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Interim condensed consolidated financial information and review report

**Arzan Financial Group for Financing and Investment – KPSC**

**and its 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  
Arzan Financial Group for Financing and Investment - KPSC  
Kuwait

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arzan Financial Group for Financing and Investment - KPSC (a Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (together 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 presentation 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 presentation set out in Note 2.

### *Emphasis of Matter*

We draw attention to Note 5.1 to the interim condensed consolidated financial information, which describes the possible material effects of uncertainty with respect to the Group's exposure in Lebanon. Our conclusion is not modified in respect of this matter.

### **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 violations of the Companies Law No.1 of 2016 and its executive regulations, or of the Articles of Association and Memorandum of Incorporation of the Parent Company, 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.

Abdullatif M. Al-Aiban (CPA)  
(Licence No. 94-A)  
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait  
13 August 2020

## Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2020 (Unaudited) KD	Three months ended 31 March 2019 (Unaudited) KD
<b>Revenue</b>			
Income from instalment credit debtors		254,902	408,180
Revenue from contracts with customers		494,013	1,331,272
Realised profit from instalment sales		59,122	32,215
Rental income		31,135	33,810
Interest income		145,139	223,617
Gain on sale of financial assets at fair value through profit or loss		7,892	26,557
Change in fair value of financial assets at fair value through profit or loss		(3,018,352)	1,577,949
Share of results of associates	11	392,400	591,575
Dividend income		449,912	276,411
(Loss)/gain on foreign currency exchange		(24,714)	41,629
Other income		16,543	56,394
		<b>(1,192,008)</b>	<b>4,599,609</b>
<b>Expenses and other charges</b>			
Staff costs		(762,288)	(955,693)
General and administrative expenses		(371,940)	(514,964)
Finance costs		(548,313)	(401,231)
Provision for instalment credit debtors		(882,504)	(156,742)
Depreciation		(108,830)	(101,147)
Provision for doubtful debts		(48,001)	(26,995)
		<b>(2,721,876)</b>	<b>(2,156,772)</b>
<b>(Loss)/profit for the period before provisions for contribution to KFAS, National Labour Support Tax and Zakat</b>			
		<b>(3,913,884)</b>	<b>2,442,837</b>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(7,062)
Provision for National Labour Support Tax (NLST)		-	(25,739)
Provision for Zakat		-	(3,520)
<b>(Loss)/profit for the period</b>		<b>(3,913,884)</b>	<b>2,406,516</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		(3,895,630)	2,286,004
Non-controlling interests		(18,254)	120,512
<b>(Loss)/profit for the period</b>		<b>(3,913,884)</b>	<b>2,406,516</b>
<b>Basic and diluted (loss)/earnings per share attributable to the shareholders of the Parent Company (Fils)</b>	6	<b>(4.889)</b>	<b>2.869</b>

The notes set out on pages 8 to 26 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	Three months ended 31 March 2019 (Unaudited) KD
(Loss)/profit for the period	(3,913,884)	2,406,516
<b>Other comprehensive income/(loss):</b>		
<i>Items that will not be reclassified subsequently to interim condensed consolidated statements of profit or loss:</i>		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the period	(479,746)	(3,232,272)
<i>Items that may be reclassified subsequently to interim condensed consolidated statements of profit or loss:</i>		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the period	97,954	222
Exchange differences arising on translation of foreign operations	522,926	95,338
Share of other comprehensive income/(loss) of associates	121,461	(121,269)
<b>Total other comprehensive income /(loss) for the period</b>	<b>262,595</b>	<b>(3,257,981)</b>
<b>Total comprehensive loss for the period</b>	<b>(3,651,289)</b>	<b>(851,465)</b>
<b>Attributable to:</b>		
Shareholders of the Parent Company	(4,364,708)	(921,490)
Non-controlling interests	713,419	70,025
<b>Total comprehensive loss for the period</b>	<b>(3,651,289)</b>	<b>(851,465)</b>

*The notes set out on pages 8 to 26 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

	Notes	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
<b>Assets</b>				
Cash and cash equivalents	7.1	4,241,594	7,898,924	6,750,819
Restricted cash and cash equivalents	7.2	1,985,971	2,577,267	-
Instalment credit debtors	8	2,983,443	4,128,653	7,525,232
Financial assets at fair value through profit or loss	9	12,335,243	14,504,859	12,731,731
Accounts receivable and other assets		4,864,641	4,968,961	4,540,409
Properties held for trading		906,140	906,140	1,023,280
Financial assets at fair value through other comprehensive income	10	66,295,635	66,501,483	82,695,269
Investment in associates	11	45,145,735	44,631,874	27,838,768
Investment in real estate under development		5,442,737	5,313,674	5,060,408
Investment properties		1,581,779	1,596,464	1,640,519
Property and equipment		2,613,554	2,639,614	2,776,299
<b>Total assets</b>		<b>148,396,472</b>	<b>155,667,913</b>	<b>152,582,734</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks	12	940,515	1,930,923	3,817,454
Accounts payable and other liabilities	13	8,002,668	13,671,885	10,454,006
Term loans	14	17,925,500	17,974,500	16,866,000
Murabaha payable	15	11,749,809	12,128,670	8,775,635
Provision for employees' end of service benefits		1,533,735	1,481,816	1,413,740
<b>Total liabilities</b>		<b>40,152,227</b>	<b>47,187,794</b>	<b>41,326,835</b>
<b>Equity</b>				
Share capital		80,288,256	80,288,256	80,288,256
Share premium		23,803,273	23,803,273	23,803,273
Treasury shares	16	(559,232)	(559,232)	(559,232)
Legal reserve		503,767	503,767	503,767
Voluntary reserve		503,767	503,767	503,767
Foreign currency translation reserve		175,583	(297,691)	(227,820)
Fair value reserve		(5,242,091)	(4,299,739)	(5,841,370)
(Accumulated losses)/retained earnings		(5,186,733)	(1,291,103)	3,853,686
<b>Total equity attributable to the shareholders of the Parent Company</b>		<b>94,286,590</b>	<b>98,651,298</b>	<b>102,324,327</b>
Non-controlling interests		13,957,655	9,828,821	8,931,572
<b>Total equity</b>		<b>108,244,245</b>	<b>108,480,119</b>	<b>111,255,899</b>
<b>Total liabilities and equity</b>		<b>148,396,472</b>	<b>155,667,913</b>	<b>152,582,734</b>



Jassem Hasan Zainal  
Vice chairman and CEO

*The notes set out on pages 8 to 26 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of changes in equity (unaudited)

	Equity attributable to the shareholders of the Parent Company										Total KD
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-Total KD	Non- controlling interests KD	
Balance at 31 December 2019 (audited)	80,288,256	23,803,273	(559,232)	503,767	503,767	(297,691)	(4,299,739)	(1,291,103)	98,651,298	9,828,821	108,480,119
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(61,039)	(61,039)
Non-controlling interests arising on establish a subsidiary (note 5.2)	-	-	-	-	-	-	-	-	-	3,476,454	3,476,454
Total transactions with owners	-	-	-	-	-	-	-	-	-	3,415,415	3,415,415
Loss for the period	-	-	-	-	-	-	-	(3,895,630)	(3,895,630)	(18,254)	(3,913,884)
Other comprehensive income for the period	-	-	-	-	-	473,274	(942,352)	-	(469,078)	731,673	262,595
Total comprehensive income/(loss) for the period	-	-	-	-	-	473,274	(942,352)	(3,895,630)	(4,364,708)	713,419	(3,651,289)
<b>Balance at 31 March 2020 (unaudited)</b>	<b>80,288,256</b>	<b>23,803,273</b>	<b>(559,232)</b>	<b>503,767</b>	<b>503,767</b>	<b>175,583</b>	<b>(5,242,091)</b>	<b>(5,186,733)</b>	<b>94,286,590</b>	<b>13,957,655</b>	<b>108,244,245</b>

The notes set out on pages 8 to 26 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity (unaudited) (continued)

	Equity attributable to the shareholders of the Parent Company										Total KD
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-Total KD	Non- controlling interests KD	
Balance at 31 December 2018 (audited)	80,288,256	23,803,273	(559,232)	503,767	503,767	(3,18,402)	(2,436,904)	1,461,292	103,245,817	8,906,798	112,152,615
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(45,251)	(45,251)
Total transaction with owners	-	-	-	-	-	-	-	-	-	(45,251)	(45,251)
Profit for the period	-	-	-	-	-	-	-	2,286,004	2,286,004	120,512	2,406,516
Other comprehensive income/(loss) for the period	-	-	-	-	-	90,582	(3,298,076)	-	(3,207,494)	(50,487)	(3,257,981)
Total comprehensive income/(loss) for the period	-	-	-	-	-	90,582	(3,298,076)	2,286,004	(921,490)	70,025	(851,465)
Gain on disposal of financial assets at FVTOCI	-	-	-	-	-	-	(106,390)	106,390	-	-	-
<b>Balance at 31 March 2019 (unaudited)</b>	<b>80,288,256</b>	<b>23,803,273</b>	<b>(559,232)</b>	<b>503,767</b>	<b>503,767</b>	<b>(227,820)</b>	<b>(5,841,370)</b>	<b>3,853,686</b>	<b>102,324,327</b>	<b>8,931,572</b>	<b>111,255,899</b>

The notes set out on pages 8 to 26 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	Three months ended 31 March 2019 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit for the period		(3,913,884)	2,406,516
<b>Adjustments:</b>			
Interest income		(145,139)	(251,529)
Dividend income		(449,912)	(276,411)
Share of results of associates		(392,400)	(591,575)
Provision for instalment credit debtors		882,504	156,742
Provision for doubtful debts		48,001	26,995
Finance costs		548,313	401,231
Depreciation		108,830	101,147
Provision for employees' end of service benefits		51,919	44,162
		(3,261,768)	2,017,278
<b>Changes in operating assets and liabilities:</b>			
Instalment credit debtors		262,706	222,380
Financial assets at fair value through profit or loss		2,169,616	(2,883,957)
Accounts receivable and other assets		56,319	(230,762)
Accounts payable and other liabilities		(5,655,144)	3,314,927
<b>Net cash (used in)/from operating activities</b>		<b>(6,428,271)</b>	<b>2,439,866</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(64,188)	(42,122)
Purchase of financial assets at fair value through other comprehensive income		(137,824)	(9,436,773)
Proceeds from sale of financial assets at fair value through other comprehensive income		3,438,335	106,390
Restricted cash and cash equivalents		591,296	-
Dividend income received		449,912	276,411
Dividend from associate		-	108,345
Interest income received		145,139	106,722
Additions to real estate portfolio		(70,805)	(10,268)
<b>Net cash from/(used in investing activities)</b>		<b>4,351,865</b>	<b>(8,891,295)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of term loans		(104,000)	(1,014,000)
Repayment of murabaha		(449,360)	(537,869)
Murabaha obtained		-	4,830,053
Finance costs paid		(562,386)	(311,598)
Dividend paid to non-controlling interest		(61,039)	-
<b>Net cash (used in)/from financing activities</b>		<b>(1,176,785)</b>	<b>2,966,586</b>
Net decrease in cash and cash equivalents		(3,253,191)	(3,484,843)
Foreign currency adjustment		586,269	64,125
Cash and cash equivalents at beginning of the period	7.1	5,968,001	6,354,083
<b>Cash and cash equivalents at end of the period</b>	<b>7.1</b>	<b>3,301,079</b>	<b>2,933,365</b>
<b>Non-cash transactions:</b>			
Purchase of financial assets at FVTOCI		(3,476,454)	-
Non-controlling interests arising on establish a subsidiary		3,476,454	-

The notes set out on pages 8 to 26 form an integral part of this interim condensed consolidated financial information.

## Notes to the interim condensed consolidated financial information

### 1 Incorporation and activities

Arzan Financial Group for Financing and Investment – KPSC (the “Parent Company”) was incorporated in Kuwait on 15 April 1980 in accordance with the Companies Law under the name of International Transport Equipment Company – KSC (Closed). On 14 December 1996 an extraordinary general assembly resolved to change the name of the Parent Company to International Murabaha Company – KSC (Closed). Later, on 24 April 2002 an extraordinary general assembly resolved to change the name of the Parent Company to International Finance Company – KPSC and to expand its permitted activities.

The extraordinary general assembly held on 24 July 2013 approved to change the name of the Parent Company from International Finance Company – KSCC to Arzan Financial Group for Financing and Investment – KPSC which has been registered in the commercial register under No. 29629 on 11 November 2013.

The Parent Company is listed on Kuwait Boursa and is governed under the directives of Central Bank of Kuwait and Capital Markets Authority.

The Group comprises the Parent Company and its subsidiaries (together referred as “the Group”).

The Parent Company’s objectives are as follows:

- Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the Company’s objectives for its account and for the account of third parties inside or outside the State of Kuwait.
- Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait.
- Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the Company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account.
- Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukks and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities.
- Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait.
- Provide economic advice related to investment and hold courses, issue brochures of various investment activities for individuals, local and foreign companies and institutions.
- Prepare and provide technical, economic and assessment studies and consultations and prepare feasibility studies for various investment activities and other studies, examining the technical, financial and administrative aspects related to these activities for its account or for the account of third parties inside or outside the State of Kuwait.

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

### 1 Incorporation and activities (continued)

- Establish and manage the collective investment systems and local and foreign investment funds of all kinds and contribute to their establishment for the account of the Company and for the account of third parties in accordance with the regulating laws, rules and conditions specified by the competent regulatory authorities; put its stakes or units to subscription so that the Company's contributions to the share capital of the collective investment system or the investment fund shall not be less than the minimum limit specified by the regulatory authorities; sell or purchase stakes or units in the local or foreign collective investment systems or investment funds for its account and for the account of third parties or market same, provided the necessary approvals are obtained from the competent regulatory authorities; act as investment custodian, investment monitor and investment advisor in general for the investment funds inside or outside the State of Kuwait in accordance with the regulating laws.
- Invest funds for its account and for the account of third parties in the various aspects of investment inside or outside the State of Kuwait and acquire movable and immovable assets.
- Act as the issuance manager for the securities issued by the local and foreign government and private companies, institutions and bodies and act as the subscription agent, listing advisor, investment custodian and monitor, including publications management and commitments of subscription operations management, receiving applications and covering subscription thereto.
- Perform all advisory services that help develop and strengthen the ability of financial and monetary market in the State of Kuwait and meet its requirements within the limits of the law and the decisions or instructions issued by the competent regulatory authorities (after obtaining the necessary approvals from those authorities), provided this does not result in granting funding by the Company in any way.
- Mediate in financing operations, structure and manage the financing arrangements of the local and international companies, institutions, bodies and projects in the various economic sectors in accordance with the rules and conditions specified by the competent regulatory authorities.
- Carry out all the works related to the activities for the arrangement and management of consolidation, acquisition and separation operations for the local and foreign government and private companies, institutions and bodies.
- Trade in transportation means and related heavy equipment.
- Finance the purchases of capital goods, durable and non-durable goods.
- Lease capital and durable goods.
- Grant short and medium term loans to natural and judicial persons.
- Perform real estate investment operations aiming at the management and development of residential lands and building of residential and commercial units and complexes for the purpose of selling them in cash or on installments or leasing same.
- Manage all kinds of financial portfolios, invest and develop funds by employing them locally and internationally for the account of the Company or for the account of its clients, in addition to lending and borrowing operations.
- Mediate in the operations of lending, borrowing, brokerage and warrantees against commission or pay.
- Finance and mediate in international and local trade operations.
- Manage and create mutual investment funds according to the law and after approval by the competent authorities.

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

### 1 Incorporation and activities (continued)

- Mediate in investment in the international instruments and securities.
- Invest in real estate, industrial and agricultural sectors and other economic sectors, whether directly or through contribution to the incorporation of specialized companies or purchase of the shares of these companies.
- Sell and purchase foreign currencies and trade in precious metals only for the account of the Company.
- Conduct researches and studies for private and public real estate projects and for the employment of funds for its account or for the account of third parties.
- Trade in securities such as shares and investment certificates and the like.

The Company may have an interest or participate in any aspect with the companies, institutions and bodies performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Company may also open branches inside and outside the State of Kuwait in such a way that does not contradict with the Company's law and the instructions of the competent regulatory authorities.

The address of the Parent Company's registered office is PO Box 26442, Safat 13125, State of Kuwait.

The Parent Company's board of directors approved this interim condensed consolidated financial information for the three month period ended 31 March 2020 for issue on 13 August 2020.

### 2 Basis of presentation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of this 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.

The annual consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). The modification requires adoption of all IFRSs for such institutions except for the IFRS 9 requirement for measurement of estimated credit losses ("ECL") for credit facilities. The CBK requires to measure the provision for credit losses at the higher of provision calculated under IFRS 9 in accordance with the CBK guidelines, and the provision required by the prudential regulations of the CBK.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required for complete 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.

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

### 2 Basis of presentation (continued)

The preparation of interim condensed consolidated financial information requires management to make judgements, 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 judgements 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.

Operating results for the three-month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For further 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
- 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'.

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

### 3 Changes in accounting policies (continued)

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

##### *IAS 1 and IAS 8 – Amendments (continued)*

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.

*Standard or Interpretation*

*Effective for annual periods beginning*

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments  
IAS 1 Amendments

No stated date  
1 January 2022

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

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

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

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

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

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

### 3 Changes in accounting policies (continued)

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

##### *IAS 1 Amendments*

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 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, 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 judgements 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 Subsidiaries

5.1 The Group's subsidiary International Finance Company SAL ("IFC") is located in Lebanon which has recently been witnessing significant economic and political turmoil. These events include significant controls on the Lebanese banking system including placing limits on cash withdrawals of foreign currency bank balances, limits on international bank transfers and reduction of contracted interest rates on foreign currency term deposits. These measures have significantly curtailed the ability of the Group to access the cash and other assets of IFC. Moreover, the Government of Lebanon defaulted on its sovereign debt obligation. The rating agencies have downgraded the sovereign rating of Lebanon as well as some of the Lebanese banks including the bank where the subsidiary's cash is primarily deposited.

Further, due to the current economic conditions the subsidiary has ceased its new lending operations and is monitoring the business activities closely.

Management has assessed the potential effects of these events on its ability to continue to exercise control over IFC Lebanon and concluded that it still has the power and ability to use that power to affect returns and that it is still exposed to variable returns of the subsidiary. Accordingly, it continues to consolidate the subsidiary.

Management has also assessed the impact of these events on the carrying value of its investment in IFC Lebanon. The Group recognised provision for instalment credit debtors amounting to KD771,863 in the interim condensed consolidated statement of profit or loss for the period ended 31 March 2020.

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

### 5 Subsidiaries (continued)

Furthermore, the Group's management believes that the carrying value of the Group's investment in Lebanon is recoverable and there are currently no indications that any further material additional impairment loss is required to be recognised.

Summarised financial information of IFC Lebanon as at and for the period ended 31 March 2020, before inter Group elimination, is set out below:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Cash and bank balances	378,744	87,165	59,500
Short term deposits	1,607,227	2,490,102	3,176,486
Instalment credit debtors	2,257,647	3,137,980	6,059,771
Other assets	227,289	228,161	203,264
<b>Total assets</b>	<b>4,470,907</b>	<b>5,943,408</b>	<b>9,499,021</b>
Bank facilities	934,171	1,924,670	2,499,056
Accounts payable and other liabilities	1,241,023	1,216,719	1,218,369
<b>Total liabilities</b>	<b>2,175,194</b>	<b>3,141,389</b>	<b>3,717,425</b>
		Three months ended 31 March 2020 (Unaudited) KD	Three months ended 31 March 2019 (Unaudited) KD
Income from instalment credit		195,737	279,022
<b>(Loss) / profit for the period</b>		<b>(123,593)</b>	<b>42,847</b>

5.2 During the period, the Group established a joint venture Company in Kuwait with a share capital of KD7,057,849 in which it owns 51%. The principle activity of the investee is investment. The Group classified this investment as a subsidiary since the management believes that the Group has the power to control the investee.



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

### 6 Basic and diluted (loss)/earnings per share attributable to the shareholders of the Parent Company

Basic and diluted (loss)/earnings per share is computed by dividing the (loss)/profit for the period attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the period less treasury shares.

	Three months ended 31 March 2020 (Unaudited)	Three months ended 31 March 2019 (Unaudited)
(Loss)/profit for the period attributable to the shareholders of the Parent Company – KD	(3,895,630)	2,286,004
Weighted average number of shares outstanding during the period (excluding treasury shares)	796,798,668	796,798,668
<b>Basic and diluted (loss)/earnings per share attributable to the shareholders of the Parent Company (Fils)</b>	<b>(4.889)</b>	<b>2.869</b>

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

### 7 Cash and cash equivalents

7.1 Cash and cash equivalents	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Cash and bank balances	3,549,638	7,898,924	3,574,333
Term deposits – 1 to 3 months	691,956	-	3,176,486
Cash and cash equivalents	4,241,594	7,898,924	6,750,819
Less: due to banks	(940,515)	(1,930,923)	(3,817,454)
Cash and cash equivalents for statement of cash flow	3,301,079	5,968,001	2,933,365
7.2 Restricted cash and cash equivalents	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited)
Cash and bank balances	378,744	87,165	-
Term deposits – 1 to 3 months	2,607,227	3,490,102	-
Provision of credit losses	2,985,971 (1,000,000)	3,577,267 (1,000,000)	-
Restricted cash and cash equivalents	1,985,971	2,577,267	-

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

### 7 Cash and cash equivalents (continued)

Restricted cash and cash equivalents represent balances deposited in a bank located in Lebanon and denominated in Lebanese Pound. Due to the current political and economic events, the central bank of Lebanon imposed a series of measures including restrictions on withdrawals and limitation of transfers of money abroad. Consequently, the Group lacks access to these bank balances on time and in full (note 5.1).

The term deposits carry effective interest rate of 6.1% - 9.95% (31 December 2019: (9.25% - 12%) and 31 March 2019: 7.25% - 8%) per annum.

### 8 Instalment credit debtors

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Gross instalment credit debtors	11,100,496	11,408,073	12,666,977
Deferred income	(1,268,107)	(1,348,235)	(1,528,260)
	9,832,389	10,059,838	11,138,717
Specific provision for doubtful debts	(2,654,622)	(2,266,647)	(2,198,852)
General provision for doubtful debts	(4,194,324)	(3,664,538)	(1,414,633)
	2,983,443	4,128,653	7,525,232

Gross instalment credit debtors are due as follows:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Within one year	1,736,846	3,036,274	5,220,958
More than a year	9,363,650	8,371,799	7,446,019
	11,100,496	11,408,073	12,666,977

The effective annual interest rate earned on instalment credit debtors ranged from 5.5% to 7.5% per annum (31 December 2019: 5.75% to 7.5% and 31 March 2019: 5.5% to 7%).

The provision for doubtful debts is calculated, in all material respect, in accordance with the requirements of the Central Bank of Kuwait.

The gross instalment credit debtors included an amount of KD612,402 (31 December 2019: KD664,866 and 31 March 2019: KD716,577) in respect of related parties (note 19). This amount is secured by way of pledge of certain local shares.

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

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

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Local quoted shares	593,118	816,860	1,133,270
Foreign quoted shares	380,542	348,388	257,218
Foreign unquoted shares	2,153,748	2,115,357	2,389,765
Investments in managed portfolios	7,780,975	10,635,479	8,951,478
Investment in managed fund	1,426,860	588,775	-
	<b>12,335,243</b>	<b>14,504,859</b>	<b>12,731,731</b>

An investment portfolio with a carrying value of KD7,205,066 (31 December 2019: KD9,989,227 and 31 March 2019: KD8,532,200) is pledged against term loans and murabaha payables (notes 14 and 15).

The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in Note 20.1.

### 10 Financial assets at fair value through other comprehensive income

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Local quoted shares	3,917,609	4,134,661	4,540,128
Local unquoted shares	13,399,476	12,679,879	19,579,095
Foreign unquoted shares	39,978,699	39,869,688	32,156,549
Investment in managed portfolios	6,158,394	7,076,658	19,314,291
Debt instruments	2,739,898	2,641,946	6,780,642
Investment funds	101,559	98,651	324,564
	<b>66,295,635</b>	<b>66,501,483</b>	<b>82,695,269</b>

Debt instruments amounting to KD981,404 (31 December 2019: KD978,443 and 31 March 2019: KD894,299) are secured by charges over real estate properties and carry average interest rate of 7% (31 December 2019: 7% and 31 March 2019: 7%) per annum.

Quoted and unquoted local shares and investment in managed portfolios with an aggregate carrying value of KD9,107,334 (31 December 2019: KD10,191,948 and 31 March 2019: KD25,525,483) are pledged against term loans and murabaha payables (notes 14 and 15).

The hierarchy for determining and disclosing the fair values of financial assets at fair value through profit or loss is presented in Note 20.1.

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

### 11 Investment in associates

Below is the movement in the investment in associates during the period/year:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
At 1 January	44,631,874	27,476,807	27,476,807
Additions	-	16,046,700	-
Share of results	392,400	1,973,274	591,575
Dividends	-	(743,629)	(108,345)
Share of other comprehensive income/(loss)	121,461	(121,278)	(121,269)
	<b>45,145,735</b>	<b>44,631,874</b>	<b>27,838,768</b>

On 28 June 2020, the Group signed a memorandum of understanding with a related party to sell its entire ownership interest in its associate “Kuwait Clearing Company – KSC” for a total consideration of KD12,015,000. Subsequently, the sale transaction was completed and the ownership was transferred to the buyer. Accordingly, no adjustment recognised in this interim condensed consolidated financial information.

Investment in associate with a carrying value of KD25,745,788 (31 December 2019: KD37,863,555 and 31 March 2019: KD10,504,399) are pledged against term loans and murabaha payables (notes 14 and 15).

### 12 Due to banks

This represents outstanding amounts of the credit facilities obtained by the Group from foreign banks in the form of overdraft facilities. The credit facilities carry interest rate of 7.50% per annum (31 December 2019: 7.50% per annum and 31 March 2019: 5.25% to 5.25-5.50% per annum) and payable on demand.

### 13 Accounts payable and other liabilities

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Trade payables	74,041	143,113	153,300
Due to related parties	1,287,667	3,547,720	858,869
Other payables	2,798,135	2,342,120	5,560,230
Accrued interest	90,410	104,483	121,572
Provision for staff leave	239,557	225,735	210,856
KFAS payable	226,802	226,802	233,864
NLST and Zakat payable	2,924,742	2,924,742	2,954,001
Advances received from investors	-	3,795,856	-
Due to shareholders	361,314	361,314	361,314
	<b>8,002,668</b>	<b>13,671,885</b>	<b>10,454,006</b>

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

### 14 Term loans

As of 31 March 2020, the outstanding term loans obtained from local banks amounting to KD14,840,000 carries annual interest rates ranging from 4.25% to 4.9% (31 December 2019: 5.5% to 6.15% and 31 March 2019: 5.75% to 6.4%) per annum and repayable in various instalments ending in June 2022. The term loans are secured against mortgage of certain financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment in associate (notes 9, 10 and 11).

The outstanding term loan of USD10 million (equivalent to KD3,085,500) obtained from an investment company located in Kuwait carries an annual interest rate of 10%. Subsequent to the financial position date, the term loan repaid in full. The term loan is unsecured.

Term loans are repayable as follows:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Within one year	10,219,500	9,254,500	4,856,000
After one year	7,706,000	8,720,000	12,010,000
	<b>17,925,500</b>	<b>17,974,500</b>	<b>16,866,000</b>

### 15 Murabaha payable

This represents Islamic financing obtained in Kuwaiti Dinar and US Dollar from local and foreign financial institutions, carrying an effective profit rates of 3% to 4.5% (31 December 2019: 3% to 5.75% and 31 March 2019: 3% to 6%) per annum. These financings are secured against pledge of certain financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment in associate, investment properties and property and equipment (note 9, 10 and 11) and payable in various instalments ending in May 2024. Murabaha payable is due as follows:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Within one year	3,925,717	3,792,517	1,542,935
After one year	7,824,092	8,336,153	7,232,700
	<b>11,749,809</b>	<b>12,128,670</b>	<b>8,775,635</b>

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

### 16 Treasury shares

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Number of treasury shares	6,083,892	6,083,892	6,083,892
Percentage of ownership	0.758%	0.758%	0.758%
Market value (KD)	185,559	144,188	176,433
Cost (KD)	559,232	559,232	559,232

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

### 17 Fiduciary accounts

Investment portfolios managed by the Group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the Group's assets or liabilities and, accordingly, are not included in the interim condensed consolidated financial position. Total fiduciary assets as at the financial position date were KD32,101,376 (31 December 2019: KD33,483,866 and 31 March 2019: KD34,822,074).

### 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 used for segment reporting under IFRS 8 are the same as those used in its annual audited consolidated financial statements.

The Group's principal activities, significant assets and liabilities are carried out and located in Kuwait, GCC, Middle East, USA and Europe. The Group operates in four business segments; instalment credit, investments, financial brokerage and real estate. The segmental analysis of total revenues, profit for the year, total assets and total liabilities for the business segments are as follows:

	Instalment credit KD	Investments KD	Financial brokerage KD	Real estate KD	Total KD
<b>Three months ended 31 March 2020</b>					
Total revenues/(expenses)	264,518	(1,508,376)	20,716	31,134	(1,192,008)
Loss for the period	(1,790,609)	(2,060,320)	(59,667)	(3,288)	(3,913,884)
<b>As at 31 March 2020</b>					
Total assets	5,454,422	122,969,822	11,447,837	8,524,391	148,396,472
Total liabilities	1,677,216	37,012,502	677,768	784,741	40,152,227
Net assets	3,777,206	85,957,320	10,770,069	7,739,650	108,244,245
<b>Three months ended 31 March 2019</b>					
Total revenues	455,830	4,102,643	7,326	33,810	4,599,609
(Loss)/profit for the period	(1,113,253)	3,667,876	(147,721)	(386)	2,406,516
<b>As at 31 March 2019</b>					
Total assets	11,456,938	121,811,885	11,166,903	8,147,008	152,582,734
Total liabilities	3,756,623	35,934,995	941,166	694,051	41,326,835
Net assets	7,700,315	85,876,890	10,225,737	7,452,957	111,255,899

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

### 19 Related parties balances and transactions

Related parties represent associates, 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. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Details of significant related parties balances and transactions are as follows:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
<b>Balances included in the interim condensed consolidated statement of financial position</b>			
Instalment credit debtors-gross (note 8)	612,402	664,866	716,577
Due from related parties (included in accounts receivable and other assets)	1,303,958	1,195,897	1,009,842
Due to shareholders (note 13)	361,314	361,314	361,314
Due to related parties (note 13)	1,287,667	3,547,720	858,869
<hr/>			
		Three months ended 31 March 2020 (Unaudited) KD	Three months ended 31 March 2019 (Unaudited) KD
<b>Interim condensed consolidated statement of profit or loss</b>			
Income from instalment credit debtors		9,738	12,118
Interest income		61,041	14,056
General and administrative expenses		28,810	7,417
Finance cost		-	3,208
<hr/>			
<b>Key management compensation:</b>			
Salaries and other short term benefits		178,021	183,283
End of service benefits		15,380	13,762

### 20 Fair value measurement

#### 20.1 Fair value hierarchy

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:

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

### 20 Fair value measurement (continued)

#### 20.1 Fair value hierarchy (continued)

- 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 carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position are as follows:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
<b>Financial assets:</b>			
<b>At amortised cost:</b>			
Cash and cash equivalents	4,241,594	7,898,924	6,750,819
Restricted cash and cash equivalents	1,985,971	2,577,267	-
Installments credit debtors	2,983,443	4,128,653	7,525,232
Accounts receivable and other assets	4,864,641	4,968,961	4,540,409
<b>At fair value:</b>			
Financial assets at fair value through profit or loss	12,335,243	14,504,859	12,731,731
Financial assets at fair value through other comprehensive income	66,295,635	66,501,483	82,695,269
<b>Total</b>	<b>92,706,527</b>	<b>100,580,147</b>	<b>114,243,460</b>

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
<b>Financial liabilities:</b>			
<b>At amortised cost:</b>			
Due to banks	940,515	1,930,923	3,817,454
Accounts payable and other liabilities	8,002,668	13,671,885	10,454,006
Term loans	17,925,500	17,974,500	16,866,000
Murabaha payable	11,749,809	12,128,670	8,775,635
Provision for employees' end of service benefits	1,533,735	1,481,816	1,413,740
<b>Total</b>	<b>40,152,227</b>	<b>47,187,794</b>	<b>41,326,835</b>

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortised cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

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



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

### 20 Fair value measurement (continued)

#### 20.1 Fair value hierarchy (continued)

31 March 2020 (Unaudited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted shares	593,118	-	-	593,118
Foreign quoted shares	380,542	-	-	380,542
Investment in managed portfolios	7,780,975	-	-	7,780,975
Foreign unquoted shares	-	-	2,153,748	2,153,748
Investment fund	-	1,426,860	-	1,426,860
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted shares	3,917,609	-	-	3,917,609
Local unquoted shares	-	-	13,399,476	13,399,476
Foreign unquoted shares	-	-	39,978,699	39,978,699
Investment in managed portfolios	6,158,394	-	-	6,158,394
Debt instruments	-	-	2,739,898	2,739,898
Investment funds	-	101,559	-	101,559
	18,830,638	1,528,419	58,271,821	78,630,878

31 December 2019 (Audited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted shares	816,860	-	-	816,860
Foreign quoted shares	348,388	-	-	348,388
Investment in managed portfolios	10,635,479	-	-	10,635,479
Foreign unquoted shares	-	-	2,115,357	2,115,357
Investment fund	-	588,775	-	588,775
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted shares	4,134,661	-	-	4,134,661
Local unquoted shares	-	-	12,679,879	12,679,879
Foreign unquoted shares	-	-	39,869,688	39,869,688
Investment in managed portfolios	7,076,658	-	-	7,076,658
Debit instruments	-	-	2,641,946	2,641,946
Investment funds	-	98,651	-	98,651
	23,012,046	687,426	57,306,870	81,006,342

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

### 20 Fair value measurement (continued)

#### 20.1 Fair value hierarchy (continued)

31 March 2019 (Unaudited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<b>Financial assets at fair value through profit or loss:</b>				
Local quoted shares	1,133,270	-	-	1,133,270
Foreign quoted shares	257,218	-	-	257,218
Investment in managed portfolios	8,951,478	-	-	8,951,478
Foreign unquoted shares	-	-	2,389,765	2,389,765
<b>Financial assets at fair value through other comprehensive income:</b>				
Local quoted shares	4,540,128	-	-	4,540,128
Local unquoted shares	-	-	19,579,095	19,579,095
Foreign unquoted shares	-	-	32,156,549	32,156,549
Investment in managed portfolios	8,100,291	-	11,214,000	19,314,291
Debt instruments	-	-	6,780,642	6,780,642
Investment funds	-	324,564	-	324,564
	22,982,385	324,564	72,120,051	95,427,000

There have been no transfers between levels during the reporting period.

#### 20.2 Fair value measurement of financial instruments

##### Measurement at fair value

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

##### a) Quoted shares

All the listed equity shares are publicly traded on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

##### b) Managed funds

The underlying investments of managed funds primarily comprise of quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by fund managers. All significant inputs into the model are based on observable market prices

##### c) Unquoted shares

Unquoted shares are measured at fair value estimated using various models like discounted cash flow model, and market multiples which include some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

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

### 20 Fair value measurement (continued)

#### 20.2 Fair value measurement of financial instruments (continued)

##### Measurement at fair value (continued)

##### Level 3 fair value measurement

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

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Opening balance	57,306,869	62,138,109	62,138,109
Change in fair value	750,618	819,191	214,441
Sales	(3,438,335)	(31,403,471)	-
Purchases	3,652,669	27,601,345	9,767,501
Impairment of financial assets at FVTOCI	-	(1,848,304)	-
Closing balance	<b>58,271,821</b>	<b>57,306,870</b>	<b>72,120,051</b>

Gains or losses recognized in the interim condensed consolidated statement of profit or loss for the period are included in change in fair value of financial assets at fair value through profit or loss.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the interim condensed consolidated statement of profit or loss, total assets, total liabilities or total equity.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

### 21 Capital commitments

At the date of the interim condensed consolidated statement of financial position, the Group had capital commitments amounting to KD282,396 (31 December 2019: KD282,396 and 31 March 2019: KD282,396) for real estate under development.

### 22 Annual general assembly

The Annual General Assembly of the shareholders of the Parent Company held on 8 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 without dividend. Further, the annual general assembly approved the board of directors' remuneration of KD36,000 for the year ended 31 December 2019 which has been recorded under expenses in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2020.

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

### **23 Division of the Parent Company**

In the last year, the Parent Company's Board of Directors approved a proposal for the division of the Parent Company into two companies by transferring assets from the Parent Company to the new company. The Parent Company will continue to conduct all of its current activities and the activity of the new company will be of a holding company. On division, each shareholder of the Parent Company will receive a share in the new company.

On 7 November 2019, the Directors' suggested alternatives in respect of the division have been discussed and it approved a proposal to decrease the share capital from KD80 million to KD29 million through a distribution of shares of a subsidiary to the shareholders of the Parent Company. Therefore, a request was submitted to the CMA for approval.

On 19 February 2020, the CMA indicated that after it had studied extensively the request submitted by the Parent Company, it had concluded that the transaction, in terms of legal adoption and technical procedure, is not a reduction of the share capital in excess of the need, and that the closest description appropriate to it in the form and content is a "Division", and that the CMA is currently working to prepare rules for companies division. Based on the foregoing, the CMA is unable to approve the Parent Company's request to reduce the share capital, for the reasons mentioned above. Accordingly, the transaction will be postponed until the CMA completes preparing the rules.

As of the financial position date, no effect of the above has been recognised in these consolidated financial statements.

### **24 Effects 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.