

THE SECURITIES HOUSE K.S.C.P. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)
30 SEPTEMBER 2019

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**The Securities House K.S.C.P.
Kuwait**

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Securities House K.S.C.P (the Parent Company) and its subsidiaries (together called "the Group") as at 30 September 2019 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statements of 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 basis of presentation set out in Note 2.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the accompanying interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine-month period ended 30 September 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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 violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, and the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the nine-month period 30 September 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

Talal Y. Al-Muzaini
License No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Interim Condensed Consolidated Statement of Income (Unaudited)
For the period ended 30 September 2019

		Kuwaiti Dinars			
		Three months ended 30 September		Nine months ended 30 September	
Notes		2019	2018	2019	2018
INCOME					
From investment activities					
	Management fee income	400,141	11,340	2,038,450	31,850
	Dividend income	30,966	10,162	252,850	75,895
	Realised gain on sale of investments at fair value through profit or loss	111,500	200,749	284,827	218,344
	Unrealised gain/(loss) on investments at fair value through profit or loss	97,720	(10,074)	354,222	12,407
	Income from investment activities	640,327	212,177	2,930,349	338,496
From commercial activities					
	Sales of goods and services	578,086	-	1,858,936	-
	Operating costs	(741,266)	-	(2,233,325)	-
	Operating loss from commercial activities	(163,180)	-	(374,389)	-
	Other income	60,260	1,179	318,097	5,378
	Total income	537,407	213,356	2,874,057	343,874
EXPENSES					
	Staff costs	400,778	127,183	1,437,576	485,292
	General and administration expenses	124,221	67,535	617,107	230,815
	Depreciation	51,273	10,500	154,522	31,500
	Total expenses	576,272	205,218	2,209,205	747,607
	(Loss)/profit before share of results, amortisation, finance cost and taxation	(38,865)	8,138	664,852	(403,733)
	Share in results of associates and a joint venture	6 a&b (70,223)	38,838	(74,303)	577,272
	Recognition of negative goodwill of investment in an associate	6 a -	-	-	32,175
	Amortisation of intangibles	(50,505)	-	(262,647)	-
	Finance cost on lease liabilities	(2,614)	-	(27,496)	-
	(Loss)/profit for the period	(162,207)	46,976	300,406	205,714
Attributable to:					
	Equity holders of the Parent Company	(53,470)	47,407	46,724	206,291
	Non-controlling interests	(108,737)	(431)	253,682	(577)
		(162,207)	46,976	300,406	205,714
	Basic and diluted (loss)/earnings per share attributable to equity holders of the Parent Company	4 (0.1) fils	0.1 fils	0.1 fils	0.4 fils

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**The Securities House K.S.C.P. and Subsidiaries
Kuwait**

**Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the period ended 30 September 2019**

		Kuwaiti Dinars			
		Three months ended 30 September		Nine months ended 30 September	
Note		2019	2018	2019	2018
	(Loss)/profit for the period	(162,207)	46,976	300,406	205,714
	Other comprehensive (loss)/income:				
	<i>Other comprehensive (loss)/income to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
	Foreign currency translation adjustment	6 a (707,784)	(97,080)	(700,156)	(591,784)
	<i>Items that will not be reclassified to interim condensed consolidated statement of income:</i>				
	Cumulative changes in fair value of investments through other comprehensive income	(147,018)	-	(169,095)	-
	Share in other comprehensive income/(loss) of associates	6 a 8,029	(39,416)	112,220	(646,422)
	Other comprehensive loss for the period	(846,773)	(136,496)	(757,031)	(1,238,206)
	Total comprehensive loss for the period	(1,008,980)	(89,520)	(456,625)	(1,032,492)
	Attributable to:				
	Equity holders of the Parent Company	(887,959)	(89,096)	(688,768)	(1,031,948)
	Non-controlling interests	(121,021)	(424)	232,143	(544)
		(1,008,980)	(89,520)	(456,625)	(1,032,492)

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)
As at 30 September 2019

	Notes	Kuwaiti Dinars		
		30 September 2019 (unaudited)	31 December 2018 (audited) Restated	30 September 2018 (unaudited)
ASSETS				
Bank balances and cash	5	810,367	1,739,372	837,885
Short-term murabaha investments	5	2,250,000	4,890,000	150,000
Accounts receivable and prepayments		2,875,421	1,109,823	340,764
Investments at fair value through profit or loss		5,129,304	4,672,187	2,257,142
Investments at fair value through other comprehensive income		3,799,713	4,039,217	1,952,542
Investment property		2,057,201	1,895,066	-
Investment in associates and a joint venture	6	31,074,091	29,920,348	38,993,136
Intangible assets	7	4,678,365	4,750,023	-
Goodwill	7	2,306,711	2,306,711	-
Property and equipment		1,656,488	465,869	136,500
TOTAL ASSETS		56,637,661	55,788,616	44,667,969
EQUITY				
Share capital	8	45,000,000	45,000,000	45,000,000
Statutory reserve		101,480	101,480	80,999
Fair value reserve		(1,420,639)	(1,251,544)	-
Foreign currency translation reserve		(4,410,789)	(3,732,172)	(3,105,501)
Cumulative changes in equity of associates		(267,374)	(379,594)	(805,311)
Retained earnings		880,631	833,907	892,366
Equity attributable to equity holders of the Parent Company		39,883,309	40,572,077	42,062,553
Non-controlling interests		10,524,966	10,308,094	10,103
TOTAL EQUITY		50,408,275	50,880,171	42,072,656
LIABILITIES				
Accounts payable and accruals		4,170,592	4,121,887	2,352,292
Lease liabilities		1,121,111	-	-
Employees' end of service benefits		937,683	786,558	243,021
TOTAL LIABILITIES		6,229,386	4,908,445	2,595,313
TOTAL EQUITY AND LIABILITIES		56,637,661	55,788,616	44,667,969

The accompanying notes form an integral part of this Interim condensed consolidated financial information.



Ibrahim Yousef Al Ghanim
Chairman



Fahed Faisal Boodai
Vice Chairman and Chief Executive Officer

**Interim Condensed Consolidated Statement of Cash Flows (Unaudited)
For the period ended 30 September 2019**

	Notes	Kuwaiti Dinars	
		Nine months ended 30 September	
		2019	2018
OPERATING ACTIVITIES			
Profit for the period		300,406	205,714
Adjustments for:			
Dividend income		(252,850)	(75,895)
Realised gain on sale of investments at fair value through profit or loss		(284,827)	(218,344)
Unrealised gain on investments at fair value through profit or loss		(354,222)	(12,407)
Share in results of associates and a joint venture	6 a&b	74,303	(577,272)
Negative goodwill of an associate	6 a	-	(32,175)
Amortization of intangibles		262,647	-
Depreciation		384,638	31,500
Finance cost on lease liabilities		70,167	-
Provision for employees' end of service benefits		151,125	43,914
		351,387	(634,965)
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		(1,854,275)	5,458
Investments at fair value through profit or loss		181,932	628,788
Accounts payable and accruals		(64,761)	7,689
Net cash flows (used in)/from operating activities		(1,385,717)	6,970
INVESTING ACTIVITIES			
Proceeds from sale of investments at fair value through other comprehensive income		48,869	61,860
Additions to investment property		(162,135)	-
Investment in an associate	6 a	-	(35,597)
Investment in a joint venture	6 b	(1,805,500)	-
Dividend income		252,850	75,895
Dividend received from an associate	6 a	15,085	-
Capital reduction of an associate	6 a	-	1,485,000
Purchase of Property and equipment		(214,113)	-
Net cash flows (used in)/from investing activities		(1,864,944)	1,587,158
FINANCING ACTIVITIES			
Repayment of lease liabilities		(310,200)	-
Payment of share capital reduction		-	(3,000,000)
Payment to non-controlling interests on purchase of interest in a subsidiary		(8,144)	-
Net cash flows used in financing activities		(318,344)	(3,000,000)
DECREASE IN CASH AND CASH EQUIVALENTS			
Transition adjustment on adoption of IFRS 9 at 1 January 2019		-	(2,981)
Net foreign exchange difference		-	33
Cash and cash equivalents at 1 January		6,629,372	2,396,705
CASH AND CASH EQUIVALENTS AT 30 September	5	3,060,367	987,885

The accompanying notes form an integral part of this interim condensed consolidated financial information.

The Securities House K.S.C.P. and Subsidiaries
Kuwait

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the period ended 30 September 2019

	Kuwaiti Dinars							Non- controlling interests	Total equity
	Attributable to equity holders of the Parent Company								
	Share capital	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Cumulative changes in equity of associates	Retained earnings	Sub total		
As at 1 January 2019 - as previously reported	45,000,000	101,480	(1,251,544)	(3,732,172)	(379,594)	833,907	40,572,077	8,022,090	48,594,167
Non-controlling interests share in intangible assets (Note 7)	-	-	-	-	-	-	-	2,286,004	2,286,004
Balance as at 1 January 2019 (restated)	45,000,000	101,480	(1,251,544)	(3,732,172)	(379,594)	833,907	40,572,077	10,308,094	50,880,171
Profit for the period	-	-	-	-	-	46,724	46,724	253,682	300,406
Other comprehensive (loss)/income	-	-	(169,095)	(678,617)	112,220	-	(735,492)	(21,539)	(757,031)
Total comprehensive (loss)/income for the period	-	-	(169,095)	(678,617)	112,220	46,724	(688,768)	232,143	(456,625)
Net movement on non-controlling interests	-	-	-	-	-	-	-	(15,271)	(15,271)
As at 30 September 2019	45,000,000	101,480	(1,420,639)	(4,410,789)	(267,374)	880,631	39,883,309	10,524,966	50,408,275
As at 1 January 2018	48,000,000	80,999	-	(2,513,684)	(158,889)	698,751	46,107,177	10,674	46,117,851
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	(12,676)	(12,676)	(27)	(12,703)
Balance as at 1 January 2018 (restated)	48,000,000	80,999	-	(2,513,684)	(158,889)	686,075	46,094,501	10,647	46,105,148
Profit/(loss) for the period	-	-	-	-	-	206,291	206,291	(577)	205,714
Other comprehensive (loss)/income	-	-	-	(591,817)	(646,422)	-	(1,238,239)	33	(1,238,206)
Total comprehensive (loss)/income for the period	-	-	-	(591,817)	(646,422)	206,291	(1,031,948)	(544)	(1,032,492)
Share capital reduction	(3,000,000)	-	-	-	-	-	(3,000,000)	-	(3,000,000)
As at 30 September 2018	45,000,000	80,999	-	(3,105,501)	(805,311)	892,366	42,062,553	10,103	42,072,656

The accompanying notes form an integral part of this interim condensed consolidated financial information.

1. Corporate information

The interim condensed consolidated financial information of The Securities House K.S.C.P. (the "Parent Company") and subsidiaries (collectively the "Group") for the nine months ended 30 September 2019 were authorised for issue by the Board of Directors on 11 November 2019.

The Parent Company is a Kuwaiti public shareholding company incorporated and registered in Kuwait on 28 March 1982 and is engaged in dealing and brokerage in securities on its behalf and on behalf of third parties, providing financial advisory and research services, establishing financial, real estate, industrial and multipurpose investment funds and companies, fund management on behalf of third parties, investment in real estate and other economic sectors, finance activities and mediation in borrowing and international trade activities. The Parent Company performs all of its activities in accordance with Islamic Shariah principles and is regulated by the Central Bank of Kuwait (CBK) and the Capital Markets Authority (CMA) as a licenced person.

In January 2017, the Parent Company's Board of Directors made an offer to Al Aman Investment Company KSCP ("Al Aman" - which became a subsidiary in 2018) proposing the merger of Al Aman with the Parent Company. During the current period, the approval of the Capital Markets Authorities was obtained. The completion of the merger is still subject to approval of the shareholders of the two companies and the finalization of the regulatory procedures.

The Parent Company's principal place of business and registered address is 18th floor, Al-Dhow Tower, Khalid Ibn Al-Waleed Street, Sharq, P. O. Box 26972 Safat, 13130, Kuwait.

2. Basis of preparation

The interim condensed consolidated financial information for the nine months ended 30 September 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting, except as noted below.

The annual financial statements for the year ended 31 December 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait and Capital Market Authority. These regulations require adoption of all IFRS except for the measurement and disclosure requirements in respect of expected credit losses (ECL) on credit facilities under IFRS 9: Financial Instruments, where the provision for credit losses on credit facilities is the higher of ECL under IFRS 9 according to the CBK guidelines and provisions required by the CBK instructions.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. In addition, results for the nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company.

Changes in accounting policy and disclosures

The accounting policies used in the preparation of the 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:

Investment in joint venture

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures and accounts for it using the equity method.

IFRS 16: Leases

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. As required by IAS 34, the nature and effect of adoption of IFRS 16 disclosed in Note 3.

Intangible assets

Identifiable non-monetary assets acquired in a business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets are recognized initially at their fair value at the acquisition date (which is regarded as their cost).

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets which have a finite life are amortized over their useful lives. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The intangible assets are tested for impairment based on the same policy as that of Goodwill.

Intangible assets comprise of brand and asset management agreements where brand is considered as an intangible asset with indefinite useful life and asset management agreements are considered as intangible assets with finite lives and are amortised over their useful lives of 20 years.

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 16 -LEASES

On adoption of IFRS 16 Leases, the Group has recognized the following right of use assets and lease liabilities:

	<u>On 1 January 2019</u>
	Kuwaiti Dinars
Right of use assets	
Buildings	1,012,510
Lease liabilities	1,012,510

Accounting policy

The key changes to the Group's accounting policies resulting from its adoption of IFRS 16 Leases are summarized below:

The Group measures the right of use at cost, which comprises of

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 September 2019

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in statement of income.

Initial measurement

The Group has elected to measure the lease liabilities and right of use asset on 1 January 2019 as follows:

Lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The right of use asset at its carrying amount at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group has elected to apply the following practical expedients permitted by the Standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

The recognized right-of-use assets relate to the following types of assets

	Buildings
	Kuwaiti Dinars
Balance as of 1 January 2019	1,012,510
Plus: Acquisitions during the period	348,634
Less: Depreciation (included in operating costs and depreciation)	(277,079)
Closing balance as at 30 September 2019	1,084,065

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

	Kuwaiti Dinars
	2019
Operating lease commitments as at 31 December 2018	1,148,780
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,012,510

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 September 2019

The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6%. Finance cost on lease liabilities amounted to KD 70,167 for the period ended 30 September 2019.

The Group's leasing activities and how these were accounted for

The Group mostly leases office spaces for commercial use. Rental contracts are typically made for fixed periods of 1 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, these leases were classified as operating leases. Payments made under operating leases were charged to statement of income on a straight-line basis over the period of the lease.

Significant judgments and estimates

The significant judgments 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 Group's annual consolidated financial statements for the year ended 31 December 2018, except as mentioned below:

Extension and termination options in lease contracts

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable both by the Group and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

4. Basic and diluted (loss)/earnings per share attributable to equity holders of the Parent Company

Basic and diluted (loss)/earnings per share is computed by dividing (loss)/profit attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Kuwaiti Dinars			
	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
(Loss)/ profit for the period attributable to equity holders of the Parent Company	(53,470)	47,407	46,724	206,291
	Shares			
Weighted average number of shares outstanding for the period	450,000,000	450,000,000	450,000,000	466,153,846
Basic and diluted (loss)/earning per share attributable to the equity holders of the parent company	(0.1) fils	0.1 fils	0.1 fils	0.4 fils

5. Cash and cash equivalents

Cash and cash equivalents as shown in the interim condensed consolidated statement of cash flows are reconciled to the related items in the interim condensed consolidated statement of financial position as follows:

	Kuwaiti Dinars		
	30 September 2019	(Audited)	
		31 December 2018	30 September 2018
Bank balances and cash	810,367	1,739,372	837,885
Short-term murabaha investments with original maturity up to three months	2,250,000	4,890,000	150,000
	3,060,367	6,629,372	987,885

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 September 2019

6. Investment in associates and a joint venture

6.a Investment in associates

	Kuwaiti Dinars		
	30 September 2019	31 December 2018	30 September 2018
At the beginning of the period/year	29,920,348	41,076,933	41,076,933
Transition adjustment on adoption of IFRS 9 at 1 January 2019	-	(42,101)	(5,602)
Acquisitions	-	1,956,186	35,597
Share of results	(108,024)	(1,279,003)	577,272
Share of other comprehensive income/(loss)	112,220	(1,169,796)	(646,422)
Capital reduction received	-	(1,485,000)	(1,485,000)
Foreign currency translation adjustment	(674,589)	(1,209,262)	(591,817)
Dividend received	(15,085)	(22,710)	-
Recognition of negative goodwill	-	32,175	32,175
Reclassification on business combination	-	(7,937,074)	-
At the end of the period/year	29,234,870	29,920,348	38,993,136

This represents the Group's share of its investments in Gatehouse Financial Group Limited, United Kingdom ("GFGL"), Saudi Projects Holding Group ("Saudi Projects") and Madrono Capital, LLC (Madrono Capital).

The Group's share of GFGL, Saudi Projects' and Madrono Capital's results for the nine-month period ended 30 September 2019 of loss of KD 108,024 (30 September 2018: gain of KD 32,753) is based on its management accounts.

6.b Interest in a joint venture

Name of joint venture	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group
First Kuwaiti for Education Holding Company WLL	Holding company that owns 100% of the equity share capital of Kuwaiti company that owns and manages schools in the Kuwait	Kuwait	50%

This investment was made by the Group in June 2019. The Group's share of results of the joint venture is recognised based on the unaudited management accounts.

Summarized financial information of First Kuwaiti for Education Holding Company WLL is set out below.

	Kuwaiti Dinars		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
Total assets	20,252,176	-	-
Total liabilities	16,573,734	-	-
Net assets	3,678,442	-	-
Group's share of net assets	1,839,221	-	-
Carrying amount of the Group's interest	1,839,221	-	-
Total revenue	369,514	-	-
Total expense	(302,072)	-	-
Net Profit	67,442	-	-
Group's share of results	33,721	-	-

In June 2019, the joint venture acquired 100% of the ordinary equity share capital of Dar Al Salam Company WLL, a Kuwaiti company which owns and manages two educational schools in Kuwait, for a total purchase consideration of KD 18 million. The above represents provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, which are subject to review within one year of acquisition on finalisation of the Purchase Price Allocation (PPA).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 September 2019

7. Intangible assets and goodwill

	Kuwaiti Dinars		
	30 September 2019 (Unaudited)	31 December 2018 (Audited) Restated	30 September 2018 (Unaudited)
Intangible assets			
Asset management agreements	3,888,885	3,960,543	-
Brand	789,480	789,480	-
	4,678,365	4,750,023	-
Goodwill-Manarat Educational Services Company WLL.	1,017,508	1,017,508	-
Goodwill-Al Mathaq Holding Company WLL.	1,289,203	1,289,203	-
Total Goodwill	2,306,711	2,306,711	-

Comparative figures

During the previous year, the Parent Company acquired additional shares of Al Aman Investment Company K.S.C.P (Al Aman), the last acquisition of which took place in late December 2018, thus increasing the Group's interest in Al Aman from 49.5% to 50.0%. As a result, the Group was deemed to have had control over Al Aman with effect from 31 December 2018 and from that date, the investment in Al Aman has been reclassified from an associate to a subsidiary of the Group in accordance with IFRS 10: "Consolidated Financial Statements" and the Group remeasured its previously held 49.5% equity interest retained in Al Aman to its fair value by reference an independent valuation.

Further, Al Aman acquired Al Mathaq Holding Company WLL. in June 2018.

The initial accounting of the business combination and acquisition above was carried out using provisional values of identifiable assets, liabilities and contingent liabilities and the purchase price allocation (PPA) was completed during the current period. The Group restated comparative figures as disclosed below to give effect to adjustments arising from the PPA.

	Kuwaiti Dinars
Statement of Financial Position	
Goodwill - as previously reported	4,770,730
Less - intangible assets recognised	(4,750,023)
	20,707
Adjustment - Non-controlling interests share in intangible assets	2,286,004
Goodwill - restated	2,306,711

8. Share capital

The authorised, issued and fully paid up share capital of the Parent Company is KD 45,000,000 (31 December 2018: KD 45,000,000; 30 September 2018: KD 45,000,000) comprising of 450,000,000 shares (31 December 2018: 450,000,000; 30 September 2018: 450,000,000) of 100 fils each.

9. Related party transactions

Related parties represent major shareholders, directors and executive officers of the Parent Company, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Related party transactions consist of the following:

	Kuwaiti Dinars	
	2019	2018
Key management compensation:		
Salaries and other short term benefits	544,634	186,280
Employees' end of services	35,799	16,558
	580,433	202,838

10. Segmental analysis

For management purposes the Group is organised into four major business segments:

- | | | |
|--|---|---|
| Proprietary investment management | : | Investing of group funds in securities and real estate, financing corporate and individual customers, and managing the group's liquidity requirements. |
| Asset management and advisory services | : | Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related investment services. |
| Education | : | Operating schools in the State of Kuwait. |
| Food and beverages | : | Operating restaurants in the State of Kuwait |

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) – 30 September 2019

The following table presents information regarding the Group's business segment:

	Proprietary investment		Asset management and advisory services		Education		Food and beverages		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Nine months ended 30 September			Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	Kuwaiti Dinars									
Segment revenue	1,209,996	312,024	2,038,450	31,850	681,788	-	1,177,148	-	5,107,382	343,874
Segment results	(446,908)	(248,681)	1,486,149	(155,052)	(217,222)	-	(157,167)	-	664,852	(403,733)
Share in results of associates and a Joint venture	(108,024)	577,272	-	-	33,721	-	-	-	(74,303)	577,272
Negative goodwill	-	32,175	-	-	-	-	-	-	-	32,175
Amortization of intangibles	-	-	(262,647)	-	-	-	-	-	(262,647)	-
Finance cost on lease liabilities	(27,496)	-	-	-	-	-	-	-	(27,496)	-
Profit for the period									300,406	205,714

Revenue of the asset management and advisory services includes incentive fees received that arises mostly in the first quarter, as it is based on 31 March year end annual performance of the assets managed under the fiduciary activities.

	Proprietary investment management		Asset management and advisory services		Education		Food and beverages		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Nine months ended 30 September			Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	Kuwaiti Dinars									
Assets										
Segment assets	9,901,519	4,550,448	391,478	-	910,290	-	601,151	-	11,804,438	4,550,448
Investment in associates and a joint venture	27,395,649	38,993,136	-	-	1,839,221	-	-	-	29,234,870	38,993,136
Others	13,416,489	1,124,385	1,925,000	-	173,277	-	83,587	-	15,598,353	1,124,385
	50,713,657	44,667,969	2,316,478	-	2,922,788	-	684,738	-	56,637,661	44,667,969
Liabilities:										
Lease liabilities	176,898	-	-	-	563,924	-	380,289	-	1,121,111	-
Account payable and accruals	3,641,683	2,352,292	-	-	340,069	-	188,840	-	4,170,592	2,352,292
Employees' end of service benefits	738,950	243,021	-	-	67,562	-	131,171	-	937,683	243,021
	4,557,531	2,595,313	-	-	971,555	-	700,300	-	6,229,386	2,595,313

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 September 2019

11. Capital Commitments and contingent liabilities

	Kuwaiti Dinars		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
Uncalled capital of an investee company	78,773	238,451	-
Guarantee provided for murabaha payable of joint venture	10,800,000	-	-

For the murabaha payable availed by the jointly controlled entity (refer note 6.b) the Group, the co-investee in the jointly controlled entity and the jointly controlled entity, have given a joint and several guarantee to the lending local Shariah-compliant financial institution. Accordingly, the Group has recognized a provision for ECL on the full amount of murabaha payable guaranteed.

12. Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2 : inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 : inputs are unobservable inputs for the asset or liability.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 September 2019	Kuwaiti Dinars		
	Level 1	Level 3	Total
Financial assets at fair value			
<i>Financial assets at fair value through profit or loss:</i>			
Quoted equities	2,022,571	-	2,022,571
Unquoted equity securities	-	3,106,733	3,106,733
	<u>2,022,571</u>	<u>3,106,733</u>	<u>5,129,304</u>
<i>Financial assets at fair value through other comprehensive income:</i>			
Unquoted equity securities	-	3,799,713	3,799,713
	<u>-</u>	<u>3,799,713</u>	<u>3,799,713</u>
Investment property:			
Investment property	-	2,057,201	2,057,201
	<u>-</u>	<u>2,057,201</u>	<u>2,057,201</u>

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 September 2019

30 September 2018

	Kuwaiti Dinars		
	Level 1	Level 3	Total
Financial assets at fair value			
<i>Financial assets at fair value through profit or loss:</i>			
Unquoted equity securities	-	2,257,142	2,257,142
	-	2,257,142	2,257,142
<i>Financial assets at fair value through other comprehensive income:</i>			
Unquoted equity securities	-	1,952,542	1,952,542
	-	1,952,542	1,952,542

During the period ended 30 September 2019, there were no transfers between the hierarchies.