Interim condensed consolidated financial information and review report

International Financial Advisors Holding – KPSC and Subsidiaries

Kuwait

30 September 2020 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
International Financial Advisors Holding – KPSC
Kuwait

Introduction
We have reviewed the interim condensed consolidated statement of financial position of International Financial Advisors Holding – KPSC ("the Parent Company") and its subsidiaries ("the Group") as at 30 September 2020 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". 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 International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of matter
We draw attention to Note 5 to the interim condensed consolidated financial information which indicates that the Group's current liabilities exceeded its current assets by KD45,738,732 as at 30 September 2020. This event or condition may indicate that a material uncertainty exists that may affect the Group's ability to continue as a going concern. 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 Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2020 that might have had a material effect on the business or financial position of the Parent Company.

Report on review of interim condensed consolidated financial information of International Financial Advisors Holding – KPSC (continued)

Report on review of other legal and regulatory requirements (continued)

We further report that, during the course of our review, to the best of our knowledge and belief, 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, during the nine-month period ended 30 September 2020 that might have had a material effect on the business or financial position of the Parent Company.

Hend Abdullah Al Surayea
(Licence No. 141-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
13 October 2020

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 Sept. 2020 (Unaudited) KD	Three months ended 30 Sept. 2019 (Unaudited) KD	Nine months ended 30 Sept. 2020 (Unaudited) KD	Nine months ended 30 Sept. 2019 (Unaudited) KD
Income					
Revenue from contracts with customers		-	-	-	12,931
Net loss on disposal of associates	6	(363,718)	-	(5,063,837)	-
Commission income	7	6,080,948	-	6,080,948	-
Reversal of provision no longer required	8	-	1,621,652	-	1,621,652
Share of results of associates	14.1	(2,467,189)	1,275,110	(8,666,467)	(3,806,968)
Gain on settlement of borrowings	16.c	10,223,646	-	10,223,646	-
Other gains/(losses) on financial assets		11,640	(359)	17,957	50,304
Foreign currency exchange loss		(468,150)	-	(847,704)	-
Other income		41,683	485,951	71,683	801,966
		13,058,860	3,382,354	1,816,226	(1,320,115)
Expenses and other charges					
Staff costs		(97,454)	(65,118)	(243,236)	(192,853)
Other operating expenses and charges		(86,576)	(107,036)	(225,291)	(350,282)
Impairment of an associate	14.1	-	(675,000)	-	(675,000)
Finance costs		(190,434)	(495,586)	(1,013,296)	(1,637,817)
		(374,464)	(1,342,740)	(1,481,823)	(2,855,952)
Profit/(loss) for the period before provision for Zakat and NLST		12,684,396	2,039,614	334,403	(4,176,067)
Provision for Zakat		(8,149)	-	(8,149)	-
Provision for NLST		(20,374)	-	(20,374)	-
Profit/(loss) for the period		12,655,873	2,039,614	305,880	(4,176,067)
Attributable to:					
Owners of the Parent Company		12,675,661	2,036,167	780,196	(4,212,773)
Non-controlling interests		(19,788)	3,447	(474,316)	36,706
Profit/(loss) for the period		12,655,873	2,039,614	305,880	(4,176,067)
Basic and diluted earnings/(loss) per share attributable to owners of the Parent Company (Fils)	9	50.85 Fils	8.17 Fils	3.13 Fils	(16.90) Fils

The notes set out on pages 9 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		Nine months ended	
	30 Sept. 2020 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2020 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD
Profit/(loss) for the period	**12,655,873**	2,039,614	**305,880**	(4,176,067)
Other comprehensive (loss)/income:				
Items that will not be reclassified subsequently to profit or loss:				
Investments at fair value through other comprehensive income:				
- Net change in fair value arising during the period	**(1,460,077)**	(447,107)	**(1,463,615)**	(3,355,044)
	(1,460,077)	(447,107)	**(1,463,615)**	(3,355,044)
Items that may be reclassified subsequently to the profit loss:				
Share of other comprehensive income/(loss) of associates	**598**	(821,764)	**(507,325)**	(1,690,524)
Exchange differences transferred to statement of profit or loss on disposal of associates	**61,009**	-	**5,001,826**	-
Reserve for financial derivatives transferred to statement of profit or loss on deemed disposal of an associate	**8,086**	-	**8,086**	-
Exchange differences arising on translation of foreign operations	**(21,826)**	185,406	**46,461**	888,262
	47,867	(636,358)	**4,549,048**	(802,262)
Total other comprehensive (loss)/income	**(1,412,210)**	(1,083,465)	**3,085,433**	(4,157,306)
Total comprehensive income/(loss) for the period	**11,243,663**	956,149	**3,391,313**	(8,333,373)
Attributable to:				
Owners of the Parent Company	**11,261,814**	935,119	**3,422,132**	(8,456,176)
Non-controlling interests	**(18,151)**	21,030	**(30,819)**	122,803
	11,243,663	956,149	**3,391,313**	(8,333,373)

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Assets				
Cash and cash equivalents	10	**2,553,100**	383,362	383,941
Investments at fair value through profit or loss	11	**64,423**	2,937,748	2,701,155
Receivables and other assets		**3,301,826**	3,021,280	3,117,786
Due from related parties	21	**19,267,972**	19,963,235	19,814,397
Investments at fair value through other comprehensive income		**1,551,910**	4,535,525	2,460,695
Advance for investments	12	**6,106,011**	-	-
Investment properties	13	**5,858,068**	1,832,668	1,865,033
Investment in associates and joint ventures	14	**48,646,284**	62,493,176	75,633,069
Equipment		**11,360**	14,205	15,160
Total assets		**87,360,954**	95,181,199	105,991,236
Liabilities and equity				
Liabilities				
Payables and other liabilities	15	**14,060,472**	17,171,972	13,495,264
Due to related parties	21	**7,398,861**	3,277,884	3,213,476
Due to banks	10	**1,218,742**	1,218,742	1,371,944
Borrowings	16	**51,767,900**	64,062,632	64,262,384
Total liabilities		**74,445,975**	85,731,230	82,343,068
Equity				
Share capital		**26,673,255**	26,673,255	26,673,255
Treasury shares	17	**(32,757,404)**	(32,757,404)	(32,757,404)
Statutory and voluntary reserves		**32,757,404**	32,757,404	32,757,404
Fair value reserve		**(507,238)**	1,345,415	(1,293,051)
Foreign currency translation reserve		**2,403**	(4,572,252)	(2,864,721)
Reserve for financial derivatives		**(656,891)**	-	-
Accumulated losses		**(13,754,823)**	(15,185,541)	(219,312)
Equity attributable to owners of the Parent Company		**11,756,706**	8,260,877	22,296,171
Non-controlling interests		**1,158,273**	1,189,092	1,351,997
Total equity		**12,914,979**	9,449,969	23,648,168
Total liabilities and equity		**87,360,954**	95,181,199	105,991,236

Hussain Ali Mohammed Al-Attal
Chairman

Saleh Saleh Al-Selmi
Chief Executive Officer

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to owners of the Parent Company								Non-controlling interests	Total
	Share capital KD	Treasury shares KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve KD	Reserve for financial derivatives KD	Accumulated losses KD	Sub – total KD	KD	KD
Balance at 1 January 2020 (audited)	**26,673,255**	**(32,757,404)**	**32,757,404**	**1,345,415**	**(4,572,252)**	**-**	**(15,185,541)**	**8,260,877**	**1,189,092**	**9,449,969**
Profit/(loss) for the period	-	-	-	-	-	-	780,196	780,196	(474,316)	305,880
Other comprehensive (loss)/income	-	-	-	(1,275,828)	4,574,655	(656,891)	-	2,641,936	443,497	3,085,433
Total comprehensive (loss)/income for the period	-	-	-	(1,275,828)	4,574,655	(656,891)	780,196	3,422,132	(30,819)	3,391,313
Sale of treasury shares by an associate	-	-	-	-	-	-	95,505	95,505	-	95,505
Share of loss on partial disposal of a subsidiary by an associate	-	-	-	-	-	-	(21,808)	(21,808)	-	(21,808)
Realised gain on disposal of investments at FVTOCI	-	-	-	(576,825)	-	-	576,825	-	-	-
Balance at 30 September 2020 (unaudited)	**26,673,255**	**(32,757,404)**	**32,757,404**	**(507,238)**	**2,403**	**(656,891)**	**(13,754,823)**	**11,756,706**	**1,158,273**	**12,914,979**

The notes set out on pages 9 to 25 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 owners of the Parent Company								Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	KD	KD
Balance at 1 January 2019 (audited)	72,000,000	11,973,061	(32,757,404)	32,757,404	2,612,831	(3,352,565)	(51,985,172)	31,248,155	1,229,194	32,477,349
Share of adjustments arising on adoption of IFRS 16 by an associate	-	-	-	-	-	-	269,542	269,542	-	269,542
Share of adjustments arising on adoption of IFRS 9 by associates	-	-	-	-	-	-	(665,756)	(665,756)	-	(665,756)
Balance at 1 January 2019 (Restated)	72,000,000	11,973,061	(32,757,404)	32,757,404	2,612,831	(3,352,565)	(52,381,386)	30,851,941	1,229,194	32,081,135
Set-off of accumulated losses	(45,326,745)	(11,973,061)	-	-	-	-	57,299,806	-	-	-
Transactions with owners	(45,326,745)	(11,973,061)	-	-	-	-	57,299,806	-	-	-
(Loss)/profit for the period	-	-	-	-	-	-	(4,212,773)	(4,212,773)	36,706	(4,176,067)
Other comprehensive (loss)/income	-	-	-	-	(4,731,247)	487,844	-	(4,243,403)	86,097	(4,157,306)
Total comprehensive (loss)/income for the period	-	-	-	-	(4,731,247)	487,844	(4,212,773)	(8,456,176)	122,803	(8,333,373)
Realised loss on investments at FVTOCI	-	-	-	-	825,365	-	(825,365)	-	-	-
Share of loss on partial disposal of subsidiary by an associate	-	-	-	-	-	-	(99,594)	(99,594)	-	(99,594)
Balance at 30 September 2019 (unaudited)	26,673,255	-	(32,757,404)	32,757,404	(1,293,051)	(2,864,721)	(219,312)	22,296,171	1,351,997	23,648,168

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2020 (Unaudited) KD	Nine months ended 30 Sept. 2019 (Unaudited) KD
OPERATING ACTIVITIES			
Profit/(loss) for the period		**305,880**	(4,176,067)
Adjustments:			
Net loss on disposal of associates	6	**5,063,837**	-
Share of results of associates	14.1	**8,666,467**	3,806,968
Gain on settlement of bank loans	16.c	**(10,223,646)**	-
Commission income	7	**(3,022,500)**	-
Foreign currency exchange loss		**809,564**	-
Reversal of provision no longer required	8	**-**	(1,621,652)
Interest income		**-**	(117,606)
Other income		**-**	(444,887)
Finance costs		**1,013,296**	1,235,570
Depreciation		**2,845**	2,837
Impairment of an associate	14.1	**-**	675,000
		2,615,743	(639,837)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**(17,957)**	668,908
Receivables and other assets		**(280,546)**	(292,720)
Due from related parties		**(3,169,969)**	(191,812)
Payables and other liabilities		**(183,273)**	(393,934)
Due to related parties		**4,023,413**	(400,447)
Net cash from/(used) in operating activities		**2,987,411**	(1,249,842)
INVESTING ACTIVITIES			
Proceeds from sale of an associate	6.1	**12,142,762**	-
Proceeds from sale of investment at FVTPL		**1,512,399**	-
Additions to investment in associates and joint ventures	14.2	**(7,448,857)**	-
Advance for investments		**(6,106,011)**	-
Increase in restricted bank balances		**(2,159,691)**	-
Dividend received from associates	14.1	**-**	515,229
Proceeds from sale of investments at FVTOCI		**-**	28,958
Net cash (used in)/from investing activities		**(2,059,398)**	544,187
FINANCING ACTIVITIES			
Repayment of borrowings		**(843,200)**	-
Net cash used in financing activities		**(843,200)**	-
Increase/(decrease) in cash and cash equivalents		**84,813**	(705,655)
Foreign currency adjustment		**42,629**	18,758
Effect of foreign exchange rate on cash and cash equivalents		**(117,395)**	-
Cash and cash equivalents at the beginning of the period	10	**(1,181,826)**	(647,552)
Cash and cash equivalents at the end of the period	10	**(1,171,779)**	(1,334,449)
Non-cash transactions			
Investments at FVTPL		**2,891,282**	-
Borrowings		**(2,891,282)**	-
Accounts payable and other liabilities		**(3,058,448)**	-
Commission income		**3,058,448**	-
Investment properties		**(4,015,000)**	-
Due from related parties		**4,015,000**	-

The notes set out on pages 9 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 of the Parent Company

International Financial Advisors Holding – KPSC [Formerly: International Financial Advisors - KPSC] ("the Parent Company") is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is listed on Boursa Kuwait and Dubai Financial Market.

The Securities Activities Licence issued by the Capital Markets Authority ("CMA") expired on 29 March 2018 under which the Parent Company carried out certain investment activities. Management did not renew the licence. Accordingly, the CMA notified the Parent Company on 6 May 2018 that it is no longer considered a licenced entity under the CMA regulations. Consequently, the Parent Company is currently in the process of disposing the portfolios under management (Note 23).

Furthermore, during prior years, the Parent Company was subject to the supervision of the Central Bank of Kuwait ("CBK"). During 2018, it communicated to the CBK its desire to be removed from CBK register. On 13 November 2018, the CBK notified the Parent Company that its name will be removed from the CBK register only after the holding of shareholders' general assembly to change its legal status and activities.

The shareholders in their Extra-Ordinary General Assembly held on 6 January 2019 approved to change the legal status of the Parent Company to a Holding Company and amend its activities, which were registered in the commercial register on 20 January 2019. Accordingly, on 3 February 2019, the Parent Company was removed from the CBK register.

The objectives of the Parent Company were amended to become as follows:

- Management of the Parent Company's subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.
- Investing funds by way of trading in shares, bonds and other financial securities.
- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.
- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.
- Using cash surplus to invest in financial portfolios/funds managed by specialised parties.

The Parent Company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The Parent Company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The Parent Company has the right to establish, participate in or acquire such institutions.

The Group comprises the Parent Company and its subsidiaries.

The address of the Parent Company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

This interim condensed consolidated financial information for the nine-month period ended 30 September 2020 was authorised for issue by the Parent Company's board of directors on 13 October 2020.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting polices used in the preparation of these interim condensed consolidated financial statements information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the changes described in Note 3.

The annual consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

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.

Operating results for the nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2019.

The Group has consolidated the financial information of its subsidiaries using interim condensed financial information and management accounts as at 30 September 2020.

During the period, First Takaful Insurance (subsidiary) participated in the incorporation of Al Oula Financial Holding – WLL (Holding) ("Al Oula") with a total share capital of KD1,500,000 in which it owns 51% of the ownership interest. As of the reporting date the share capital of Al Oula has not been paid up and, therefore, has been disclosed as a capital commitment (note 18.a). Accordingly, Al Oula has not been consolidated in this interim condensed consolidated financial information.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 3 – Amendments	1 January 2020
IAS 1 and IAS 8 – Amendments	1 January 2020

IFRS 3 – Amendments

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

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

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 3 – Amendments (continued)

- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

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

3.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 Amendments	1 January 2023
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date

IAS 1 Amendments

The amendments provide for consistent application of the requirements with respect to determining whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (i.e. due to be settled within one year) or non-current.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

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

4 Judgements and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2019.

5 Fundamental accounting concept

As at 30 September 2020, the Group's current liabilities exceeded its current assets by KD45,738,732 which cast significant doubt about the Group's ability to continue as a going concern and its ability to realize its assets and discharge its liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent on availability of the support from the financial institutions (i.e. rescheduling/repayment of the borrowings mentioned in Note 16) and the ability of the Group to improve future profitability and cash flows. During the period, the Parent Company signed settlement agreements with two of the lenders (note 16) which have partly improved the financial position as reflected in this interim consolidated financial information and the remaining effect is expected to be recognised in the quarter ending 31 December 2020. Further, the Parent Company is continuing negotiations and discussions with the remaining lender and is confident of the positive outcome of these discussions, and therefore, has prepared this interim condensed consolidated financial information under the going concern concept of accounting.

Notes to the interim condensed consolidated financial information (continued)

5 Fundamental accounting concept (continued)

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts or to the amount of liabilities to reflect the fact that the Group may be required to realize its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the interim condensed consolidated financial information.

6 Loss on disposal of associates

	Three months ended		Nine months ended	
	30 Sept. 2020 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2020 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD
Loss on sale of an associate (6.1)	-	-	(4,700,119)	-
Deemed disposal of an associate (6.2)	(363,718)	-	(363,718)	-
	(363,718)	-	(5,063,837)	-

6.1 Loss on sale of an associate

During the period, one of the Group's subsidiaries, First Takaful Insurance Company - KPSC, sold its entire ownership interest of 35% in Neova Sigorta Insurance Company – Turkey, for a total consideration of USD39,233,449 (equivalent to KD 12,142,762) resulting into a loss of KD4,700,119 as follows:

	KD
Sale consideration (a)	12,142,762
Less: Carrying value at the date of disposal	(11,902,064)
Less: foreign exchange differences related to associate recycled to statement of profit or loss on sale	(4,940,817)
Loss on sale	(4,700,119)

a) First Takaful Insurance Company - KPSC received the total sale consideration amounting to USD39,233,449 (equivalent to KD12,142,762). Out of the total proceeds, an amount of USD2,113,951 (equivalent to KD647,292) has been restricted pending finalisation of formalities relating to transfer of all shares (note 10).

6.2 Deemed disposal of an associate

During the period, one of the Group's associates, IFA Hotels & Resorts Company - KPSC, sold part of its treasury shares which resulted in dilution of the Group's ownership interest in the associate from 45.64% to 45.08%. Consequently, the Group recognised loss on deemed disposal of the associate as follows:

	KD
Loss on disposal of carrying value of the investment	(294,623)
Foreign exchange differences related to associate recycled to statement of profit or loss	(61,009)
Reserve for financial derivatives related to associate recycled to statement of profit or loss	(8,086)
	(363,718)

Notes to the interim condensed consolidated financial information (continued)

7 Commission income

During the previous year, the Parent Company received USD10,000,000 (equivalent to KD3,022,500) as commission for assisting a foreign contractor in obtaining a major construction project in Kuwait which was recorded as "deferred revenue" under payables and other liabilities in the consolidated financial statements for the year ended 31 December 2019 as the conditions stipulated in the agreement were not completed.

During the period, the Parent Company completed all conditions stipulated in the agreement and received a further and final amount of USD10,000,000 (equivalent to KD3,058,448). Consequently, the total amount of USD20,000,000 (equivalent to KD6,080,948) has been recognised as commission income in this interim condensed consolidated financial information.

The proceeds received were utilised for funding the investment in joint venture (note 14.2).

8 Reversal of provision no longer required

During a prior year, the Parent Company had filed a legal case against the Ministry of Finance disputing the basis of calculation of National Labour Support Tax imposed for the financial years ended 31 December 2003, 31 December 2004 and 31 December 2005 aggregating to KD4,739,218.

Subsequently, and after hearing of the case at the Court of First Instance, Court of Appeal and the Discrimination Court, it has been ruled that the National Labour Support Tax due for the above financial years amounts to only KD3,117,566. The Parent Company reversed the excess provision of KD1,621,652 during the period ended 30 September 2019.

9 Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company

Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company is calculated by dividing the profit/(loss) 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.

	Three months ended		Nine months ended	
	30 Sept. 2020 (Unaudited)	30 Sept. 2019 (Unaudited)	30 Sept. 2020 (Unaudited)	30 Sept. 2019 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Parent Company (KD)	12,675,661	2,036,167	780,196	(4,212,773)
Weighted average number of shares outstanding during the period (shares)	249,279,883	249,279,883	249,279,883	249,279,883
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company (Fils)	50.85	8.17	3.13	(16.90)

Notes to the interim condensed consolidated financial information (continued)

10 Cash and cash equivalents

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Cash and bank balances	1,040,701	383,362	383,941
Balance with Kuwait Clearing Company	1,512,399	-	-
	2,553,100	383,362	383,941
Less: Restricted balance on borrowings*	(1,858,845)	(346,446)	(346,446)
Less: Restricted balance on sale of an associate (note 6.1)	(647,292)	-	-
Less: Due to banks	(1,218,742)	(1,218,742)	(1,371,944)
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	(1,171,779)	(1,181,826)	(1,334,449)

* The restricted balance includes KD1,512,399 which has been restricted for the settlement of borrowings due to a local bank (note 16.a).

11 Investments at fair value through profit or loss

During the period, the Parent Company transferred foreign unquoted securities amounting to USD9,540,612 (equivalent to KD2,891,282) as part of the settlement of borrowings (note 16.c). No gain or loss resulted as a result of the transfer.

12 Advance for investments

During the period, First Takaful Insurance (subsidiary) signed an agreement with a related party, whereby the subsidiary is to invest USD20,000,000 for potential investment opportunities which will be presented to the subsidiary within a period of three months from the signing date. On 22 September, 2020, the subsidiary transferred USD20,000,000 (equivalent to KD6,106,011) as an advance towards this investment. The subsidiary has the right to cancel this agreement and get a full refund of the advanced amount if such opportunities were not agreed upon.

13 Investment properties

During the period, First Takaful Insurance (subsidiary) approved to purchase certain properties amounting to KD4,015,000 from a related party. However, since the subsidiary is currently unable to transfer the ownership of those properties in its name, the related party has signed an acknowledgement that the properties are fully owned by the subsidiary. Furthermore, the related party has signed an undertaking to transfer ownership of all these properties in the subsidiary's name in due course. The consideration was settled by way of balance due from the related party.

14 Investment in associates and joint ventures

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Investment in associates (note 14.1)	38,746,227	60,041,976	75,633,069
Investment in joint ventures (note 14.2)	9,900,057	2,451,200	-
	48,646,284	62,493,176	75,633,069

Notes to the interim condensed consolidated financial information (continued)

14 Investment in associates and joint ventures (continued)

14.1 Investment in associates

The movement in associates during the period/year is as follows:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Carrying value at the beginning of the period/year	**60,041,976**	81,950,281	81,950,281
Share of results of associates	**(8,666,467)**	(8,560,678)	(3,806,968)
Share of other comprehensive loss	**(507,325)**	(2,289,124)	(1,690,524)
De-recognition on disposal of an associate (note 6.1)	**(11,902,064)**	-	-
Deemed disposal of an associate (note 6.2)	**(294,623)**	-	-
Increase on sale of treasury shares by an associate	**96,538**	-	-
Share of loss on partial disposal of interest in subsidiary by an associate	**(21,808)**	(99,594)	(99,594)
Dividend received	**-**	(515,229)	(515,229)
Impairment	**-**	(9,475,000)	(675,000)
Share of adjustment on adoption of IFRS 9	**-**	(665,756)	(665,756)
Share of adjustment on adoption of IFRS 16	**-**	269,542	269,542
Foreign exchange translation adjustment	**-**	(572,466)	866,317
	38,746,227	60,041,976	75,633,069

14.2 Investment in joint ventures

During the period, the Parent Company invested additional funds amounting to KD7,448,857 in Um Al-Hayman Holding Company for its 50% ownership interest.

The joint venture has not started its operations as of the reporting date. Accordingly, no share of profit or loss were accounted for during the nine-month period ended 30 September 2020 and the carrying value represents the Group's share of the investee's net assets.

15 Payables and other liabilities

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Accounts payable and accruals	**2,608,369**	2,492,732	1,981,857
Deferred revenue (note 7)	**-**	3,022,500	-
Dividend payable	**48,442**	48,442	48,442
Provisions for KFAS, NLST and Zakat	**5,711,253**	5,697,333	5,422,966
Provision for employees' end of service benefits and leave	**568,717**	516,217	462,230
Due to policyholders	**2,448,351**	2,912,216	2,822,749
Other liabilities	**2,675,340**	2,482,532	2,757,020
	14,060,472	17,171,972	13,495,264

Notes to the interim condensed consolidated financial information (continued)

16 Borrowings

The loan balances and bank facilities of the Group at the date of the interim condensed consolidated statement of financial position represent the following:

	Currency	Period due From	Period due To	Effective interest rates	Purpose	Assets pledged	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
1	KD	26-06-2011	31 -12- 2023	4% above CBK	Debt repayment	Local portfolio with 120% coverage (a)	**23,156,800**	24,000,000	24,000,000
2	KD	01-01-2010	31-12-2020	4.75%	Local equity financing	Financial portfolio with 175% coverage (b)	**8,555,000**	8,555,000	8,555,000
3	USD	NA	NA	NA	Debt repayment	Shares of Parent Company, shares of associates and investments at FVTOCI (c)	**20,056,100**	-	-
4	USD	28-12-2005	28-12-2027	1.5%	Financing the Group's investments	Shares of Parent Company, shares of associates and investments at FVTOCI (c)	-	24,095,334	24,103,284
5	EUR	15-06-2007	28-12-2027	1.5%	Financing the Group's investments	Shares of Parent Company, shares of associates and investments at FVTOCI (c)	-	7,412,298	7,604,100
							51,767,900	64,062,632	64,262,384

(a) During the period, the Parent Company signed a settlement agreement with a local bank for the outstanding loan amount of KD24,000,000 and the related unpaid interest of 977,160. In accordance with the terms of the agreement, the Parent Company will pay KD6,000,000 in 2 equal instalments of KD3,000,000 each due on 30 September 2020 and 15 December 2020 as full and final settlement of the loan and the unpaid interest and the lender agreed to waive-off the remaining balance of KD18,977,160 upon repayment of the instalments. The gain on reduction of the borrowings will be recognised after the payment of the second instalment.

(b) During a prior year, the Parent Company filed legal a case against the local bank to determine the amount due to the bank. The court referred the case to the experts' department. During the current period, the local bank obtained a cautionary order in its favor which was suspended as the Parent Company objected its execution which is yet to be decided by the court. However, management of the Parent Company believes that the bank is unable to execute the contracts until the ruling of the original case is made which is currently with the experts' department of Ministry of Justice.

Notes to the interim condensed consolidated financial information (continued)

16 Borrowings (continued)

(c) The Parent Company had outstanding loans of USD79,509,433 and Euro21,916,661 (aggregate equivalent to KD32,277,106) to a foreign bank and related accrued interest of USD2,060,619 and Euro568,616 (aggregate equivalent to KD836,515).

During the period, the Parent Company signed a final settlement contract with the foreign bank and Al-Nozha Al-Dawliya Real Estate Company WLL ("Al Nozha" - a related party). As per the terms of the agreement, the Parent Company settled USD9,540,612 (equivalent to KD2,891,282) out of the total outstanding USD loan by way of transferring certain investments at fair value through profit or loss (note 11). Pursuant to the contract settlement, and as a result of the above transfer, the foreign bank agreed to sell and assign to Al-Nozha the remaining balances of the loans including interest amounting to USD72,029,440 and Euro22,485,277, with all the related securities and guarantees. As a result, the Parent Company's obligations towards the foreign bank has been settled.

Further, during the period, the Parent Company and Al Nozha signed a borrowing agreement whereby Al Nozha agreed to waive off the entire Euro loan and interest of Euro22,485,277 and part of the USD loan and interest of USD6,529,440 which resulted in reduction of total borrowings from these loans by KD10,223,646. Consequently, Parent Company recorded a gain of KD10,223,646.

The Parent Company and Al Nozha agreed to finalise the remaining terms of the loan amounting to USD65,500,000 (equivalent to KD20,056,100) within 90 days from the agreement date.

The Group's borrowings are pledged against the following assets of the Group:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Restricted bank balances (note 10)	1,858,845	346,446	346,446
Investments at FVTPL	11,917	11,352	12,199
Investments at FVTOCI	1,417,604	4,398,376	2,316,934
Investment in associates and joint ventures	38,371,205	47,681,577	61,936,024
Investment in subsidiary	8,010,521	7,966,332	9,261,981
Total assets pledged	**49,670,092**	60,404,083	73,873,584

17 Treasury shares

	30 Sept. 2020 (Unaudited)	31 Dec. 2019 (Audited)	30 Sept. 2019 (Unaudited)
Number of shares	17,452,667	17,452,667	17,452,667
Percentage of issued shares	6.54	6.54	6.54
Cost (KD)	32,757,404	32,757,404	32,757,404
Market value (KD)	537,542	931,972	928,482

Notes to the interim condensed consolidated financial information (continued)

18 Capital commitments and contingent liabilities

(a) The Group has the following commitments:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Estimated and contracted capital expenditure for construction of properties under development and trading properties	856,720	925,478	759,572
Incorporation of a subsidiary (note 2)	1,500,000	-	-
Finance guarantees	12,111	15,314	203,701
Repayment of borrowings (note 16a)	5,156,800	-	-
Post-dated cheques issued	4,631,549	3,411,967	1,527,759
	12,157,180	4,352,759	2,491,032

The Group expects to finance the future expenditure commitments from the following sources:

a) Sale of investment properties
b) Share capital increase
c) Advances provided by the shareholders, related entities and joint ventures
d) Borrowings, if required

(b) The Group has the following contingent liabilities:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Contingent liabilities			
Against letters of guarantee	-	2,500,000	2,500,000

Notes to the interim condensed consolidated financial information (continued)

19 Segmental analysis

The Group activities are concentrated in four main segments: asset management, treasury and investments, real estate and others. The segments' results are reported to the higher management in the Group. In addition, the segments revenue, assets are reported based on the geographic locations which the Group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Asset Management		Treasury and Investments		Real Estate		Others		Total	
	30 Sept. 2020 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	**30 Sept. 2020 (Unaudited) KD**	30 Sept. 2019 (Unaudited) KD	**30 Sept. 2020 (Unaudited) KD**	30 Sept. 2019 (Unaudited) KD	**30 Sept. 2020 (Unaudited) KD**	30 Sept. 2019 (Unaudited) KD	**30 Sept. 2020 (Unaudited) KD**	30 Sept. 2019 (Unaudited) KD
Segment income	-	12,931	**(3,488,701)**	(3,756,664)	-	-	**5,304,927**	2,423,618	**1,816,226**	(1,320,115)
Profit/(loss) for the period	-	12,931	**(4,501,997)**	(6,069,481)	-	-	**4,807,877**	1,880,483	**305,880**	(4,176,067)
Impairment of an associate									-	(675,000)
Finance costs									**(1,013,296)**	(1,637,817)
Zakat and NLST									**(28,523)**	-
Total segmental assets	-	-	**52,815,717**	81,178,860	**11,975,439**	1,880,193	-	-	**64,791,156**	83,059,053
Total segmental liabilities	-	-	**(52,986,642)**	(65,634,328)	-	-	-	-	**(52,986,642)**	(65,634,328)
Net segmental assets	-	-	**(170,925)**	15,544,532	**11,975,439**	1,880,193	-	-	**11,804,514**	17,424,725
Unallocated assets									**22,569,798**	22,932,183
Unallocated liabilities									**(21,459,333)**	(16,708,740)
Net Assets									**12,914,979**	23,648,168

Notes to the interim condensed consolidated financial information (continued)

20 Annual General Assembly of the Shareholders

The ordinary General Assembly of the shareholders' of the Parent Company held on 22 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 and the directors' proposal not to distribute dividends for the year ended 31 December 2019.

21 Related party balances and transactions

Related parties represent 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 transactions between the Group and other related parties are disclosed below.

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Balances and transactions included in the interim condensed consolidated statement of financial position:			
Advance for investments (note 12)	**6,106,011**	-	-
Purchase of investment properties (note 13)	**4,015,000**	-	-
Due from related parties:			
- Due from associates	**16,786,105**	16,380,092	16,394,430
- Due from other related parties	**2,481,867**	3,583,143	3,419,967
	19,267,972	19,963,235	19,814,397
Due to related parties:			
- Due to associates	**68,086**	68,157	68,291
- Due to other related parties	**7,330,775**	3,209,727	3,145,185
	7,398,861	3,277,884	3,213,476
Borrowings (note 16c)	**20,056,100**	-	-

	Three months ended		Nine months ended	
	30 Sept. 2020 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2020 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD
Transactions included in interim condensed consolidated statement of profit or loss:				
Gain on settlement of borrowings (note 16c)	**10,223,646**	-	**10,223,646**	-
Finance costs	**24,788**	30,551	**97,564**	90,323
Dividend income	-	-	-	1,972
Key management compensation of the Group				
Short-term employee benefits	**76,836**	47,790	**271,488**	251,256

Notes to the interim condensed consolidated financial information (continued)

21 Related party balances and transactions (continued)

Due from related parties are non-interest bearing and have no specific repayment terms.

Due to related parties include balance amounting to KD3,072,693 (31 December 2019: KD3,072,693 and 30 September 2019: KD3,072,693) which carries interest at 4.75% (31 December 2019: 4.75% and 30 September 2019: 4.75%) per annum and is payable in 2021. The remaining balances of KD4,326,168 (31 December 2019: KD205,191 and 30 September 2019: KD140,783) are non-interest bearing and have no specific repayment terms.

22 Fair value measurement

22.1 Fair value hierarchy

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

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

- 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).

22.2 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 may also be categorized as follows:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Financial assets:			
At amortised cost:			
• Cash and bank balances	**2,553,100**	383,362	383,941
• Receivables and other assets	**2,855,151**	2,688,192	2,775,891
• Due from related parties	**19,267,972**	19,963,235	19,814,397
At fair value:			
• Investments at fair value through profit or loss	**64,423**	2,937,748	2,701,155
• Investments at fair value through other comprehensive income	**1,551,910**	4,535,525	2,460,695
	26,292,556	30,508,062	28,136,079
Financial liabilities:			
At amortised costs:			
• Payables and other liabilities	**14,060,472**	17,171,972	13,495,264
• Due to related parties	**7,398,861**	3,277,884	3,213,476
• Due to banks	**1,218,742**	1,218,742	1,371,944
• Borrowings	**51,767,900**	64,062,632	64,262,384
	74,445,975	85,731,230	82,343,068

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments (continued)

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 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:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
30 September 2020 (unaudited)				
Investments at FVTPL				
Investments held for trading:				
Local quoted securities	49,868	-	-	49,868
Local unquoted securities	-	-	14,555	14,555
Investments at FVTOCI				
Local quoted securities	26,887	-	-	26,887
Foreign quoted securities	1,672	-	-	1,672
Managed funds	-	13,891	-	13,891
Unquoted securities	-	-	1,509,460	1,509,460
	78,427	13,891	1,524,015	1,616,333
31 December 2019 (audited)				
Investments at FVTPL				
Investments held for trading:				
Local quoted securities	31,911	-	-	31,911
Local unquoted securities	-	-	14,555	14,555
Foreign unquoted securities	-	-	2,891,282	2,891,282
Investments at FVTOCI				
Local quoted securities	32,264	-	-	32,264
Foreign quoted securities	2,680	-	-	2,680
Managed funds	-	13,891	-	13,891
Unquoted securities	-	-	4,486,690	4,486,690
	66,855	13,891	7,392,527	7,473,273
30 September 2019 (unaudited)				
Investments at FVTPL				
Investments held for trading:				
Local quoted securities	32,287	-	-	32,287
Foreign quoted securities	-	-	14,555	14,555
Foreign unquoted securities	-	-	2,654,313	2,654,313
Investments at FVTOCI				
Local quoted securities	18,990	-	-	18,990
Foreign quoted securities	3,323	-	-	3,323
Managed funds	-	14,023	-	14,023
Unquoted securities	-	-	2,424,359	2,424,359
	54,600	14,023	5,093,227	5,161,850

There have been no significant transfers between levels 1 and 2 during the reporting period.

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments (continued)

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 securities
All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds
Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

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

	Investments at FVTPL		
	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Opening balance	2,905,837	3,342,430	3,342,430
Disposal	(2,891,282)	(673,562)	(727,560)
Gains or losses recognised in:			
- Consolidated statement of profit or loss	-	236,969	53,998
Balance end of the period/year	14,555	2,905,837	2,668,868
Total amount recognised in profit or loss on level 3 instruments	-	53,998	53,998

	Investments at FVTOCI		
	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Opening balance	4,486,690	5,956,110	5,956,110
Additions	-	436,851	436,851
Disposals	(1,520,000)	(607,466)	(607,466)
Gains or losses recognised in:			
- Other comprehensive loss	(1,457,230)	(1,298,805)	(3,361,136)
Closing balance	1,509,460	4,486,690	2,424,359

Notes to the interim condensed consolidated financial information (continued)

23 Fiduciary accounts

The Parent Company previously managed portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which were not reflected in the interim condensed consolidated statement of financial position. However, as a result of the legal status of the Parent Company changed to a holding company, it is no longer allowed to manage portfolios. The existing portfolio balance is either currently being disposed of or transferred to other entities. Assets under management at 30 September 2020 amounted to KD859,575 (31 December 2019: KD988,198 and 30 September 2019: to KD1,044,029). The Group earned management fee of KD Nil (31 December 2019: KD12,931 and 30 September 2019: KD12,931) from these activities.

24 Effects of COVID-19

The outbreak of Coronavirus ("COVID-19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. Management of the Group is actively monitoring the effects COVID-19 may have on its business operations. However, it believes reliable information is not available at this time to quantify the effects of COVID-19 on this interim condensed consolidated financial information.