

Interim condensed consolidated financial information and review report  
**Arzan Financial Group for Financing and Investment – KPSC**  
**and its Subsidiaries**  
**Kuwait**  
30 September 2022 (Unaudited)

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## Report on review of interim condensed consolidated financial information

To the board of directors of  
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 (“the Parent Company”) and its Subsidiaries (“the Group”) as at 30 September 2022 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of 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 Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2022 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, 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 provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2022 that might have had a material effect on the business or financial position of the Parent Company.



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

Kuwait  
30 October 2022

## Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Nine months ended	
		30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD	30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD
<b>Income</b>					
Income from instalment credit debtors		85,425	247,428	310,336	835,250
Revenue from contracts with customers		754,599	462,393	2,354,892	1,857,778
Realised profit from instalment sales		159,021	131,784	448,209	391,648
Rental income		41,160	42,186	127,633	119,792
Interest income		116,605	130,873	350,636	331,662
Realised (loss)/gain on sale of properties held for trading		(44,266)	-	126,971	-
Gain on sale of financial assets at fair value through profit or loss		226,501	102,377	756,884	158,956
Change in fair value of financial assets at fair value through profit or loss		(1,229,933)	922,968	5,668,186	2,376,621
Gain on sale of investment in real estate under development		-	1,806,236	-	1,806,236
Share of results of associates	11	1,392,530	703,428	1,982,204	1,668,201
Dividend income		452,520	292,569	3,607,864	2,437,896
(Loss)/gain on foreign currency exchange		(105,157)	(589,254)	201,464	(1,346,953)
Other income		53,646	46,256	272,691	116,274
		<b>1,902,651</b>	<b>4,299,244</b>	<b>16,207,970</b>	<b>10,753,361</b>
<b>Expenses and other charges</b>					
Staff costs		(682,008)	(598,923)	(2,260,042)	(2,063,682)
General and administrative expenses		(391,359)	(263,408)	(1,142,218)	(939,351)
Finance costs		(240,629)	(241,770)	(677,741)	(854,995)
Reversal of provision for instalment credit debtors - net		138,080	748,726	721,541	2,222,113
Depreciation		(66,465)	(65,924)	(179,692)	(194,172)
Provision for doubtful debts		(107,651)	(338,708)	(276,436)	(417,309)
Provision of credit losses for restricted cash and cash equivalents	7.2	(78,431)	(1,198,517)	(1,150,879)	(1,526,523)
		<b>(1,428,463)</b>	<b>(1,958,524)</b>	<b>(4,965,467)</b>	<b>(3,773,919)</b>
<b>Profit for the period before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat</b>					
		<b>474,188</b>	<b>2,340,720</b>	<b>11,242,503</b>	<b>6,979,442</b>
Provision for KFAS		-	(14,758)	-	(43,037)
Provision for NLST		(36,335)	(35,654)	(50,409)	(100,056)
Provision for Zakat		-	(8,689)	-	(24,785)
<b>Profit for the period</b>		<b>437,853</b>	<b>2,281,619</b>	<b>11,192,094</b>	<b>6,811,564</b>
<b>Attributable to:</b>					
Owners of the Parent Company		216,382	2,120,155	9,383,949	5,804,002
Non-controlling interests		221,471	161,464	1,808,145	1,007,562
<b>Profit for the period</b>		<b>437,853</b>	<b>2,281,619</b>	<b>11,192,094</b>	<b>6,811,564</b>
<b>Basic earnings per share attributable to the owners of the Parent Company (Fils)</b>	6	<b>0.269</b>	<b>2.617</b>	<b>11.633</b>	<b>7.156</b>
<b>Diluted earnings per share attributable to the owners of the Parent Company (Fils)</b>	6	<b>0.269</b>	<b>2.612</b>	<b>11.610</b>	<b>7.143</b>

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended		Nine months ended	
	30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD	30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD
Profit for the period	437,853	2,281,619	11,192,094	6,811,564
<b>Other comprehensive (loss)/income:</b>				
<i>Items that will not be reclassified subsequently to interim condensed consolidated statement of profit or loss:</i>				
Financial assets at fair value through other comprehensive income:				
- Net change in fair value arising during the period	(6,859,293)	17,681,381	(16,723,985)	27,820,088
<i>Items that may be reclassified subsequently to interim condensed consolidated statement of profit or loss:</i>				
Financial assets at fair value through other comprehensive income:				
- Net change in fair value arising during the period	50,228	(23,221)	95,186	(79,249)
Exchange differences arising on translation of foreign operations	464,316	53,994	729,918	(173,867)
Share of other comprehensive (loss)/income of associates	(834,391)	4	(364,359)	47,093
<b>Total other comprehensive (loss)/income for the period</b>	<b>(7,179,140)</b>	<b>17,712,158</b>	<b>(16,263,240)</b>	<b>27,614,065</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(6,741,287)</b>	<b>19,993,777</b>	<b>(5,071,146)</b>	<b>34,425,629</b>
<b>Attributable to:</b>				
Owners of the Parent Company	(4,501,777)	11,637,054	(1,589,091)	22,747,250
Non-controlling interests	(2,239,510)	8,356,723	(3,482,055)	11,678,379
<b>Total comprehensive (loss)/income for the period</b>	<b>(6,741,287)</b>	<b>19,993,777</b>	<b>(5,071,146)</b>	<b>34,425,629</b>

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
<b>Assets</b>				
Cash and cash equivalents	7.1	8,081,585	11,507,246	7,616,427
Restricted cash and cash equivalents	7.2	-	-	146,958
Instalment credit debtors	8	465,944	962,324	887,384
Financial assets at fair value through profit or loss	9	23,733,349	17,347,526	16,520,613
Accounts receivable and other assets		8,479,356	10,917,259	8,515,121
Non-current assets held for sale		-	-	6,047
Properties held for trading		1,318,738	1,293,216	1,158,159
Financial assets at fair value through other comprehensive income	10	111,872,047	116,855,376	115,408,792
Investment in associates	11	31,558,287	30,489,135	29,922,200
Investment in real estate under development		2,440,180	3,150,610	3,322,695
Investment properties		1,434,929	1,478,984	1,493,669
Property and equipment		2,110,069	2,178,631	2,223,007
<b>Total assets</b>		<b>191,494,484</b>	<b>196,180,307</b>	<b>187,221,072</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Accounts payable and other liabilities	12	6,689,665	7,848,074	7,297,435
Term loans	13	10,322,634	5,706,334	9,777,267
Murabaha payables	14	15,394,850	15,749,000	11,930,072
Provision for employees' end of service benefits		1,670,624	1,592,944	1,561,925
<b>Total liabilities</b>		<b>34,077,773</b>	<b>30,896,352</b>	<b>30,566,699</b>
<b>Equity</b>				
Share capital	15	83,098,345	80,288,256	80,288,256
Share premium		9,355,213	9,355,213	9,355,213
Treasury shares	16	(2,437,887)	(1,472,845)	(1,472,845)
Statutory reserve		1,156,834	1,248,501	503,767
Voluntary reserve		-	744,734	-
Share based payment reserve		92,522	46,192	40,646
Foreign currency translation reserve		368,980	(219,509)	(354,456)
Fair value reserve		14,654,969	26,900,580	26,729,381
Retained earnings		9,268,675	3,917,573	4,254,007
<b>Total equity attributable to the owners of the Parent Company</b>		<b>115,557,651</b>	<b>120,808,695</b>	<b>119,343,969</b>
Non-controlling interests		41,859,060	44,475,260	37,310,404
<b>Total equity</b>		<b>157,416,711</b>	<b>165,283,955</b>	<b>156,654,373</b>
<b>Total liabilities and equity</b>		<b>191,494,484</b>	<b>196,180,307</b>	<b>187,221,072</b>



Jassem Hasan Zainal  
Vice chairman and CEO

*The notes set out on pages 8 to 27 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											Total KD
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Share based payment 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 2021 (Audited)	80,288,256	9,355,213	(1,472,845)	1,248,501	744,734	46,192	(219,509)	26,900,580	3,917,573	120,808,695	44,475,260	165,283,955
Bonus shares issued (Note 22)	2,810,089	-	-	-	-	-	-	-	(2,810,089)	-	-	-
Cash dividend (Note 22)	-	-	-	(91,667)	(744,734)	-	-	-	(1,107,484)	(1,943,885)	-	(1,943,885)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(306,459)	(306,459)
Purchase of treasury shares	-	-	(965,042)	-	-	-	-	-	-	(965,042)	-	(965,042)
Cost of share-based payments	-	-	-	-	-	46,330	-	-	-	46,330	-	46,330
Disposal of partial interest in a subsidiary (Note 5.2)	-	-	-	-	-	-	-	-	(799,356)	(799,356)	799,356	-
Non-controlling interest arising on establishment of a subsidiary (note 5.3)	-	-	-	-	-	-	-	-	-	-	372,958	372,958
Transactions with owners	2,810,089	-	(965,042)	(91,667)	(744,734)	46,330	-	-	(4,716,929)	(3,661,953)	865,855	(2,796,098)
Profit for the period	-	-	-	-	-	-	-	-	9,383,949	9,383,949	1,808,145	11,192,094
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	588,489	(11,561,529)	-	(10,973,040)	(5,290,200)	(16,263,240)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	588,489	(11,561,529)	9,383,949	(1,589,091)	(3,482,055)	(5,071,146)
Profit on sale of financial assets at FVTOCI (Note 10)	-	-	-	-	-	-	-	(83,678)	83,678	-	-	-
Effect of restatement in an associate	-	-	-	-	-	-	-	(600,404)	600,404	-	-	-
Balance at 30 September 2022 (Unaudited)	83,098,345	9,355,213	(2,437,887)	1,156,834	-	92,522	368,980	14,654,969	9,268,675	115,557,651	41,859,060	157,416,711

The notes set out on pages 8 to 27 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											Total KD
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Share based payment reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings /(accumulated losses) KD	Sub-total KD	Non- controlling interests KD	
<b>Balance at 31 December 2020 (Audited)</b>	80,288,256	23,803,273	(1,202,430)	503,767	503,767	18,205	(198,268)	4,045,655	(10,917,532)	96,844,693	25,778,222	122,622,915
Write off of accumulated losses	-	(14,448,060)	-	-	(503,767)	-	-	-	14,951,827	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(146,197)	(146,197)
Cost of share-based payments	-	-	-	-	-	22,441	-	-	-	22,441	-	22,441
Purchase of treasury shares	-	-	(270,415)	-	-	-	-	-	-	(270,415)	-	(270,415)
Transactions with owners	-	(14,448,060)	(270,415)	-	(503,767)	22,441	-	-	14,951,827	(247,974)	(146,197)	(394,171)
Profit for the period	-	-	-	-	-	-	-	-	5,804,002	5,804,002	1,007,562	6,811,564
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(156,188)	17,099,436	-	16,943,248	10,670,817	27,614,065
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(156,188)	17,099,436	5,804,002	22,747,250	11,678,379	34,425,629
Loss on sale of financial assets at FVTOCI (Note 10)	-	-	-	-	-	-	-	5,584,290	(5,584,290)	-	-	-
<b>Balance at 30 September 2021 (Unaudited)</b>	80,288,256	9,355,213	(1,472,845)	503,767	-	40,646	(354,456)	26,729,381	4,254,007	119,343,969	37,310,404	156,654,373

The notes set out on pages 8 to 27 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

	Notes	Nine months ended 30 Sept. 2022 (Unaudited) KD	Nine months ended 30 Sept 2021 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		11,192,094	6,811,564
<b>Adjustments:</b>			
Interest income		(350,636)	(331,662)
Dividend income		(3,607,864)	(2,437,896)
Share of results of associates		(1,982,204)	(1,668,201)
Gain on sale of investment in real estate under development		-	(1,806,236)
Realised gain on sale of properties held for trading		(126,971)	-
Reversal of provision for instalment credit debtors		(721,541)	(2,222,113)
Depreciation		179,692	194,172
Finance costs		677,741	854,995
Cost of share-based payment		46,330	22,441
Provision for doubtful debts		276,436	417,309
Provision for employees' end of service benefits		137,133	134,385
Provision of credit losses for restricted cash and cash equivalents	7.2	1,150,879	1,526,523
		<b>6,871,089</b>	<b>1,495,281</b>
<b>Changes in operating assets and liabilities:</b>			
Instalment credit debtors		1,217,921	1,957,578
Financial assets at fair value through profit or loss		(6,385,823)	(5,017,375)
Accounts receivable and other assets		2,451,996	(5,110,617)
Accounts payable and other liabilities		(1,337,459)	(149,757)
Employees' end of service benefits paid		(59,453)	(57,159)
<b>Net cash from/(used in) operating activities</b>		<b>2,758,271</b>	<b>(6,882,049)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(67,740)	(51,721)
Purchase of property held for trading		(12,663)	(451,119)
Proceeds from sale of investment in real estate under development		-	4,376,579
Proceeds from sale of property held for trading		639,213	-
Purchase of financial assets at fair value through other comprehensive income		(16,351,827)	(10,014,329)
Proceeds from sale of financial assets at fair value through other comprehensive income		5,187,574	10,403,766
Additions in real estate under development		(110,612)	(503,516)
Restricted cash and cash equivalent		(1,150,879)	(375,919)
Dividend income received		3,607,864	2,437,896
Dividend income received from associates	11	548,693	548,692
Interest income received		60,107	331,662
<b>Net cash (used in)/from investing activities</b>		<b>(7,650,270)</b>	<b>6,701,989</b>
<b>FINANCING ACTIVITIES</b>			
Net increase/(decrease) in term loans		4,608,000	(1,568,583)
Repayment of murabaha payable		(354,150)	(671,250)
Finance costs paid		(643,919)	(728,036)
Dividend paid to non-controlling interests		(306,459)	(146,197)
Dividends paid to shareholders		(1,798,657)	-
Net movement in non-controlling interests		372,958	-
Purchase of treasury shares		(965,042)	(270,415)
<b>Net cash from/(used in) financing activities</b>		<b>912,731</b>	<b>(3,384,481)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,979,268)</b>	<b>(3,564,539)</b>
Foreign currency adjustments		553,607	(157,821)
Cash and cash equivalents at beginning of the period	7.1	11,507,246	11,338,787
<b>Cash and cash equivalents at end of the period</b>	<b>7.1</b>	<b>8,081,585</b>	<b>7,616,427</b>

The notes set out on pages 8 to 27 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 – KPSC 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 Boursa Kuwait and is governed under the directives of Central Bank of Kuwait and Capital Markets Authority.

The Group comprises the Parent Company and its subsidiaries and associates (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 sukuks 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 Parent 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 Parent 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.

This interim condensed consolidated financial information for the nine-month period ended 30 September 2022 was authorized for issue by the Parent Company's board of directors on 30 October 2022.

### 2 Basis of presentation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2022 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 2021, except for the changes described in note 3.

The annual consolidated financial statements for the year ended 31 December 2021 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 expected 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)

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

### 3 Changes in accounting policies

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

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

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

#### IFRS 3 – Reference to the conceptual framework

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

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

#### IAS 16 Amendments - Proceeds before intended use

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

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

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

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

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

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

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

## 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)

##### Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the ‘10 per cent’ Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IFRS 16 avoids the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

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

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

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

### 3 Changes in accounting policies (continued)

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

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

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

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

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

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

##### **IAS 1 Amendments - Classification of current or non-current**

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

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

##### **IAS 1 Amendments – Disclosure of accounting policies**

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

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

##### **IAS 8 Amendments – Definition of accounting estimates**

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

## 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 8 Amendments – Definition of accounting estimates (continued)

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

##### IAS 12 Amendments – Deferred tax related to assets and liabilities arising from a single transaction

The amendments to IAS 12 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

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

### 4 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 2021.

### 5 Subsidiaries

5.1 The Group's subsidiary, International Finance Company - SAL ("IFC"), is located in Lebanon which is currently 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 (see note 7). 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 Lebanese banks including the bank where the subsidiary's cash is primarily deposited. Furthermore, the economy of Lebanon is now considered a hyperinflationary economy.

Further, due to the current economic conditions, the subsidiary has ceased its new lending operations and in the process of 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.



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

### 5 Subsidiaries (continued)

Management has also assessed the impact of these events on the carrying value of its investment in IFC. As a result, the Group recognised a provision of credit losses for restricted cash and cash equivalents amounting to KD1,150,879 in the interim condensed consolidated statement of profit or loss for the period ended 30 September 2022 (30 September 2021: KD1,526,523).

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 30 September 2022 is set out below:

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Cash and bank balances	-	-	146,958
Properties held for trading	464,913	452,250	451,119
Investment at fair value through other comprehensive income	309,942	-	-
Other assets	204,843	199,492	183,384
<b>Total assets</b>	<b>979,698</b>	<b>651,742</b>	<b>781,461</b>
Accounts payable and other liabilities	363,024	456,104	443,068
<b>Total liabilities</b>	<b>363,024</b>	<b>456,104</b>	<b>443,068</b>
	<b>Nine months ended 30 Sept. 2022 (Unaudited) KD</b>		<b>Nine months ended 30 Sept. 2021 (Unaudited) KD</b>
Income from instalment credit	138,758		328,784
<b>Profit for the period</b>	<b>286,146</b>		<b>(682,738)</b>

#### 5.2 Disposal of partial interest in a subsidiary

In previous years, the Parent Company's board of directors approved to transfer part of its ownership in Arzan Capital (Holding) Limited, equivalent to 6 million shares with nominal value of USD1 per share, to the employees of the subsidiary to be distributed in accordance with the Employee Stock Option Plan of Arzan Capital (Holding) Limited. Accordingly, during the period, 2,670,949 shares equivalent to 3.06% (30 September 2021: no shares were transferred) of the Group's ownership interest in Arzan Capital (Holding) Limited were transferred. This transaction resulted in a loss of KD799,356 (30 September 2021: KD Nil) which has been recognised in the shareholders' equity.

#### 5.3 Establishment of new subsidiary

During the period, one of the Group's foreign subsidiaries (Arzan Capital Holding Limited) established a new subsidiary (Hill Top US 13 Limited) in Channel Islands, Jersey with a share capital of USD 20,050,000 equivalent of KD6,515,000 in which Arzan Capital Holding Limited owns 94%. The principal activity of the new subsidiary is real estate.

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

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

Basic and diluted earnings per share is computed by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period less treasury shares and as follows:

	Three months ended		Nine months ended	
	30 Sept. 2022 (Unaudited)	30 Sept. 2021* (Unaudited)	30 Sept. 2022 (Unaudited)	30 Sept. 2021* (Unaudited)
Profit for the period attributable to the owners of the Parent Company - KD	216,382	2,120,155	9,383,949	5,804,002
Weighted average number of shares outstanding during the period to be used to account for basic earnings per share (excluding treasury shares)	803,663,869	810,001,302	806,687,081	811,042,269
Shares to be issued for no consideration under share-based payments	1,568,559	1,554,417	1,568,559	1,554,417
Weighted average number of shares outstanding during the period to be used to account for diluted earnings per share (excluding treasury shares)	805,232,428	811,555,719	808,255,640	812,596,686
<b>Basic earnings per share attributable to the owners of the Parent Company (Fils)</b>	<b>0.269</b>	<b>2.617</b>	<b>11.633</b>	<b>7.156</b>
<b>Diluted earnings per share attributable to the owners of the Parent Company (Fils)</b>	<b>0.269</b>	<b>2.612</b>	<b>11.610</b>	<b>7.143</b>

\* The comparative basic and diluted earnings per share have been restated to reflect bonus shares issued (Note 22).

### 7 Cash and cash equivalents

#### 7.1 Cash and cash equivalents

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Cash and bank balances	6,141,519	10,996,793	7,134,415
Cash in managed portfolios	1,589,375	83,796	56,554
Term deposits with original maturity not exceeding three months	350,691	426,657	425,458
Cash and cash equivalents as per consolidated statement of cash flows	8,081,585	11,507,246	7,616,427

Cash in managed portfolios includes an amount of KD1,185,574 (31 December 2021: KD15,903 and 30 September 2021: KD181,525) pledged against term loans (Note 13) and murabaha payables (Note 14).

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

### 7 Cash and cash equivalents (continued)

#### 7.2 Restricted cash and cash equivalents

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Cash and bank balances	3,523,359	2,440,550	1,800,814
Term deposits with original maturity not exceeding three months	3,080,573	2,970,735	3,283,158
	6,603,932	5,411,285	5,083,972
Provision for credit losses	(6,603,932)	(5,411,285)	(4,937,014)
Restricted cash and cash equivalents	-	-	146,958

7.2.1 Restricted cash and cash equivalents include balances deposited in a bank located in Lebanon and denominated in Lebanese Pounds. 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. Therefore, during the period, the Group recognised an additional provision for credit losses of KD1,150,879 (31 December 2021: KD2,003,105 and 30 September 2021: KD1,526,523) against these restricted cash and cash equivalents of its subsidiary “IFC Lebanon” (Note 5.1).

7.3 The term deposits carry effective interest rate ranging from 1.18% to 4% (31 December 2021: 2.44% - 4% and 30 September 2021: 0.25% - 4%) per annum.

### 8 Instalment credit debtors

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Gross instalment credit debtors	3,945,016	5,221,857	5,589,056
Deferred income	(350,966)	(470,363)	(528,563)
	3,594,050	4,751,494	5,060,493
Specific provision for credit losses	(2,864,335)	(3,467,691)	(3,815,438)
General provision for credit losses	(263,771)	(321,479)	(357,671)
	465,944	962,324	887,384

8.1 Gross instalment credit debtors are due as follows:

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Within one year	1,490,062	1,227,225	1,233,072
More than a year	2,454,954	3,994,632	4,355,984
	3,945,016	5,221,857	5,589,056

8.2 The effective annual interest rate earned on instalment credit debtors ranged from 5.0% to 10.0% (31 December 2021: 5.0% to 10.0% and 30 September 2021: 5.0% to 10.0%) per annum.

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

### 8 Instalment credit debtors (continued)

- 8.3 The provision for credit losses is calculated, in all material respect, in accordance with the requirements of the Central Bank of Kuwait.
- 8.4 The gross instalment credit debtors included an amount of KD50,000 (31 December 2021: KD449,938 and 30 September 2021: KD464,356) in respect of related parties (Note 19). This amount is secured by way of pledge of certain local shares.

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

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Local quoted shares	1,076,569	923,451	856,915
Foreign quoted shares	523,875	490,502	424,371
Foreign unquoted shares	8,166,407	2,397,198	2,304,330
Investment in managed portfolios	11,679,977	11,987,591	11,767,799
Investment in managed funds	2,286,521	1,548,784	1,167,198
	<b>23,733,349</b>	<b>17,347,526</b>	<b>16,520,613</b>

- 9.1 Investments with a carrying value of KD10,581,871 (31 December 2021: KD11,051,590 and 30 September 2021: KD10,928,538) in managed portfolio are pledged against the term loans (Note 13) and murabaha payables (Note 14).
- 9.2 The hierarchy for determining and disclosing the fair values of financial assets at fair value through profit or loss is presented in Note 20.3.

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

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Local quoted shares (See 10.1 below)	54,269,765	65,064,353	59,636,160
Local unquoted shares	5,652,384	5,645,531	4,988,650
Foreign unquoted shares	43,302,262	35,344,992	40,175,362
Investment in managed portfolios	5,086,374	7,605,180	7,757,059
Debt instruments	3,227,417	3,132,230	2,766,605
Investment funds	333,845	63,090	84,956
	<b>111,872,047</b>	<b>116,855,376</b>	<b>115,408,792</b>

- 10.1 The Group's investments in local quoted shares include investment in a local listed company having quoted bid price of KD59,586,757 as at 30 September 2022. Due to the restrictions on sale of this investment until 14 February 2024, the Group has applied a discount of 20% amounting to KD11,917,351 on the above quoted bid price when determining its fair value. As a result of this discount, the value of the investment amounted to KD47,669,406 as at 30 September 2022.
- 10.2 During the period, the Group sold investments at fair value through other comprehensive income with a total cost of KD5,103,896 (30 September 2021: KD15,988,056) for a total consideration of KD5,187,574 (30 September 2021: KD10,403,766) resulting into a gain of KD83,678 (30 September 2021: loss of KD5,584,290) recognized directly in retained earnings within equity.

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

### 10 Financial assets at fair value through other comprehensive income (continued)

- 10.3 Debt instruments amounting to KD1,042,298 (31 December 2021: KD1,042,298 and 30 September 2021: KD1,042,298) are secured by charges over real estate properties and carry average effective interest rate of 7% (31 December 2021 and 30 September 2021: 7%).
- 10.4 Local quoted and unquoted shares and investment in managed portfolios with an aggregate carrying value of KD8,283,238 (31 December 2021: KD11,696,930 and 30 September 2021: KD13,114,560) are pledged against term loans (Notes 13) and Murabaha payables (Notes 14).
- 10.5 The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in Note 20.3.

### 11 Investment in associates

Movement in the carrying amount of the investment in associates during the period/year is as follows:

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Balance at the beginning of the period/year	30,489,135	28,761,646	28,761,646
Disposals	-	(6,045)	(6,047)
Share of results	1,982,204	2,235,135	1,668,201
Dividends received	(548,693)	(548,693)	(548,693)
Share of other comprehensive income	(364,359)	47,092	47,093
Balance at the end of the period/year	31,558,287	30,489,135	29,922,200

a) Investment in associates with a carrying value of KD14,418,722 (31 December 2021: KD14,263,688 and 30 September 2021: KD13,919,597) is pledged against term loans (Note 13) and Murabaha payables (Note 14).

### 12 Accounts payable and other liabilities

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Accounts payable	359,811	156,628	281,099
Due to related parties	216,401	14,160	67,056
Other payables	2,043,994	3,779,748	2,881,659
Lease liabilities	23,662	45,327	44,313
Accrued interests	95,768	61,946	147,556
Provision for staff leave	312,772	313,604	303,157
KFAS payable	226,802	226,802	269,839
NLST and Zakat payable	2,688,406	2,637,996	2,941,442
Due to portfolio manager	215,506	250,549	-
Due to shareholders	506,543	361,314	361,314
	6,689,665	7,848,074	7,297,435

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

### 13 Term loans

Term loans are due for repayment as follows:

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Kuwaiti Dinar facilities (see 1 below)	6,903,834	5,403,834	5,554,167
USD facility (see 2 below)	3,418,800	302,500	4,223,100
	<b>10,322,634</b>	5,706,334	9,777,267
Within one year	3,879,056	353,166	4,273,766
After one year	6,443,578	5,353,168	5,503,501

The details of the outstanding term loans are as follows:

#### 1) Kuwaiti Dinar facilities:

During the period, the Parent Company has signed an agreement with a Kuwaiti bank to extend and amend the Kuwaiti Dinar facilities granted in the form of a revolving loan, whereby the maximum borrowing limit is KD10,000,000 instead of KD7,000,000. The facilities carry an interest rate of 2.75% per annum above the discount rate declared by the Central Bank of Kuwait (31 December 2021 and 30 September 2021: 2.75% per annum above the discount rate declared by the Central Bank of Kuwait). Based on the amended contract, the first 50% of the facilities withdrawn is payable in equal quarterly installments, provided that the last installment is payable on 2 December 2026. The remaining 50%, being the final installment, is due for settlement on 2 January 2027. During the period, the Parent Company withdrew an amount of KD1,500,000 from the facilities.

The outstanding balance of total facilities as of 30 September 2022 amounted to KD6,903,834 and it is payable in quarterly installments of KD230,128 each and a final installment of KD3,451,914.

Kuwaiti Dinar facilities are secured against mortgage of cash in managed portfolio (note 7), certain financial assets at fair value through profit or loss (note 9), financial assets at fair value through other comprehensive income (note 10) and investment in associates (note 11).

#### 2) USD facility:

USD facility represents a loan of USD21,000,000 (equivalent to KD6,350,400) obtained by one of the Group's foreign subsidiaries from a local company in Kuwait. The loan is unsecured and carries an interest rate of 7.5% (31 December 2021: 7.25% and 30 September 2021: 7.5%) per annum. The loan was repayable in full by February 2021. During 2021, the subsidiary settled USD 7,000,000 (equivalent to KD2,127,300) and signed a new agreement with a revised loan facility of USD14,000,000 (equivalent to KD4,223,100) to be repaid by 30 June 2022. Out of the revised facility, the subsidiary settled an amount of USD13,000,000 (equivalent to KD3,920,600) by the end of 2021, this settlement includes an amount of USD8,000,000 (equivalent to KD2,420,000) that was settled through conversion into share capital of the subsidiary. During the period the subsidiary settled the final instalment of USD1,000,000.

During the period, the same subsidiary has obtained a new loan of USD11,000,000 equivalent to (KD3,418,800) from a local company in Kuwait on 16 May 2022. The loan is unsecured and carries an interest rate of 7.0% per annum. The loan is repayable in full by 16 May 2023.

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

### 14 Murabaha payables

The Murabaha payables outstanding balance represents Islamic financings obtained in Kuwaiti Dinar from a local bank carrying effective profit rates of 3.25% - 4.5% (31 December 2021: 3% - 4.5% and 30 September 2021: 3.25% - 4.5%) per annum. These financings are secured against pledge of cash in managed portfolios (Note 7), certain financial assets at fair value through profit or loss (Note 9), financial assets at fair value through other comprehensive income (Note 10), investment in associates (Note 11), investment properties and property and equipment and are repayable in various instalments ending in December 2026.

Murabaha payables are due as follows:

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Within one year	2,291,300	2,291,300	2,562,572
After one year	13,103,550	13,457,700	9,367,500
	<b>15,394,850</b>	<b>15,749,000</b>	<b>11,930,072</b>

### 15 Share capital

As at 30 September 2022, the authorised, issued and paid up share capital of the Parent Company consists of 830,983,445 shares of 100 fils each (31 December 2021 and 30 September 2021: 802,882,556 shares of 100 fils each). All shares are in cash (refer Note 22).

### 16 Treasury shares

	30 Sept. 2022 (Unaudited)	31 Dec. 2021 (Audited)	30 Sept. 2021 (Unaudited)
Number of treasury shares	27,998,035	21,125,000	21,125,000
Percentage of ownership	3.369%	2.631%	2.631%
Market value (KD)	3,303,768	3,337,750	3,380,000
Cost (KD)	2,437,887	1,472,845	1,472,845

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 statement of financial position. Total fiduciary assets as at the financial position date were KD31,301,426 (31 December 2021: KD31,472,234 and 30 September 2021: KD31,334,987) out of which, assets amounting to KD13,052,976 are managed on behalf of Group's related parties (31 December 2021: KD16,481,398 and 30 September 2021: KD11,007,098).

### 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 the Group's profit or loss.

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

### 18 Segmental information (continued)

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 period, 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>Nine months ended 30 September 2022</b>					
Total revenues	1,016,095	14,081,490	845,314	265,071	16,207,970
(Loss)/profit for the period	(125,520)	10,689,958	491,357	136,299	11,192,094
<b>Three months ended 30 September 2022</b>					
Total revenues	279,974	1,308,412	318,634	(4,369)	1,902,651
(Loss)/profit for the period	224,337	36,578	216,180	(39,242)	437,853
<b>As at 30 September 2022</b>					
Total assets	754,869	172,000,612	12,920,534	5,818,469	191,494,484
Total liabilities	(427,650)	(32,582,098)	(856,765)	(211,260)	(34,077,773)
Net assets	327,219	139,418,514	12,063,769	5,607,209	157,416,711
<b>Nine months ended 30 September 2021</b>					
Total revenues	891,692	7,367,318	568,323	1,926,028	10,753,361
(Loss)/profit for the period	(1,733,400)	6,390,795	361,026	1,793,143	6,811,564
<b>Three months ended 30 September 2021</b>					
Total revenues	433,270	1,776,448	241,104	1,848,422	4,299,244
(Loss)/profit for the period	(1,190,590)	1,513,137	173,682	1,785,390	2,281,619
<b>As at 30 September 2021</b>					
Total assets	927,985	167,876,500	11,828,730	6,587,857	187,221,072
Total liabilities	(508,315)	(28,416,780)	(808,374)	(833,230)	(30,566,699)
Net assets	419,670	139,459,720	11,020,356	5,754,627	156,654,373

### 19 Related party balances and transactions

Related parties represent subsidiaries, 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.



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

### 19 Related party balances and transactions (continued)

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

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD	
<b>Balances included in the interim condensed consolidated statement of financial position</b>				
Instalment credit debtors-gross (Note 8)	50,000	449,938	464,356	
Due from related parties (included in accounts receivable and other assets)	3,898,479	5,627,411	5,493,251	
Due to shareholders (Note 12)	506,543	361,314	361,314	
Due to related parties (Note 12)	216,401	14,160	67,056	
<hr/>				
Fiduciary assets of related parties managed by the Group (note 17)	13,052,976	16,481,398	11,007,098	
<hr/>				
	Three months ended		Nine months ended	
	30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD	30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD
<b>Transactions included in the interim condensed consolidated statement of profit or loss</b>				
Income from instalment credit debtors	831	20,158	5,116	20,158
Revenue from contracts with customers	10,505	6,810	32,553	26,340
Rental income	8,688	8,688	26,064	26,064
Interest income	80,008	73,438	236,089	200,099
General and administrative expenses	4,338	2,010	104,532	50,219
Gain on sale of investment in real estate under development	-	391,394	-	391,394
<hr/>				
<b>Key management compensation:</b>				
Salaries and other short-term benefits	117,159	158,060	732,295	692,705
Board of directors' and committees' remuneration (included in general and administrative expenses)	-	-	60,850	70,700
End of service benefits	15,491	15,450	46,886	61,920
Share based compensation	509	-	36,658	20,092
<hr/>				
	133,159	173,510	876,689	845,417
<hr/>				

### 20 Fair value measurement

#### 20.1 Fair value measurement of financial instruments

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:

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

### 20 Fair value measurement (continued)

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

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
<b>Financial assets:</b>			
<i>At amortised cost:</i>			
Cash and cash equivalents	8,081,585	11,507,246	7,616,427
Restricted cash and cash equivalents	-	-	146,958
Instalments credit debtors	465,944	962,324	887,384
Accounts receivable and other assets	8,479,356	10,917,259	8,515,121
<i>At fair value:</i>			
Financial assets at fair value through profit or loss	23,733,349	17,347,526	16,520,613
Financial assets at fair value through other comprehensive income	111,872,047	116,855,376	115,408,792
	<b>152,632,281</b>	<b>157,589,731</b>	<b>149,095,295</b>
<b>Financial liabilities:</b>			
<i>At amortised cost:</i>			
Accounts payable and other liabilities	6,689,665	7,848,074	7,297,435
Term loans	10,322,634	5,706,334	9,777,267
Murabaha payable	15,394,850	15,749,000	11,930,072
Provision for employees' end of service benefits	1,670,624	1,592,944	1,561,925
	<b>34,077,773</b>	<b>30,896,352</b>	<b>30,566,699</b>

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

#### 20.2 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. The Group measures financial instruments at fair value and measurement details are disclosed below. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

#### 20.3 Fair value hierarchy

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).

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

### 20 Fair value measurement (continued)

#### 20.3 Fair value hierarchy (continued)

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:

30 September 2022 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted shares	1,076,569	-	-	1,076,569
Foreign quoted shares	523,875	-	-	523,875
Foreign unquoted shares	-	-	8,166,407	8,166,407
Investment in managed portfolios	11,679,977	-	-	11,679,977
Investment in managed funds	-	2,286,521	-	2,286,521
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted shares*	6,600,359	47,669,406	-	54,269,765
Local unquoted shares	-	-	5,652,384	5,652,384
Foreign unquoted shares	-	-	43,302,262	43,302,262
Investment in managed portfolios	5,086,374	-	-	5,086,374
Debt instruments	-	-	3,227,417	3,227,417
Investment funds	-	333,845	-	333,845
	24,967,154	50,289,772	60,348,470	135,605,396

31 December 2021 (Audited)

<i>Financial assets at fair value through profit or loss:</i>				
Local quoted shares	923,451	-	-	923,451
Foreign quoted shares	490,502	-	-	490,502
Foreign unquoted shares	-	-	2,397,198	2,397,198
Investment in managed portfolios	11,987,591	-	-	11,987,591
Investment in managed fund	-	1,548,784	-	1,548,784
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted shares	65,064,353	-	-	65,064,353
Local unquoted shares	-	-	5,645,531	5,645,531
Foreign unquoted shares	-	-	35,344,992	35,344,992
Investment in managed portfolios	7,605,180	-	-	7,605,180
Debit instruments	-	-	3,132,230	3,132,230
Investment funds	-	63,090	-	63,090
	86,071,077	1,611,874	46,519,951	134,202,902

\*Due to the restrictions imposed on one of its quoted investments (see note 10), this investment was transferred to level 3.

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

### 20 Fair value measurement (continued)

#### 20.3 Fair value hierarchy (continued)

30 September 2021 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted shares	856,915	-	-	856,915
Foreign quoted shares	424,371	-	-	424,371
Foreign unquoted shares	-	-	2,304,330	2,304,330
Investment in managed portfolios	11,767,799	-	-	11,767,799
Investment in managed funds	-	1,167,198	-	1,167,198
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted shares	59,636,160	-	-	59,636,160
Local unquoted shares	-	-	4,988,650	4,988,650
Foreign unquoted shares	-	-	40,175,362	40,175,362
Investment in managed portfolios	7,757,059	-	-	7,757,059
Debt instruments	-	-	2,766,605	2,766,605
Investment in managed fund	-	84,956	-	84,956
	80,442,304	1,252,154	50,234,947	131,929,405

The Group does not have any financial liabilities measured at fair value.

#### 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 except for the Group's investment in one of the local listed companies as disclosed in Note 10.

##### 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.

#### Level 3 fair value measurement

The Group's financial assets 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)

### 20 Fair value measurement (continued)

#### 20.3 Fair value hierarchy (continued)

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

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Opening balance	46,519,951	48,170,275	48,170,275
Purchases	14,328,699	11,614,304	9,697,620
Sales	(5,148,054)	(11,324,733)	(5,524,649)
Change in fair value	4,647,874	(1,939,895)	(2,108,299)
Closing balance	60,348,470	46,519,951	50,234,947

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 interim condensed consolidated statement of financial position, the Group had capital commitments amounting to KD761,003 (31 December 2021 and 30 September 2021: KD282,396) for real estate under development and managed funds.

### 22 Annual ordinary general assembly and extraordinary general assembly

The annual ordinary general assembly of the shareholders of Parent Company held on 9 May 2022 approved the consolidated financial statements for the year ended 31 December 2021 and the board of directors' proposal to distribute a cash dividend of 2.5 Fils per share amounting to KD1,943,885 and 3.5% bonus shares amounting to KD2,810,089 for the year ended 31 December 2021 (2020: no dividend). Further, the annual general assembly approved the board of directors' and committees' remuneration of KD60,850 for the year ended 31 December 2021 which has been recorded under expenses in the interim condensed consolidated statement of profit or loss of the current period.

Also, the Extra-ordinary general assembly of the shareholders held on 9 May 2022 approved to increase the authorized share capital of the Parent Company from KD80,288,256 to KD83,098,345 through issuance of 28,100,889 (3.5%) bonus shares of 100 Fils each to be distributed to the shareholders of the Parent Company.

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