b>				
Quoted securities	20,994	-	-	20,994
Managed funds	-	55,803	-	55,803
Equity participation	-	-	10,359	10,359
Fixed income securities	3,764	-	1,754	5,518
	24,758	55,803	12,113	92,674
<b>Derivative</b>				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(64)	-	(64)
<b>Financial assets at FVOCI</b>				
Debt instruments	-	-	427	427
	24,758	55,739	12,540	93,037

30 June 2018 (Unaudited)

	KD'000			Total
	Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL</b>				
Quoted securities	22,386	-	-	22,386
Managed funds	-	49,706	-	49,706
Equity participation	-	-	10,659	10,659
Fixed income securities	4,498	-	900	5,398
	26,884	49,706	11,559	88,149
<b>Derivative</b>				
Forward foreign currency contracts held for trading (included in other liabilities)	-	(109)	-	(109)
<b>Financial assets at FVOCI</b>				
Debt instruments	-	-	430	430
	-	-	430	430
	26,884	49,597	11,989	88,470

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)

### 21 Fair value measurement (continued)

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

	30 June 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 June 2018 (Unaudited) KD '000
Opening balance	12,540	20,351	20,351
Reclassification on adoption of IFRS 9	-	(4,973)	(4,973)
Net additions/(disposal/redemption)	7,521	(2,551)	(3,180)
Net change in fair value	(496)	(287)	(209)
Closing balance	19,565	12,540	11,989

### 22 Comparative information

Certain comparative figures have been reclassified to conform to the presentation in the current period, and such reclassification does not affect previously reported net assets, net equity and net results for the period or net increase in cash and cash equivalents.