



Grant Thornton
Al-Qatami, Al-Aiban & Partners

Interim condensed consolidated financial information and review report
Arzan Financial Group for Financing and Investment – KPSC
and its Subsidiaries
Kuwait

31 March 2023 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
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 31 March 2023 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of 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.

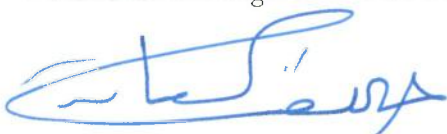
Emphasis of Matter

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

We further report that, during the course of our review, 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 three-month period ended 31 March 2023 that might have had a material effect on the business or financial position of the Parent Company.



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

Kuwait
14 May 2023

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2023 (Unaudited) KD	Three months ended 31 March 2022 (Unaudited) KD
Income			
Income from instalment credit debtors		112,088	138,783
Revenue from contracts with customers		403,864	1,102,099
Realised profit from instalment sales		197,073	138,722
Rental income		57,659	37,286
Interest income		142,065	114,688
Realised gain from sale of properties held for trading		-	168,300
Gain on sale of financial assets at fair value through profit or loss		82,814	227,731
Change in fair value of financial assets at fair value through profit or loss		(57,645)	2,603,365
Share of results of associates	11	225,331	505,935
Dividends income		418,360	369,198
Profit on foreign currency exchange	5.1	1,034,799	378,945
Other income		60,163	178,891
Reversal of provision for instalment credit debtors - net		189,681	629,186
Reversal of provision of credit losses for restricted cash and cash equivalents	7.2	3,004,697	-
		5,870,949	6,593,129
Expenses and other charges			
Staff costs		(781,694)	(890,372)
General and administrative expenses		(419,210)	(359,460)
Finance costs		(406,121)	(230,518)
Depreciation		(54,028)	(60,377)
Provision for doubtful debts - net		(98,199)	(160,176)
Provision of credit losses for restricted cash and cash equivalents	5.1	-	(1,039,613)
		(1,759,252)	(2,740,516)
Profit for the period before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat			
		4,111,697	3,852,613
Provision for KFAS		(33,170)	-
Provision for NLST		(103,888)	(36,299)
Provision for Zakat		(39,304)	(9,460)
Profit for the period		3,935,335	3,806,854
Attributable to:			
Owners of the Parent Company		3,768,402	3,421,002
Non-controlling interests		166,933	385,852
Profit for the period		3,935,335	3,806,854
Basic earnings per share attributable to the owners of the Parent Company (Fils)			
	6	4.703	4.350
Diluted earnings per share attributable to the owners of the Parent Company (Fils)			
	6	4.694	4.341

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended 31 March 2023 (Unaudited) KD	Three months ended 31 March 2022 (Unaudited) KD
Profit for the period	3,935,335	3,806,854
Other comprehensive (loss)/ income:		
<i>Items that will not be reclassified subsequently to 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	(7,075,197)	20,010,350
<i>Items that may be reclassified subsequently to 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	(347,536)	-
Exchange differences arising on translation of foreign operations (Note 5.1)	(4,478,361)	(40,524)
Share of other comprehensive (loss)/ income of associates	(149,242)	463,377
Total other comprehensive (loss)/ income for the period	(12,050,336)	20,433,203
Total comprehensive (loss)/ income for the period	(8,115,001)	24,240,057
Attributable to:		
Owners of the Parent Company	(5,228,185)	13,618,327
Non-controlling interests	(2,886,816)	10,621,730
Total comprehensive (loss)/ income for the period	(8,115,001)	24,240,057

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Assets				
Cash and cash equivalents	7.1	8,339,123	9,435,552	7,959,898
Instalment credit debtors	8	818,592	675,603	572,969
Financial assets at fair value through profit or loss	9	21,832,588	21,805,860	20,251,148
Accounts receivable and other assets		8,261,352	8,480,050	10,085,249
Properties held for trading		1,308,298	1,309,066	1,308,890
Financial assets at fair value through other comprehensive income	10	108,055,882	114,845,728	142,634,520
Investment in associates	11	31,755,576	31,679,487	31,386,217
Investment in real estates under development		1,800,371	1,886,005	2,498,966
Investment properties		1,405,559	1,420,244	1,464,299
Property and equipment		1,961,076	2,049,843	2,139,065
Total assets		185,538,417	193,587,438	220,301,221
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities	12	7,027,718	6,565,294	7,908,754
Term loans	13	13,637,634	13,633,634	5,707,734
Murabaha payables	14	15,040,700	15,040,700	15,749,000
Provision for employees' end of service benefits		1,688,604	1,745,631	1,638,580
Total liabilities		37,394,656	36,985,259	31,004,068
Equity				
Share capital	15	83,098,345	83,098,345	80,288,256
Share premium		9,355,213	9,355,213	9,355,213
Treasury shares	16	(2,801,733)	(2,536,238)	(1,617,866)
Statutory reserve		1,976,500	1,976,500	1,248,501
Voluntary reserve		819,666	819,666	744,734
Share based payments reserve		93,090	93,090	46,192
Foreign currency translation reserve	5.1	(4,746,917)	(282,040)	(279,976)
Fair value reserve		11,805,787	16,345,983	37,130,915
Retained earnings		10,121,942	6,345,054	6,566,676
Total equity attributable to the owners of the Parent Company		109,721,893	115,215,573	133,482,645
Non-controlling interests		38,421,868	41,386,606	55,814,508
Total equity		148,143,761	156,602,179	189,297,153
Total liabilities and equity		185,538,417	193,587,438	220,301,221



Jassem Hasan Zainal
Vice chairman and CEO

The notes set out on pages 8 to 25 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 payments 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 2022 (Audited)	83,098,345	9,355,213	(2,536,238)	1,976,500	819,666	93,090	(282,040)	16,345,983	6,345,054	115,215,573	41,386,606	156,602,179
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(49,552)	(49,552)
Purchase of treasury shares	-	-	(265,495)	-	-	-	-	-	-	(265,495)	-	(265,495)
Net movement to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(28,370)	(28,370)
Transactions with owners	-	-	(265,495)	-	-	-	-	-	-	(265,495)	(77,922)	(343,417)
Profit for the period	-	-	-	-	-	-	-	-	3,768,402	3,768,402	166,933	3,935,335
Other comprehensive loss for the period	-	-	-	-	-	-	(4,464,877)	(4,531,710)	-	(8,996,587)	(3,053,749)	(12,050,336)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	(4,464,877)	(4,531,710)	3,768,402	(5,228,185)	(2,886,816)	(8,115,001)
Profit on sale of financial assets at FVTOCI (Note 10)	-	-	-	-	-	-	-	(8,486)	8,486	-	-	-
Balance at 31 March 2023 (Unaudited)	83,098,345	9,355,213	(2,801,733)	1,976,500	819,666	93,090	(4,746,917)	11,805,787	10,121,942	109,721,893	38,421,868	148,143,761

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company										Non-controlling interests KD	Total KD
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Share based payments reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-Total 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
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(81,838)	(81,838)
Purchase of treasury shares	-	-	(145,021)	-	-	-	-	-	-	(145,021)	-	(145,021)
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	(799,356)	(799,356)	799,356	-
Transactions with owners	-	-	(145,021)	-	-	-	-	-	(799,356)	(944,377)	717,518	(226,859)
Profit for the period	-	-	-	-	-	-	-	-	3,421,002	3,421,002	385,852	3,806,854
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(60,467)	10,257,792	-	10,197,325	10,235,878	20,433,203
Total other comprehensive (loss)/income for the period	-	-	-	-	-	-	(60,467)	10,257,792	3,421,002	13,618,327	10,621,730	24,240,057
Profit on sale of financial assets at FVTOCI (Note 10)	-	-	-	-	-	-	-	(27,457)	27,457	-	-	-
Balance at 31 March 2022(Unaudited)	80,288,256	9,355,213	(1,617,866)	1,248,501	744,734	46,192	(279,976)	37,130,915	6,566,676	133,482,645	55,814,508	189,297,153

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Notes	Three months ended 31 March 2023 (Unaudited) KD	Three months ended 31 March 2022 (Unaudited) KD
Operating activities			
Profit for the period		3,935,335	3,806,854
Adjustments:			
Interest income		(142,065)	(114,688)
Dividends income		(418,360)	(369,198)
Share of results of associates	11	(225,331)	(505,935)
Realised gain on sale of properties held for trading		-	(168,300)
Reversal of provision for instalment credit debtors	8.3	(189,681)	(629,186)
Depreciation		54,028	60,377
Finance costs		406,121	230,518
Provision for doubtful debts - net		98,199	160,176
Provision for employees' end of service benefits (Reversal)/ provision of credit losses for restricted cash and cash equivalents	7.2	(3,004,697)	1,039,613
		559,985	3,555,867
Changes in operating assets and liabilities:			
Instalment credit debtors		46,692	1,018,541
Financial assets at fair value through profit or loss		(26,728)	(2,903,622)
Accounts receivable and other assets		212,158	735,857
Accounts payable and other liabilities		419,914	61,240
Net cash from operating activities		1,212,021	2,467,883
Investing activities			
Purchase of property and equipment		(26,603)	(6,125)
Purchase of properties held for trading		-	(13,413)
Proceeds from sale of properties held for trading		-	661,478
Purchase of financial assets at FVTOCI		(2,758,565)	(6,176,893)
Proceeds from sale of financial assets at FVTOCI		2,150,512	503,240
Additions to investments in properties under development		(56,000)	-
Restricted cash and cash equivalents	7.2	3,004,697	(1,039,613)
Dividend income received		418,360	369,198
Dividend income received from associates	11	-	72,230
Interest income received		48,032	114,688
Addition to real estate portfolios		-	(77,370)
Net cash from/ (used in) investing activities		2,780,433	(5,592,580)
Financing activities			
Finance costs paid		(363,614)	(231,073)
Dividends paid to non-controlling interests		(49,552)	(81,838)
Net movement to non-controlling interests		(28,370)	-
Purchase of treasury shares		(265,495)	(145,021)
Net cash used in financing activities		(707,031)	(457,932)
Net increase/ (decrease) in cash and cash equivalents		3,285,423	(3,582,629)
Foreign currency adjustments		(4,381,852)	35,281
Cash and cash equivalents at beginning of the period	7.1	9,435,552	11,507,246
Cash and cash equivalents at end of the period	7.1	8,339,123	7,959,898

The notes set out on pages 8 to 25 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 Bursa 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 sukuk 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 three-month period ended 31 March 2023 was authorized for issue by the Parent Company's board of directors on 14 May 2023.

2 Basis of presentation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2023 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 2022, except for the changes described in note 3.

The annual consolidated financial statements for the year ended 31 December 2022 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 three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2022.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

<i>Standard or interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 1 Amendments – Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023

IAS 1 Amendments – Disclosure of accounting policies

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

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

IAS 8 Amendments – Definition of accounting estimates

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

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

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

The amendments to IAS 8 provide an exemption from the *initial recognition exemption* provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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

IFRS 17 Insurance Contracts

IFRS 17 supersedes the IFRS 4 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. It requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach

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

IAS 1 Amendments - Classification of current or non-current

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

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

IAS 1 Amendments - Classification of liabilities with debt covenants

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

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

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 16 Amendments – Leases

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

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

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 2022.

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)

Due to the recent devaluation of the official rate of exchange of the Lebanese Pound (LP) from LP 1,507 = 1 USD as of 31 December 2022 to LP 15,010 = 1 USD as of 31 March 2023, foreign currency translation differences resulting from translating the subsidiary assets and liabilities to Kuwaiti Dinars as a result of compiling those financial statements resulted in currency devaluation of KD 4,386,553 recognized in the equity.

On the other hand, certain assets in that same subsidiary (mainly: restricted cash and cash equivalents in Lebanese Pounds), which were fully provided for in the past (total provision of KD 6,420,471 was recognized and accumulated at the consolidation level), decreased in value when converted to Kuwaiti Dinars. This decrease in value, resulted in decrease in the provision balance against these assets. This decrease in provision, amounting to KD 3,004,697 was recognized as “reversal of provision for the credit losses of the restricted cash and cash equivalents” during the period to match the assets balance of the Lebanese subsidiary to the provision amount against them. (Note 7.2.1)

Furthermore, and because the subsidiary in Lebanon holds monetary assets (bank balances and other assets) in foreign currencies significantly higher than its liabilities in foreign currencies, and due to the official devaluation of the LP, this resulted in a foreign currency exchange gain of KD 1,261,806 recognized in the statement of profit or loss for the period.

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 2023 is set out below:

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Properties held for trading	459,306	458,129	454,511
Cash and bank balances	306,204	305,420	303,008
Financial assets at FVOCI	53,026	195,197	185,394
Other assets			
Total assets	818,536	958,746	942,913
Accounts payable and other liabilities	313,592	153,879	343,411
Total liabilities	313,592	153,879	343,411
	Three months ended 31 March 2023 (Unaudited) KD	Three months ended 31 March 2022 (Unaudited) KD	
Income from instalment credit	67,932	95,531	
Profit for the period	1,255,774	760,924	

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 excluding treasury shares as follows:

	Three months ended 31 March 2023 (Unaudited)	Three months ended 31 March 2022* (Unaudited)
Profit for the period attributable to the owners of the Parent Company – KD	3,768,402	3,421,002
Weighted average number of shares outstanding during the period to be used to account for basic earnings per share (excluding treasury shares)	801,218,498	786,416,613
Shares to be issued for no consideration under share-based payments	1,581,320	1,720,736
Weighted average number of shares outstanding during the period to be used to account for diluted earnings per share (excluding treasury shares)	802,799,818	788,137,349
Basic earnings per share attributable to the owners of the Parent Company (Fils)	4.703	4.350
Diluted earnings per share attributable to the owners of the Parent Company (Fils)	4.694	4.341

The calculation of comparative basic and diluted earnings per share has been restated to reflect the bonus shares that were issued in 2022 (Note 22).

7 Cash and cash equivalents

7.1 Cash and cash equivalents

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Cash and bank balances	7,035,202	8,720,283	7,230,013
Cash in managed portfolios	370,392	369,777	307,502
Term deposits with original maturity not exceeding three months	933,529	345,492	422,383
Cash and cash equivalents as per consolidated statement of cash flows	8,339,123	9,435,552	7,959,898

Cash in managed portfolios includes an amount of KD 24,188 (31 December 2022: KD 19,419 and 31 March 2022: KD 187,582) pledged against term loans (Note 13) and murabaha payables (Note 14).

7.2 Restricted cash and cash equivalents

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Cash and bank balances	439,534	3,384,273	3,452,567
Term deposits with original maturity not exceeding three months	2,974,756	3,036,198	3,009,963
	3,414,290	6,420,471	6,462,530
Provision for credit losses (7.2.1 below)	(3,414,290)	(6,420,471)	(6,462,530)
Restricted cash and cash equivalents	-	-	-

Notes to the interim condensed consolidated financial information (continued)

7 Cash and cash equivalents (continued)

7.2 Restricted cash and cash equivalents (continued)

- 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. During the period, as a result of the significant devaluation of the official rate of exchange of the Lebanese Pound (LP), the balance of cash and cash equivalents restricted in Lebanon was decreased and the Group recognised reversal of a provision for credit losses of KD 3,004,697 (31 December 2022: a provision of KD 987,072 and 31 March 2022: a provision of KD 1,039,613) 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 4% to 5.50% (31 December 2022: 3.25% - 4.25% and 31 March 2022: 1.18% - 4%) per annum.

8 Instalment credit debtors

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Gross instalment credit debtors	3,839,609	3,996,764	4,122,253
Deferred income	(295,813)	(331,290)	(378,659)
	3,543,796	3,665,474	3,743,594
Specific provision for credit losses	(2,599,664)	(2,770,904)	(2,901,837)
General provision for credit losses	(125,540)	(218,967)	(268,788)
	818,592	675,603	572,969

8.1 Gross instalment credit debtors are due as follows:

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Within one year	1,354,115	1,438,956	834,470
More than a year	2,485,494	2,557,808	3,287,783
	3,839,609	3,996,764	4,122,253

- 8.2 The effective interest rate earned on instalment credit debtors ranged from 5.0% to 10.0% (31 December 2022: 5.0% to 10.0% and 31 March 2022: 5.0% to 10.0%) per annum.
- 8.3 The provision for credit losses is calculated, in all material respect, in accordance with the requirements of the Central Bank of Kuwait. During the period, the Group reversed a provision of KD 189,681 (31 March 2022: reversal of a provision of KD 629,186).

Notes to the interim condensed consolidated financial information (continued)

9 Financial assets at fair value through profit or loss

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Local quoted shares	1,089,104	1,120,889	1,021,414
Foreign quoted shares	656,113	582,896	570,867
Foreign unquoted shares	6,913,452	6,985,294	2,725,283
Investment in managed portfolios	11,104,481	11,304,093	13,617,927
Investments in managed funds	2,069,438	1,812,688	2,315,657
	21,832,588	21,805,860	20,251,148

- 9.1 Investments with a carrying value of KD 10,408,675 (31 December 2022: KD 10,634,357 and 31 March 2022: KD 12,682,562) in managed portfolio is pledged against the term loans (Note 13) and murabaha payable (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

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Local quoted shares (10.1 below)	48,055,856	53,720,644	85,729,939
Local unquoted shares	5,685,404	5,685,404	5,645,530
Foreign unquoted shares	46,946,144	46,185,567	40,276,564
Investment in managed portfolios	4,714,286	5,588,830	7,523,516
Debt instruments	2,317,699	3,329,575	3,132,231
Investment funds	336,493	335,708	326,740
	108,055,882	114,845,728	142,634,520

- 10.1 The Group's investments in local quoted shares include investment in a local listed company, where the quoted bid price is KD 51,776,842 as at 31 March 2023. Due to the restrictions on sale of this investment until 14 February 2024, the Group has applied a discount at 20% of KD10,355,368 on the above quoted bid price when determining its fair value. As a result of this discount, the fair value of the investment amounted to KD41,421,474 as at 31 December 2023.
- 10.2 During the period, the Group sold investments at fair value through other comprehensive income with a total cost of KD 2,142,026 (31 March 2022: KD475,783) for a consideration of KD2,150,512 (31 March 2022: KD 503,240) resulting into a profit of KD8,486 (31 March 2022: resulting into a profit of KD 27,457) recognized directly in retained earnings within equity.
- 10.3 Debt instruments amounting to KD1,193,328 (31 December 2022: KD1,042,298 and 31 March 2022: KD1,042,298) are secured by a mortgage of properties and carry average interest rate at 7% (31 December 2022 and 31 March 2022: 7%) per annum.
- 10.4 Local quoted shares and investments in managed portfolios with an aggregate carrying value of KD7,857,940 (31 December 2022: KD 8,705,634 and 31 March 2022: KD 11,515,700) are pledged against term loans (Note 13) and murabaha payable (Note 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.

Notes to the interim condensed consolidated financial information (continued)

11 Investment in associates

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

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Balance at the beginning of the period/year	31,679,487	30,489,135	30,489,135
Share of results	225,331	2,516,644	505,935
Dividends received	-	(548,693)	(72,230)
Share of other comprehensive (loss)/ income	(149,242)	(777,599)	463,377
Balance at the end of the period/year	31,755,576	31,679,487	31,386,217

a) Investment in associates with a carrying value of KD 14,676,483 (31 December 2022: KD14,468,352 and 31 March 2022: KD14,653,879) is pledged against term loans (Note 13) and Murabaha payable (Note 14).

12 Accounts payable and other liabilities

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Accounts payable	252,378	276,936	283,164
Due to related parties	326,217	174,305	107,925
Other payables	2,217,607	2,069,189	3,544,116
Lease liabilities	11,247	23,786	33,508
Accrued interests	147,661	105,152	61,391
Provision for staff leaves	339,788	317,964	333,798
KFAS payable	259,972	226,802	226,802
NLST and Zakat payable	2,824,747	2,685,249	2,683,756
Due to portfolio manager	144,583	182,084	272,980
Due to shareholders	503,518	503,827	361,314
	7,027,718	6,565,294	7,908,754

13 Term loans

Term loans are due for repayment as follows:

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Kuwaiti Dinar facilities (see 1 below)	8,732,834	8,732,834	5,403,834
USD facility (see 2 below)	4,904,800	4,900,800	303,900
	13,637,634	13,633,634	5,707,734
Within one year	5,024,031	4,960,415	379,899
After one year	8,613,603	8,673,219	5,327,835

The details of the outstanding term loans are as follows:

Notes to the interim condensed consolidated financial information (continued)

13 Term loans (continued)

1) Kuwaiti Dinar facilities:

During the prior year, 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 loan limit is KD10,000,000 instead of KD7,000,000. The facilities carry an interest rate of 2.75% per annum above the CBK discount rate (31 December 2022: 2.75% per annum above the CBK discount rate). 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 prior year, the Parent Company withdrew an amount of KD5,150,000 from the facilities.

Accordingly, the outstanding balance of total facilities as at 31 March 2023 amounted to KD8,732,834 and it is payable in quarterly installments of KD420,993 each and the final installment of KD 5,276,917.

Kuwaiti Dinar facilities are secured against mortgage of cash in managed portfolio (Note 7), certain financial assets at FVPL (Note 9), financial assets at FVOCI (Note 10) and investment in associates (Note 11).

2) USD facility:

USD facility represents a loan of USD16,000,000 (equivalent to KD4,904,800) obtained during 2022 by one of the Group's foreign subsidiaries from a local company in Kuwait. The loan is unsecured and carries an interest rate at 7.25% per annum. The loan was repayable in full by 16 May 2023.

14 Murabaha payable

The Murabaha payable outstanding balance represents Islamic financings obtained in Kuwaiti Dinar from a local bank carrying effective profit rates of 5% - 5.5% (31 December 2022: 3.25% - 5% and 31 March 2022: 3% - 3.25%) 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 as follows:

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Within one year	2,291,300	2,291,300	2,291,300
After one year	12,749,400	12,749,400	13,457,700
	15,040,700	15,040,700	15,749,000

15 Share Capital

As of 31 March 2023, the authorized, issued and paid up share capital of the Parent Company consists of 830,983,445 shares of 100 fils each (31 December 2022: 830,983,445 shares of 100 fils each and 31 March 2022: 802,882,556 shares of 100 fils each). All shares are in cash (refer Note 22).

Notes to the interim condensed consolidated financial information (continued)

16 Treasury shares

	31 March 2023 (Unaudited)	31 Dec. 2022 (Audited)	31 March 2022 (Unaudited)
Number of treasury shares	30,959,747	28,668,747	21,925,000
Percentage of ownership	3.726%	%3.450	%2.731
Market value (KD)	3,250,773	3,239,568	3,464,150
Cost (KD)	2,801,733	2,536,238	1,617,866

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

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 KD34,458,104 (31 December 2022: KD31,990,946 and 31 March 2022: KD34,201,148) out of which, assets amounting to KD19,291,199 are managed on behalf of Group's related parties (31 December 2022: KD18,526,386 and 31 March 2022: KD16,666,727).

18 Segmental information

Operating segments are identified by the Group 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.

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
Three months ended 31 March 2023					
Total revenues	3,560,695	2,040,190	182,754	87,310	5,870,949
Profit for the period	3,214,591	619,035	56,825	44,884	3,935,335
As at 31 March 2023					
Total assets	977,495	167,027,080	12,369,763	5,164,079	185,538,417
Total liabilities	(363,122)	(35,870,542)	(767,794)	(393,198)	(37,394,656)
Net assets	614,373	131,156,538	11,601,969	4,770,881	148,143,761
Three months ended 31 March 2022					
Total revenues	1,078,999	5,153,896	143,328	216,906	6,593,129
(Loss)/profit for the period	(319,239)	3,990,892	(25,545)	160,746	3,806,854
As at 31 March 2022					
Total assets	853,236	201,122,835	12,410,886	5,914,264	220,301,221
Total liabilities	394,531	29,684,293	716,581	208,663	31,004,068
Net assets	458,705	171,438,542	11,694,305	5,705,601	189,297,153

Notes to the interim condensed consolidated financial information (continued)

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.

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

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Balances included in the interim condensed consolidated statement of financial position			
Instalment credit debtors-gross	-	-	100,000
Margin finance receivable (included in accounts receivable and other assets)	503,397	503,144	-
Due from related parties (included in accounts receivable and other assets)	3,540,346	3,822,108	5,694,590
Due to shareholders (Note 12)	503,518	503,827	361,314
Due to related parties (Note 12)	326,217	174,305	107,925
Fiduciary assets of related parties managed by the Group (note 17)	19,291,199	18,526,386	16,667,727
		Three months ended 31 March 2023 (Unaudited) KD	Three months ended 31 March 2022 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss			
Income from instalment credit debtors		-	2,802
Revenue from contracts with customers		26,906	11,112
Rental Income		8,688	3,488
Interest income		75,482	77,302
General and administrative expenses		74,840	90,770
Key management compensation:			
Salaries and other short-term benefits		137,798	542,275
End of service benefits		16,195	15,698
		153,993	557,973

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)

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Financial assets:			
<i>At amortised cost:</i>			
Cash and cash equivalents	8,339,123	9,435,552	7,959,898
Instalments credit debtors	818,592	675,603	572,969
Accounts receivable and other assets	8,261,352	8,480,050	10,085,249
<i>At fair value:</i>			
Financial assets at fair value through profit or loss	21,832,588	21,805,860	20,251,148
Financial assets at fair value through other comprehensive income	108,055,882	114,845,728	142,634,520
	147,307,537	155,242,793	181,503,784
Financial liabilities:			
<i>At amortised cost:</i>			
Accounts payable and other liabilities	7,027,718	6,565,294	7,908,754
Term loans	13,637,634	13,633,634	5,707,734
Murabaha payable	15,040,700	15,040,700	15,749,000
Provision for employees' end of service benefits	1,688,604	1,745,631	1,638,580
	37,394,656	36,985,259	31,004,068

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortized 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:

31 March 2023 (Unaudited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<i>Financial assets at FVPL:</i>				
Local quoted shares	1,089,104	-	-	1,089,104
Foreign quoted shares	656,113	-	-	656,113
Foreign unquoted shares	-	-	6,913,452	6,913,452
Investment in managed portfolios	11,104,481	-	-	11,104,481
Investment in managed funds	-	2,069,438	-	2,069,438
<i>Financial assets at FVOCI:</i>				
Local quoted shares	6,634,382	41,421,474	-	48,055,856
Local unquoted shares	-	-	5,685,404	5,685,404
Foreign unquoted shares	-	-	46,946,144	46,946,144
Investment in managed portfolios	4,714,286	-	-	4,714,286
Debt instruments	-	-	2,317,699	2,317,699
Investment funds	-	336,493	-	336,493
	24,198,366	43,827,405	61,862,699	129,888,470

31 December 2022 (Audited)

<i>Financial assets at FVPL:</i>				
Local quoted shares	1,120,889	-	-	1,120,889
Foreign quoted shares	582,896	-	-	582,896
Foreign unquoted shares	-	-	6,985,294	6,985,294
Investment in managed portfolios	11,304,093	-	-	11,304,093
Investment in managed fund	-	1,812,688	-	1,812,688
<i>Financial assets at FVOCI:</i>				
Local quoted shares	6,629,752	47,090,893	-	53,720,645
Local unquoted shares	-	-	5,685,404	5,685,404
Foreign unquoted shares	-	-	46,185,566	46,185,566
Investment in managed portfolios	5,588,830	-	-	5,588,830
Debit instruments	-	-	3,329,575	3,329,575
Investment funds	-	335,708	-	335,708
	25,226,460	49,239,289	62,185,839	136,651,588

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.3 Fair value hierarchy (continued)

31 March 2022 (Unaudited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<i>Financial assets at FVPL:</i>				
Local quoted shares	1,021,414	-	-	1,021,414
Foreign quoted shares	570,867	-	-	570,867
Foreign unquoted shares	-	-	2,725,283	2,725,283
Investment in managed portfolios	13,617,927	-	-	13,617,927
Investment in managed funds	-	2,315,657	-	2,315,657
<i>Financial assets at FVOCI:</i>				
Local quoted shares	85,729,939	-	-	85,729,939
Local unquoted shares	-	-	5,645,530	5,645,530
Foreign unquoted shares	-	-	40,276,564	40,276,564
Investment in managed portfolios	7,523,516	-	-	7,523,516
Debt instruments	-	-	3,132,231	3,132,231
Investment in managed fund	-	326,740	-	326,740
	108,463,663	2,642,397	51,779,608	162,885,668

There have been no transfers between level 1 and 2 during the reporting period. 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 excluding the Group's investment in one of the local companies as stated 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)

	31 March 2023 (Unaudited) KD	31 Dec. 2022 (Audited) KD	31 March 2022 (Unaudited) KD
Opening balance	62,185,839	46,519,951	46,519,950
Purchases	2,771,930	5,189,057	5,101,778
Sales	(2,227,612)	(5,779,367)	(463,719)
Change in fair value	(867,458)	16,256,198	621,599
Closing balance	61,862,699	62,185,839	51,779,608

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 and other comprehensive income, 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 consolidated statement of financial position, the Group had capital commitments of KD37,098 (31 December 2022: KD37,098 and 31 March 2022: KD282,396) for a property under development and capital commitments of KD90,394 (31 December 2022: KD90,394 and 31 March 2022: KD330,041) for the investments in managed funds.

22 Annual general assembly and proposed dividends

Subsequent to end of the period, the annual ordinary general assembly of the shareholders of Parent Company held on 12 April 2023 approved the consolidated financial statements for the year ended 31 December 2022 and the board of directors' proposal to distribute a cash dividend of 4 Fils per share (2021: 2.5 fils per share) and 2% bonus shares of the treasury shares of the Parent Company's shareholders without increasing the share capital or number of shares issued for the year ended 31 December 2022 (2021: 3.5% bonus shares through increase of the share capital). In addition, the Annual General Assembly approved directors' remuneration and committees of KD53,550 for the year ended 31 December 2022 (2021: KD60,850).