

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

Kuwait

30 September 2019 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Arzan Financial Group for Financing and Investment - KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arzan Financial Group for Financing and Investment - KPSC (a Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (together the "Group") as at 30 September 2019 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the 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.

Report on review of other legal and regulatory requirements

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

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



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
31 October 2019

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Nine months ended	
		30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Income					
Income from instalment credit debtors		318,381	396,389	1,059,508	1,225,654
Revenue from contracts with customers		942,207	387,576	2,607,575	1,295,235
Rental income		35,735	33,610	103,916	116,286
Interest income		397,291	309,974	924,956	693,485
Gain on sale of financial assets at fair value through profit or loss		157,730	48,358	353,286	141,652
Change in fair value of financial assets at fair value through profit or loss		(473,548)	1,027,470	2,040,723	1,068,277
Loss on sale of properties held for trading		-	-	-	(18,119)
Share of results of associates	11	625,683	240,469	1,335,375	440,086
Dividend income		412,974	627,657	1,832,313	1,944,318
Reversal of provision for properties held for trading		-	65,156	-	65,156
Gain on foreign currency exchange		20,649	351	90,307	1,610
Other income		95,131	130,618	221,041	289,488
		2,532,233	3,267,628	10,569,000	7,263,128
Expenses and other charges					
Staff costs		(713,644)	(522,805)	(2,333,012)	(2,000,098)
General and administrative expenses		(332,513)	(311,345)	(1,215,051)	(1,129,155)
Finance costs		(645,158)	(420,103)	(1,546,952)	(1,206,743)
Provision for instalment credit debtors		(144,076)	(36,299)	(559,304)	(122,670)
Depreciation		(99,063)	(99,459)	(303,703)	(320,621)
Provision for doubtful debts		(30,724)	-	(201,815)	-
		(1,965,178)	(1,390,011)	(6,159,837)	(4,779,287)
Profit for the period before provisions for contribution to KFAS, National Labour Support Tax and Zakat					
		567,055	1,877,617	4,409,163	2,483,841
Reversal/(provision) for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		1,420	(7,082)	(11,261)	(7,893)
Reversal/(provision) for National Labour Support Tax (NLST)		26,768	(16,270)	(51,643)	(26,294)
Reversal/(provision) for Zakat		14,744	-	(6,453)	-
Profit for the period		609,987	1,854,265	4,339,806	2,449,654
Attributable to:					
Shareholders of the Parent Company		410,875	1,871,768	3,949,653	2,526,880
Non-controlling interests		199,112	(17,503)	390,153	(77,226)
Profit for the period		609,987	1,854,265	4,339,806	2,449,654
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (Fils)					
	6	0.52	2.35	4.96	3.17

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. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Profit for the period	609,987	1,854,265	4,339,806	2,449,654
Other comprehensive income:				
<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	47,764	(600,385)	(8,316,793)	(11,385,003)
<i>Items that will be reclassified subsequently to interim condensed consolidated statement of profit or loss:</i>				
Exchange differences arising on translation of foreign operations	3,457	65,050	92,619	59,515
Share of other comprehensive loss of associates	(4)	(2)	(121,277)	(201,281)
Total other comprehensive income/(loss) for the period	51,217	(535,337)	(8,345,451)	(11,526,769)
Total comprehensive income/(loss) for the period	661,204	1,318,928	(4,005,645)	(9,077,115)
Attributable to:				
Shareholders of the Parent Company	464,559	1,335,046	(4,374,576)	(8,904,849)
Non-controlling interests	196,645	(16,118)	368,931	(172,266)
Total comprehensive income/(loss) for the period	661,204	1,318,928	(4,005,645)	(9,077,115)

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. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Assets				
Cash and cash equivalents	7	6,297,095	10,374,053	7,868,611
Instalment credit debtors	8	6,333,826	7,904,355	7,372,288
Financial assets at fair value through profit or loss	9	13,819,300	9,847,774	10,965,848
Accounts receivable and other assets		3,906,618	4,191,835	4,036,773
Properties held for trading		1,023,280	1,023,280	1,023,280
Financial assets at fair value through other comprehensive income	10	74,472,426	76,596,937	73,498,749
Investment in associates	11	44,629,259	27,476,807	28,330,690
Investment in real estate under development		5,301,574	5,050,140	4,135,987
Investment properties		1,611,149	1,655,205	1,669,889
Property and equipment		2,670,697	2,820,274	2,818,678
Total assets		160,065,224	146,940,660	141,720,793
Liabilities and equity				
Liabilities				
Due to banks	12	2,027,123	4,019,970	5,321,543
Accounts payable and other liabilities	13	16,436,893	7,049,378	8,328,620
Term loans	14	18,798,500	17,880,000	13,650,000
Murabaha payable	15	12,695,857	4,469,119	5,006,419
Provision for employees' end of service benefits		1,464,756	1,369,578	1,323,397
Total liabilities		51,423,129	34,788,045	33,629,979
Equity				
Share capital		80,288,256	80,288,256	80,288,256
Share premium		23,803,273	23,803,273	23,803,273
Treasury shares	16	(559,232)	(559,232)	(559,232)
Legal reserve		503,767	503,767	246,687
Voluntary reserve		503,767	503,767	246,687
Foreign currency translation reserve		(254,730)	(318,402)	(359,414)
Fair value reserve		(6,995,813)	(2,436,904)	(3,119,556)
Retained earnings		1,423,009	1,461,292	2,402,134
Total equity attributable to the shareholders of the Parent Company		98,712,297	103,245,817	102,948,835
Non-controlling interests		9,929,798	8,906,798	5,141,979
Total equity		108,642,095	112,152,615	108,090,814
Total liabilities and equity		160,065,224	146,940,660	141,720,793



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 (unaudited)

	Equity attributable to the shareholders of the Parent Company										Total KD
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-Total KD	Non- controlling interests KD	
Balance at 31 December 2018 (audited)	80,288,256	23,803,273	(559,232)	503,767	503,767	(318,402)	(2,436,904)	1,461,292	103,245,817	8,906,798	112,152,615
Cash dividend by subsidiary	-	-	-	-	-	-	-	-	-	(202,120)	(202,120)
Disposal of partial interest in a subsidiary (note 5)	-	-	-	-	-	-	-	(158,944)	(158,944)	158,944	-
Effect of change in ownership percentage of subsidiary (note 5)	-	-	-	-	-	-	-	-	-	697,245	697,245
Total transactions with owners	-	-	-	-	-	-	(158,944)	(158,944)	(158,944)	654,069	495,125
Profit for the period	-	-	-	-	-	-	-	3,949,653	3,949,653	390,153	4,339,806
Other comprehensive income/(loss) for the period	-	-	-	-	-	63,672	(8,387,901)	-	(8,324,229)	(21,222)	(8,345,451)
Total comprehensive income/(loss) for the period	-	-	-	-	-	63,672	(8,387,901)	3,949,653	(4,374,576)	368,931	(4,005,645)
Loss on disposal of financial assets at FVTOCI	-	-	-	-	-	-	3,828,992	(3,828,992)	-	-	-
Balance at 30 September 2019 (unaudited)	80,288,256	23,803,273	(559,232)	503,767	503,767	(254,730)	(6,995,813)	1,423,009	98,712,297	9,929,798	108,642,095

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 (unaudited) (continued)

	Equity attributable to the shareholders of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2017 (audited)	80,288,256	23,803,273	(559,232)	246,687	246,687	(415,344)	8,235,780	1,930,453	113,776,560	5,314,245	119,090,805
Adjustment arising on adoption of IFRS 9	-	-	-	-	-	-	(330,075)	(1,592,801)	(1,922,876)	-	(1,922,876)
Balance as at 1 January 2018 (restated)	80,288,256	23,803,273	(559,232)	246,687	246,687	(415,344)	7,905,705	337,652	111,853,684	5,314,245	117,167,929
Profit/(loss) for the period	-	-	-	-	-	-	-	2,526,880	2,526,880	(77,226)	2,449,654
Other comprehensive income/(loss) for the period	-	-	-	-	-	55,930	(11,487,659)	-	(11,431,729)	(95,040)	(11,526,769)
Total comprehensive income/(loss) for the period	-	-	-	-	-	55,930	(11,487,659)	2,526,880	(8,904,849)	(172,266)	(9,077,115)
Loss on disposal of financial assets at FVTOCI	-	-	-	-	-	-	462,398	(462,398)	-	-	-
Balance at 30 September 2018 (unaudited)	80,288,256	23,803,273	(559,232)	246,687	246,687	(359,414)	(3,119,556)	2,402,134	102,948,835	5,141,979	108,090,814

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. 2019 (Unaudited) KD	Nine months ended 30 Sept 2018 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		4,339,806	2,449,654
Adjustments:			
Interest income		(924,956)	(693,485)
Dividend income		(1,832,313)	(1,944,318)
Loss on sale of properties held for trading		-	18,119
Share of results of associates	11	(1,335,375)	(440,086)
Provision for instalment credit debtors		559,304	122,670
Depreciation		303,703	320,621
Finance costs		1,546,952	1,206,743
Provision for doubtful debts		201,815	-
Provision for employees' end of service benefits		130,031	148,212
Reversal of provision for properties held for trading		-	(65,156)
		2,988,967	1,122,974
Changes in operating assets and liabilities:			
Instalment credit debtors		1,011,225	(111,894)
Financial assets at fair value through profit or loss		(3,971,526)	(368,425)
Accounts receivable and other assets		529,218	(1,312,329)
Accounts payable and other liabilities		9,310,597	1,361,165
Employees' end of service benefits paid		(34,853)	-
Net cash from operating activities		9,833,628	691,491
INVESTING ACTIVITIES			
Purchase of property and equipment		(103,710)	(67,824)
Proceeds from sale of properties held for trading		-	351,623
Purchase of financial assets at fair value through other comprehensive income		(27,652,737)	(1,790,117)
Proceeds from sale of financial assets at fair value through other comprehensive income		5,413,755	2,675,794
Addition to real estate portfolio under development		(135,684)	(15,907)
Dividend income received		1,832,313	1,944,318
Dividend received from associate	11	108,346	86,676
Interest income received		479,140	231,168
Net cash (used in)/from investing activities		(20,058,577)	3,415,731
FINANCING ACTIVITIES			
Term loans obtained		3,951,500	-
Repayment of term loans		(3,042,000)	(2,730,000)
Repayment of murabaha payable		(1,196,200)	(4,510,648)
Murabaha payable obtained		9,412,624	4,250,000
Finance costs paid		(1,470,034)	(1,125,701)
Change in non-controlling interest		697,245	-
Net cash from/(used in) financing activities		8,353,135	(4,116,349)
Net decrease in cash and cash equivalents		(1,871,814)	(9,127)
Foreign currency adjustment		(212,297)	(20,205)
Cash and cash equivalents at beginning of the period	7	6,354,083	2,576,400
Cash and cash equivalents at end of the period	7	4,269,972	2,547,068

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 – KSCC to Arzan Financial Group for Financing and Investment – KPSC which has been registered in the commercial register under No. 29629 on 11 November 2013.

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

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

The Parent Company’s objectives are as follows:

- Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the Company’s objectives for its account and for the account of third parties inside or outside the State of Kuwait.
- Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait.
- Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the Company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account.
- Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and 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 Company may have an interest or participate in any aspect with the companies, institutions and bodies performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Company may also open branches inside and outside the State of Kuwait in such a way that does not contradict with the Company's law and the instructions of the competent regulatory authorities.

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

The Parent Company's board of directors approved this interim condensed consolidated financial information for the nine month period ended 30 September 2019 for issue on 31 October 2019.

1.1 Division of the Parent Company

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

As of the reporting date, neither the assets to be transferred nor the capital of both companies have been determined and the approval of the shareholders and authorities have not yet been obtained in respect of this division.

2 Basis of presentation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2019 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 2018, except for the changes described in note 3.

The annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). The modification requires adoption of all IFRSs for such institutions except for the IFRS 9 requirement for measurement of estimated credit losses ("ECL") for credit facilities. The CBK requires to measure the provision for credit losses at the higher of provision calculated under IFRS 9 in accordance with the CBK guidelines, and the provision required by the prudential regulations of the CBK.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of presentation (continued)

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 for the interim condensed consolidated financial information have been included.

Operating results for the nine-month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2018.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 16 Leases	1 January 2019
IAS 28 - Amendments	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019

IFRS 16 Leases

IFRS 16 replaced IAS 17 and three related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged. The new accounting policy is described below.

The adoption of this standard did not have a significant impact on this interim condensed consolidated financial information.

New accounting policy for leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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 16 Leases (continued)

New accounting policy for leases (continued)

The Group as a lessee (continued)

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

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 16 Leases (continued)

New accounting policy for leases (continued)

The Group as a lessor (continued)

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognised on a straight line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

The adoption of this standard did not have a significant impact on this interim condensed consolidated financial information.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The adoption of this amendment did not result in any significant impact on the Group's interim condensed consolidated financial information.

Annual Improvements to IFRSs 2015-2017 Cycle

Amendments to IFRS 3 and IFRS 11 - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings

The adoption of these amendments did not result in any 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)

3.2 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
IFRS 3 – Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020

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.

IFRS 3 – Amendments

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

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

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 3 – Amendments (continued)

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Management does not anticipate that the application 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 2018 except for the changes arising from applying IFRS 16 as noted in 3.1 above. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract, determination of appropriate discount rate, and assessment of impairment.

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries

In previous year, the Parent Company's board of directors approved to transfer part of its ownership in Arzan Capital (Holding) Ltd, 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) Ltd. Accordingly, during the period 531,091 shares equivalent to 0.892% of the Group's ownership interest in Arzan Capital (Holding) Limited were transferred. This transaction resulted in a loss of KD158,944 recognised in the shareholders' equity.

Furthermore, Arzan Capital (Holding) Limited increased its share capital by USD2.3 million in cash from USD72.8 million to USD75.1 million in which the Group did not participate. As a result, the Group's ownership diluted from 81.08% to 78.60%.

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

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

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited)	30 Sept. 2018 (Unaudited)	30 Sept. 2019 (Unaudited)	30 Sept. 2018 (Unaudited)
Profit for the period attributable to the shareholders of the Parent Company – KD	410,875	1,871,768	3,949,653	2,526,880
Weighted average number of shares outstanding during the period (excluding treasury shares)	796,798,668	796,798,668	796,798,668	796,798,668
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (Fils)	0.52	2.35	4.96	3.17

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

7 Cash and cash equivalents

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Cash and bank balances	2,976,671	7,414,427	4,671,638
Term deposits – 1 to 3 months	3,320,424	2,959,626	3,196,973
Cash and cash equivalents	6,297,095	10,374,053	7,868,611
Less: due to banks	(2,027,123)	(4,019,970)	(5,321,543)
Cash and cash equivalents for statement of cash flow	4,269,972	6,354,083	2,547,068

The term deposits carry effective interest rate of 1.35% (31 December 2018: 1.35% and 30 September 2018: 1.35%) per annum.

Notes to the interim condensed consolidated financial information (continued)

8 Instalment credit debtors

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Gross instalment credit debtors	11,722,898	12,904,423	12,595,444
Deferred income	(1,381,539)	(1,541,493)	(1,483,326)
	10,341,359	11,362,930	11,112,118
Specific provision for doubtful debts	(2,552,448)	(2,106,596)	(2,417,164)
General provision for doubtful debts	(1,455,085)	(1,351,979)	(1,322,666)
	6,333,826	7,904,355	7,372,288

Gross instalment credit debtors are due as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Within one year	4,418,715	3,477,066	3,480,378
More than a year	7,304,183	9,427,357	9,115,066
	11,722,898	12,904,423	12,595,444

The effective annual interest rate earned on instalment credit debtors ranged from 2.5% to 8% per annum (31 December 2018: 2.5% to 8% and 30 September 2018: 2.5% to 8%).

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

The gross installment credit debtors included an amount of KD676,410 (31 December 2018: KD759,723 and 30 September 2018: KD856,061) 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. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Local quoted shares	1,267,202	929,905	945,841
Foreign quoted shares	345,968	221,427	211,170
Foreign unquoted shares	2,937,647	1,998,196	1,776,479
Managed portfolios	9,268,483	6,698,246	8,032,358
	13,819,300	9,847,774	10,965,848

An investment portfolio with a carrying value of KD8,705,596 (31 December 2018: KD6,262,169 and 30 September 2018: KD7,392,931) is pledged against term loans and murabaha (notes 14 and 15).

Notes to the interim condensed consolidated financial information (continued)

10 Financial assets at fair value through other comprehensive income

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Local quoted shares	4,393,094	5,146,295	4,684,184
Local unquoted shares	12,361,338	13,325,654	12,945,152
Foreign unquoted shares	41,687,362	28,981,411	28,069,216
Investment in managed portfolios	6,448,038	22,275,990	22,121,108
Debt instruments	9,277,021	6,618,848	5,505,201
Investment funds	305,573	248,739	173,888
	74,472,426	76,596,937	73,498,749

Debt instruments amounting to KD894,299 (31 December 2018: KD894,299 and 30 September 2018: Nil) are secured by charges over real estate properties and carry average interest rate of 7% (31 December 2018: 7% and 30 September 2018: Nil) per annum.

Quoted local shares and investment in managed portfolios with an aggregate carrying value of KD9,418,738 (31 December 2018: KD28,178,450 and 30 September 2018: KD26,219,637) are pledged against term loans and murabaha payable (notes 14 and 15).

Local unquoted shares and investment in managed portfolios with an aggregate carrying value of KD16,046,700 has been reclassified from financial assets at fair value through other comprehensive income to investment in associates (note 11). The reclassification resulted in a loss of KD3,610,487.

11 Investment in associates

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

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
At 1 January	27,476,807	28,178,561	28,178,561
Additions (see below)	16,046,700	15,000	-
Share of results	1,335,375	206,489	440,086
Dividends	(108,346)	(721,958)	(86,676)
Share of other comprehensive loss	(121,277)	(201,285)	(201,281)
	44,629,259	27,476,807	28,330,690

During the period, the Group reclassified its investment in Kuwait Clearing Company – KSC (Closed) amounting to KD16,046,700 representing 13.33% ownership interest, from financial assets at fair value through other comprehensive income to investment in associate. Although, the Group owns less than 20% ownership interest in Kuwait Clearing Company – KSC (Closed), however, it exercises significant influence over the investee as it is represented by two of the ten members on the board of directors of the investee.

The reclassification of the investment as an associate resulted in provisional goodwill of KD11,540,530. The provisional fair value of the identifiable assets and liabilities as at the date of acquisition of the above investee are as follows:

Notes to the interim condensed consolidated financial information (continued)

11 Investment in associates (continued)

	KD
Total assets	41,373,690
Total liabilities	7,577,415
Net assets	33,796,275
Purchase consideration	16,046,700
Share of net assets acquired	(4,506,170)
Goodwill	11,540,530

The fair value of identifiable assets and liabilities acquired have been provisionally determined by the management of the Group. The estimates referred to above, and resultant goodwill, are subject to revision within twelve months of the acquisition date.

Investment in associate with a carrying value of KD23,556,774 (31 December 2018: KD8,140,899 and 30 September 2018: KD7,860,178) is pledged against term loans and murabaha payable (notes 14 and 15).

12 Due to banks

This represents outstanding amounts of the credit facilities obtained by the Group from foreign banks in the form of overdraft facilities. The credit facilities carry interest rate of 5.50% per annum (31 December 2018: 5.25% to 5.5% per annum and 30 September 2018: 5% to 5.5% per annum) and payable on demand.

13 Accounts payable and other liabilities

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Trade payables	100,285	142,228	83,242
Due to related parties (see below)	3,619,480	971,561	723,211
Other payables	2,214,634	2,100,280	3,742,984
Accrued interest	109,008	117,890	97,376
Provision for staff leave	200,230	204,561	172,037
KFAS payable	238,063	226,802	227,949
NLST and Zakat payable	2,982,838	2,924,742	2,920,507
Advances received from investors (see below)	6,611,041	-	-
Due to shareholders	361,314	361,314	361,314
	16,436,893	7,049,378	8,328,620

Due to related parties includes an amount of KD1,020,994 received by one of Group's subsidiaries from a related party for a purpose of purchase investment on its behalf. Subsequent to the reporting date, the transaction was completed and the investments were purchased and transferred to the related party.

Advances received from investors represent amounts received by one of the Group's subsidiaries from investors to purchase investments on their behalf. Subsequent to the reporting date, the transaction was completed and the investments were purchased and transferred to those investors.

Notes to the interim condensed consolidated financial information (continued)

14 Term loans

Term loans from local banks amounting to KD15.758 million carry interest at annual rates ranging from 5.75% to 6.4% (31 December 2018: 5.75% to 6.4% and 30 September 2018: 6% to 6.4%) per annum and repayable in various instalments ending in June 2022. During the period, the Parent Company settled an amount of KD3,042,000 and obtained a new loan by KD920,000. These term loans from local banks are secured against certain financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment in associate (notes 9, 10 and 11).

Furthermore, during the period, one of the subsidiaries obtained a new loan of USD 10 million (equivalent to KD3,031,500) from a investment company located in Kuwait. The loan carries interest rate of 10% per annum and matures in full in March 2020. The term loan obtained from a local investment company is unsecured.

Term loans are repayable as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Within one year	8,880,500	4,856,000	3,640,000
After one year	9,918,000	13,024,000	10,010,000
	18,798,500	17,880,000	13,650,000

15 Murabaha payable

This represents Islamic financing obtained from local and foreign financial institutions, carrying an effective profit rates of 3% to 6% (31 December 2018: 3% to 6% and 30 September 2018: 3% to 6%) per annum. During the period, the Group settled an amount of KD1,196,200 and obtained a new murabaha by KD9,412,624. This financing is secured against pledge of certain financial assets at fair value through other comprehensive income (note 10), and financial assets at fair value through profit or loss (note 9), investment in associate (note 11), investment properties and property and equipment and payable in various instalments ending in May 2024. Murabaha payable is due as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Within one year	3,797,417	856,619	1,287,669
After one year	8,898,440	3,612,500	3,718,750
	12,695,857	4,469,119	5,006,419

16 Treasury shares

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Number of treasury shares	6,083,892	6,083,892	6,083,892
Percentage of ownership	0.758%	0.758%	0.758%
Market value (KD)	161,832	170,349	166,090
Cost (KD)	559,232	559,232	559,232

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

Notes to the interim condensed consolidated financial information (continued)

17 Fiduciary accounts

Investment portfolios managed by the Group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the Group's assets or liabilities and, accordingly, are not included in the interim condensed consolidated financial position. Total fiduciary assets as at the financial position date were KD31,661,512 (31 December 2018: KD35,154,384 and 30 September 2018: KD33,450,107).

18 Segmental information

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

The Group's principal trading activities are carried out within the State of Kuwait and all of the Group's assets and liabilities are located in Kuwait in addition to GCC, Middle East and other countries. 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
Nine months ended 30 September 2019					
Total revenues	1,192,838	8,968,558	303,688	103,916	10,569,000
(Loss)/profit for the period	(3,042,431)	7,358,927	21,984	1,326	4,339,806
Three months ended 30 September 2019					
Total revenues	362,183	1,978,983	155,332	35,735	2,532,233
(Loss)/profit for the period	(859,575)	1,372,360	95,246	1,956	609,987
As at 30 September 2019					
Total assets	10,289,200	130,047,965	11,348,336	8,379,723	160,065,224
Total liabilities	2,929,191	47,127,213	766,168	600,557	51,423,129
Net assets	7,360,009	82,920,752	10,582,168	7,779,166	108,642,095
Nine months ended 30 September 2018					
Total revenues	1,365,373	5,669,707	64,724	163,324	7,263,128
(Loss)/profit for the period	(1,741,801)	4,211,606	(138,651)	118,500	2,449,654
Three months ended 30 September 2018					
Total revenues	451,362	2,664,498	53,001	98,767	3,267,628
(Loss)/profit for the period	(422,368)	2,196,714	(3,568)	83,487	1,854,265
As at 30 September 2018					
Total assets	19,037,008	103,671,663	11,505,842	9,429,156	143,643,669
Total liabilities	7,404,747	25,812,449	412,783	-	33,629,979
Net assets	11,632,261	77,859,214	11,093,059	9,429,156	110,013,690

Notes to the interim condensed consolidated financial information (continued)

19 Related parties balances and transactions

Related parties represent associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

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

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Balances included in the interim condensed consolidated statement of financial position			
Instalment credit debtors-gross (note 8)	676,410	759,723	856,061
Due from related parties (included in accounts receivable and other assets)	1,125,348	798,190	733,875
Due to shareholders (note 13)	361,314	361,314	361,314
Due to related parties (note 13)	3,619,480	971,561	723,211

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss				
Income from instalment credit debtors	5,310	14,131	29,661	41,495
Interest income	14,363	-	42,628	-
General and administrative expenses	4,348	(1,059)	13,089	55,004
Finance cost	-	-	3,208	-

Key management compensation:				
Salaries and other short term benefits	144,607	79,690	492,415	404,848
End of service benefits	14,313	11,623	41,463	34,870
Board of directors' remuneration (included in general and administrative expenses)	-	-	42,000	42,000

20 Fair value measurement

20.1 Fair value hierarchy

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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.1 Fair value hierarchy (continued)

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

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

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

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Financial assets:			
At amortised cost:			
Cash and cash equivalents	6,297,095	10,374,053	7,868,611
Instalment credit debtors	6,333,826	7,904,355	7,372,288
Accounts receivable and other assets	3,906,618	4,191,835	4,036,773
At fair value:			
Financial assets at fair value through profit or loss	13,819,300	9,847,774	10,965,848
Financial assets at fair value through other comprehensive income	74,472,426	76,596,937	73,498,749
Total	104,829,265	108,914,954	103,742,269
Financial liabilities:			
At amortised cost:			
Due to banks	2,027,123	4,019,970	5,321,543
Accounts payable and other liabilities	16,436,893	7,049,378	8,328,620
Term loans	18,798,500	17,880,000	13,650,000
Murabaha payable	12,695,857	4,469,119	5,006,419
Provision for employees' end of service benefits	1,464,756	1,369,578	1,323,397
Total	51,423,129	34,788,045	33,629,979

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

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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.1 Fair value hierarchy (continued)

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 2019 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value through profit or loss:				
Local quoted shares	1,267,202	-	-	1,267,202
Foreign quoted shares	345,968	-	-	345,968
Managed portfolios	9,268,483	-	-	9,268,483
Foreign unquoted shares	-	-	2,937,647	2,937,647
Financial assets at fair value through other comprehensive income:				
Local quoted shares	4,393,094	-	-	4,393,094
Local unquoted shares	-	-	12,361,338	12,361,338
Foreign unquoted shares	-	-	41,687,362	41,687,362
Investment in managed portfolios	6,448,038	-	-	6,448,038
Debt instruments	-	-	9,277,021	9,277,021
Investment funds	-	305,573	-	305,573
	21,722,785	305,573	66,263,368	88,291,726

31 December 2018 (Audited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value through profit or loss:				
Local quoted shares	929,905	-	-	929,905
Foreign quoted shares	221,427	-	-	221,427
Managed portfolios	6,698,246	-	-	6,698,246
Foreign unquoted shares	-	-	1,998,196	1,998,196
Financial assets at fair value through other comprehensive income:				
Local quoted shares	5,146,295	-	-	5,146,295
Local unquoted shares	-	-	13,325,654	13,325,654
Foreign unquoted shares	-	-	28,981,411	28,981,411
Investment in managed portfolios	11,061,990	-	11,214,000	22,275,990
Debt instruments	-	-	6,618,848	6,618,848
Investment funds	-	248,739	-	248,739
	24,057,863	248,739	62,138,109	86,444,711

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.1 Fair value hierarchy (continued)

30 September 2018 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value through profit or loss:				
Local quoted shares	945,841	-	-	945,841
Foreign quoted shares	211,170	-	-	211,170
Managed portfolios	8,032,358	-	-	8,032,358
Foreign unquoted shares	-	-	1,776,479	1,776,479
Financial assets at fair value through other comprehensive income:				
Local quoted shares	4,684,184	-	-	4,684,184
Local unquoted shares	-	-	12,945,152	12,945,152
Foreign unquoted shares	-	-	28,069,216	28,069,216
Investment in managed portfolios	10,907,108	-	11,214,000	22,121,108
Debt instruments	-	-	5,505,201	5,505,201
Investment funds	-	173,888	-	173,888
	24,780,661	173,888	59,510,048	84,464,597

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

20.2 Fair value measurement of financial instruments

Measurement at fair value

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

a) Quoted shares

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

b) Managed funds

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

c) Unquoted shares

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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurement

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

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Opening Balance	62,138,109	48,959,664	48,959,664
Change in fair value	(1,105,106)	(976,440)	(801,832)
Disposals	(23,270,517)	(2,893,542)	(2,826,311)
Additions	28,500,882	17,048,427	14,178,527
Closing balance	66,263,368	62,138,109	59,510,048

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

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

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

21 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2018.

22 Capital commitments

At the date of the interim condensed consolidated statement of financial position, the Group had capital commitments amounting to KD282,396 (31 December 2018: KD282,396 and 30 September 2018: KD Nil) for real estate under development.

23 Annual general assembly

The Annual General Assembly of the shareholders of the Parent Company held on 21 May 2019 approved the consolidated financial statements for the year ended 31 December 2018 without dividend. Further, the annual general assembly approved the board of directors' remuneration of KD42,000 for the year ended 31 December 2018 which has been recorded under expenses in the interim condensed consolidated statement of profit or loss of the current period.

Notes to the interim condensed consolidated financial information (continued)

24 Comparative amounts

In accordance with the requirements of the Central Bank of Kuwait, the Group on 31 December 2018 has applied IFRS9 for the purpose of calculating the provision for credit losses. As a result, the Group has recognised additional impairment losses on the financial assets amounting to KD1,922,876 in the retained earnings as at 1 January 2018. Accordingly, the comparative amounts of the interim condensed consolidated financial statements have been restated to conform to presentation of the consolidated financial statements for the year ended 31 December 2018.