

ADEEM INVESTMENT & WEALTH COMPANY

30 NOVEMBER 2022 (UNAUDITED)



POSITION (UNAUDITED)

As at 30 September 2022

		30 September 2022	(Audited) 31 December 2021	30 September 2021
	<i>Notes</i>	<i>KD 000's</i>	<i>(Restated)* KD 000's</i>	<i>(Restated)* KD 000's</i>
ASSETS				
Cash in hand and at banks	3	1,742,525	1,569,565	1,366,705
Treasury bills, bonds and other debt securities		731,964	646,675	620,046
Loans and advances		4,695,946	5,240,825	5,128,255
Financial assets at fair value through profit or loss		110,668	35,355	45,252
Financial assets available for sale		-	514,103	432,669
Financial assets held to maturity		-	77,597	80,374
Financial assets at fair value through other comprehensive income		262,523	-	-
Non-current assets held for sale	17	181,689	-	-
Other assets		495,790	447,200	414,009
Properties held for trading		105,758	91,564	57,744
Investment in associates		364,263	375,305	451,415
Investment in a media joint venture	17	-	177,863	127,075
Investment properties		526,491	522,946	428,372
Property, plant and equipment		323,173	316,624	266,043
Intangible assets		324,015	329,163	302,075
TOTAL ASSETS		9,864,805	10,344,785	9,720,034
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		1,747,074	2,056,010	1,839,746
Deposits from customers		4,989,132	5,108,535	4,940,759
Loans payable	4	578,683	482,085	448,824
Bonds	5	298,020	321,229	222,380
Medium term notes	6	664,281	660,381	662,418
Other liabilities		552,472	504,817	390,979
Total liabilities		8,829,662	9,133,057	8,505,106
Equity				
Equity attributable to equity holders of the Parent Company	7	301,885	439,275	447,521
Perpetual capital securities		146,440	146,440	146,440
Non controlling interest		586,818	626,013	620,967
Total equity		1,035,143	1,211,728	1,214,928
TOTAL LIABILITIES AND EQUITY		9,864,805	10,344,785	9,720,034

The attached notes 1 to 17 form part of these interim condensed consolidated financial information.

ADEEM Investment & Wealth Management Company
and Subsidiaries INTERIM CONDENSED CONSOLIDATED INCOME
STATEMENT (UNAUDITED)
For the period ended 30 September 2022

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2022 KD 000's</i>	<i>2021 KD 000's</i>	<i>2022 KD 000's</i>	<i>2021 KD 000's</i>
Continuing operations:					
Income:					
Interest income		107,430	98,038	326,006	285,867
Investment income	8	8,747	7,581	17,605	52,768
Fee and commission income		18,120	14,935	41,721	41,330
Share of results of associates		3,713	4,044	16,359	9,725
Digital satellite network services income		3,215	3,382	10,012	10,305
Hospitality and real estate income		26,039	26,045	72,647	69,300
Educational service income		6,336	-	19,574	-
Manufacturing and distribution income		4,537	6,164	15,857	16,492
Other income		4,611	3,043	25,613	13,874
Foreign exchange gain		4,700	2,844	15,526	8,727
Income		187,448	166,076	560,920	508,388
Expenses:					
Interest expense		73,041	63,445	213,509	185,340
Digital satellite network services expense		2,698	2,613	8,352	7,913
Hospitality and real estate expenses		18,942	18,794	52,557	48,912
Manufacturing and distribution expense		4,175	5,195	14,881	14,205
Educational service expenses		2,691	-	9,742	-
General and administrative expenses		45,453	39,319	137,347	128,618
Depreciation and amortisation		5,400	4,033	17,192	17,760
Expenses		152,400	133,399	453,580	402,748
Operating profit from continuing operations before provisions		35,048	32,677	107,340	105,640
Provision for credit losses		(6,313)	(3,628)	(11,290)	(16,732)
(Provision) for reversal of impairment of other financial and non-financial assets		(383)	442	(2,555)	(8,324)
Profit before taxation from continuing operations		28,352	29,491	93,495	80,584
Taxation		(3,828)	(3,401)	(11,710)	(10,212)
Profit for the period from continuing operations		24,524	26,090	81,785	70,372
Discontinued operations:					
Loss from discontinued operations	17	(3,196)	(6,849)	(22,968)	(18,418)
Profit for the period		21,328	19,241	58,817	51,954
Attributable to:					
Equity holders of the Parent Company		8,316	8,159	20,373	22,306
Non controlling interest		13,012	11,082	38,444	29,648
		21,328	19,241	58,817	51,954
		<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
EARNINGS PER SHARE:					
Basic - attributable to the equity holders of the Parent Company	9	3.43	3.29	9.44	10.69
Diluted - attributable to the equity holders of the Parent Company	9	3.43	3.29	9.44	10.69
Earnings per share for continuing operations:					
Basic - attributable to the equity holders of the Parent Company	9	5.72	8.14	25.81	23.73
Diluted - attributable to the equity holders of the Parent Company	9	5.72	8.14	25.81	23.73

The attached notes 1 to 17 form part of these interim condensed consolidated financial information.

**ADEEM Investment & Wealth Management Company and
Subsidiaries INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (UNAUDITED)**
For the period ended 30 September 2022

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2022 KD 000's</i>	<i>2021 KD 000's</i>	<i>2022 KD 000's</i>	<i>2021 KD 000's</i>
Profit for the period	21,328	19,241	58,817	51,954
Other comprehensive income:				
<i>Items that will not be reclassified to interim condensed consolidated income statement in subsequent periods:</i>				
Net change in fair value of equity instruments at fair value through other comprehensive loss	(5,233)	-	(17,542)	-
Share of other comprehensive loss from associates and joint venture	(870)	-	(4,362)	-
	(6,103)	-	(21,904)	-
<i>Items that are or may be reclassified to interim condensed consolidated income statement in subsequent periods:</i>				
Debt instruments at fair value through other comprehensive income:				
Net change in fair value during the period	(1,277)	-	(4,294)	-
Changes in allowance for expected credit losses	2	-	(75)	-
Net transfer to interim condensed consolidated income statement	148	-	1,254	-
Financial assets available for sale:				
Net change in fair values	-	866	-	7,193
Net transfer to interim condensed consolidated income statement	-	642	-	(152)
Change in fair value of cash flow hedge	4,410	(904)	9,564	(6,327)
Foreign currency translation adjustment	(3,695)	(3,732)	(9,843)	(4,555)
Share of other comprehensive (loss) income from associates and joint venture	-	(1,258)	-	3,338
	(412)	(4,386)	(3,394)	(503)
Other comprehensive loss for the period	(6,515)	(4,386)	(25,298)	(503)
Total comprehensive income for the period	14,813	14,855	33,519	51,451
Attributable to:				
Equity holders of the Parent Company	5,654	3,791	5,470	22,924
Non controlling interest	9,159	11,064	28,049	28,527
	14,813	14,855	33,519	51,451

The attached notes 1 to 17 form part of these interim condensed consolidated financial information.

ADEEM Investment & Wealth Management Company
and Subsidiaries INTERIM CONDENSED CONSOLIDATED CASH
FLOW STATEMENT (UNAUDITED)
For the period ended 30 September 2022

		<i>Nine months ended</i>	
		<i>30 September</i>	
	<i>Notes</i>	<i>2022</i> <i>KD 000's</i>	<i>2021</i> <i>KD 000's</i>
OPERATING ACTIVITIES			
Profit before taxation from continuing operations		93,495	80,584
Loss from discontinued operation	17	(22,968)	(18,418)
		<u>70,527</u>	<u>62,166</u>
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>			
Interest income		(326,006)	(285,867)
Investment income	8	(17,605)	(52,768)
Share of results of associates		(16,359)	(9,725)
Interest expense		213,509	185,340
Depreciation and amortisation		17,192	17,760
Provision for credit losses		11,290	16,732
Provision for impairment of investments		2,555	8,324
Share of results from discontinued operation	17	22,968	18,418
Foreign exchange loss (income) on loans payable and medium term notes		2,381	(2,976)
Provision for employee stock option plan		267	80
		<u>(19,281)</u>	<u>(42,516)</u>
Changes in operating assets and liabilities:			
Deposits with original maturities exceeding three months		(403)	(1,060)
Treasury bills ,bonds and other debt securities		134,127	55,205
Loans and advances		355,716	140,296
Financial assets at fair value through profit or loss		(3,680)	22,467
Financial assets at fair value through other comprehensive income		40,366	-
Financial assets available for sale		-	4,190
Other assets		16,749	(110,458)
Properties held for trading		(4,488)	(4,022)
Due to banks and other financial institutions		(308,936)	(469,357)
Deposits from customers		(119,403)	120,975
Other liabilities		16,897	57,073
Dividends received		13,619	3,154
Interest received		263,848	282,028
Interest paid		(210,631)	(202,056)
Taxation paid		(12,970)	(15,134)
		<u>161,530</u>	<u>(159,215)</u>
Net cash from (used in) operating activities			
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	10	(7,129)	-
Additional subscription of shares in investment in a media joint venture		(24,866)	-
Net movement in investment properties		758	782
Purchase of financial assets held to maturity		-	(9,494)
Net movement in investment in associates		7,630	(4,001)
Proceeds from partial sale of investment in a media joint venture		-	60,710
Dividends from associates		8,857	9,196
		<u>(14,750)</u>	<u>57,193</u>
Net cash (used in) from investing activities			
FINANCING ACTIVITIES			
Proceeds from (repayment) of loans payable, net		96,598	(6,096)
Proceeds from medium term notes, net		-	64,729
Repayment of bonds, net		(23,209)	-
Purchase of treasury shares		(5,012)	(4,103)
Proceeds from sale of treasury shares		1,444	5,057
Dividends paid to equity holders of the Parent Company		(13,534)	(33,311)
Interest payment on perpetual capital securities		(11,059)	(11,131)
Dividends paid to non controlling interest		(11,575)	(10,089)
Movement in non controlling interest		(744)	7,248
		<u>32,909</u>	<u>12,304</u>
Net cash from financing activities			
Net foreign exchange difference		(7,132)	(2,645)
		<u>172,557</u>	<u>(92,363)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		1,559,770	1,455,043
		<u>1,732,327</u>	<u>1,362,680</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3		

The attached notes 1 to 17 form part of these interim condensed consolidated financial information.

ADEEM Investment & Wealth Management Company and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2022

	Attributable to equity holders of the Parent Company													
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Cumulative changes in fair values KD 000's	Foreign currency translation reserve KD 000's	ESOP reserve KD 000's	Other reserve KD 000's	Retained earnings KD 000's	Total KD 000's	Perpetual capital securities KD 000's	Non controlling interest KD 000's	Total equity KD 000's
As at 1 January 2022 (restated) *	147,357	3,111	(85,312)	106,821	106,546	737	(78,172)	1,597	(1,621)	238,211	439,275	146,440	626,013	1,211,728
Transition adjustment on adoption of IFRS 9 at 1 January 2022 (note 2.1)	-	-	-	-	-	9,206	-	-	-	(129,877)	(120,671)	-	(71,651)	(192,322)
Transition adjustment on adoption of IFRS 15 at 1 January 2022	-	-	-	-	-	-	-	-	-	957	957	-	46	1,003
Balance as at 1 January 2022 (restated)	147,357	3,111	(85,312)	106,821	106,546	9,943	(78,172)	1,597	(1,621)	109,291	319,561	146,440	554,408	1,020,409
Profit for the period	-	-	-	-	-	-	-	-	-	20,373	20,373	-	38,444	58,817
Other comprehensive loss	-	-	-	-	-	(6,567)	(8,336)	-	-	-	(14,903)	-	(10,395)	(25,298)
Total comprehensive (loss) income	-	-	-	-	-	(6,567)	(8,336)	-	-	20,373	5,470	-	28,049	33,519
Dividends for 2021 at 10 fils per share (note 7)	-	-	-	-	-	-	-	-	-	(13,355)	(13,355)	-	-	(13,355)
Issue of bonus shares (note 7)	7,368	-	-	-	-	-	-	-	-	(7,368)	-	-	-	-
Purchase of treasury shares	-	-	(5,012)	-	-	-	-	-	-	-	(5,012)	-	-	(5,012)
Sale of treasury shares	-	-	2,361	-	-	-	-	-	-	(917)	1,444	-	-	1,444
Transfer to retained earnings on disposal of equity investments carried at FVOCI	-	-	-	-	-	(1,574)	-	-	-	1,574	-	-	-	-
Employees' share based payment	-	-	-	-	-	-	-	267	-	-	267	-	-	267
Dividends paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(11,575)	(11,575)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(7,124)	(7,124)	-	(3,935)	(11,059)
Acquisition of a subsidiary (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-	21,283	21,283
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	634	-	634	-	(1,412)	(778)
As at 30 September 2022	154,725	3,111	(87,963)	106,821	106,546	1,802	(86,508)	1,864	(987)	102,474	301,885	146,440	586,818	1,035,143

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2021 and reflect adjustments made as detailed in note 2.

The attached notes 1 to 17 form part of these interim condensed consolidated financial information.

ADEEM Investment & Wealth Management Company and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

For the period ended 30 September 2022

	Attributable to equity holders of the Parent Company											Perpetual capital securities KD 000's	Non controlling interest KD 000's	Total equity KD 000's
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Cumulative changes in fair values KD 000's	Foreign currency translation reserve KD 000's	ESOP reserve KD 000's	Other reserve KD 000's	Retained earnings KD 000's	Total KD 000's			
As at 1 January 2021 (as previously reported)	147,357	3,111	(86,216)	106,821	106,546	(3,620)	(64,448)	1,534	(1,306)	261,692	471,471	146,440	598,474	1,216,385
Effect of restatement (note 2)	-	-	-	-	-	-	-	-	-	(6,263)	(6,263)	-	(6)	(6,269)
As at 1 January 2021 (Restated) Profit for the period	147,357	3,111	(86,216)	106,821	106,546	(3,620)	(64,448)	1,534	(1,306)	255,429	465,208	146,440	598,468	1,210,116
Other comprehensive income (loss)	-	-	-	-	-	5,142	(4,524)	-	-	22,306	22,306	-	29,648	51,954
	-	-	-	-	-	5,142	(4,524)	-	-	-	618	-	(1,121)	(503)
Total comprehensive income (loss)	-	-	-	-	-	5,142	(4,524)	-	-	22,306	22,924	-	28,527	51,451
Dividends for 2016 at 25 fils per share (note 7)	-	-	-	-	-	-	-	-	-	(33,684)	(33,684)	-	-	(33,684)
Purchase of treasury shares	-	-	(4,103)	-	-	-	-	-	-	-	(4,103)	-	-	(4,103)
Sale of treasury shares	-	-	5,050	-	-	-	-	-	-	7	5,057	-	-	5,057
Employees' share based payment	-	-	-	-	-	-	-	172	-	(92)	80	-	-	80
Dividends paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(10,089)	(10,089)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(7,200)	(7,200)	-	(3,931)	(11,131)
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	(761)	-	(761)	-	7,992	7,231
As at 30 September 2021	147,357	3,111	(85,269)	106,821	106,546	1,522	(68,972)	1,706	(2,067)	236,766	447,521	146,440	620,967	1,214,928

The attached notes 1 to 17 form part of these interim condensed consolidated financial information.

ADEEM Investment & Wealth Management Company and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2022

1 CORPORATE INFORMATION

ADEEM Investment & Wealth Management Company (the “Parent Company”) is a public shareholding company registered and incorporated under the laws of the State of Kuwait on 2 August 2005, and listed in Boursa Kuwait. The address of the Parent Company’s registered office is P.O. Box 23982, Safat 13100 - State of Kuwait.

The interim condensed consolidated financial information of the Parent Company and its subsidiaries (collectively the “Group”) for the nine months period ended 30 September 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 13 November 2022.

The principal activities of the Parent Company comprise the following:

1. Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
2. Lending money to companies in which it owns shares, guaranteeing them with third parties where the holding parent company owns 20% or more of the capital of the borrowing company.
3. Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights and franchising them to other companies or using them within or outside the state of Kuwait.
4. Owning real estate and moveable properties to conduct its operations within the limits as stipulated by law.
5. Employing excess funds available with the Parent Company by investing them in investment and real estate portfolios managed by specialized companies.

The major shareholder of the Parent Company is Al Futtooh Holding Company K.S.C. (Closed).

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial information of the Group have been prepared in accordance with International Accounting Standard (“IAS”) 34: Interim Financial Reporting.

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 2021, except for the adoption of IFRS 9: Financial Instruments (“IFRS 9”) and IFRS 15: Revenue from Contracts with Customers (“IFRS 15”) from 1 January 2022 as explained in Note 2.1 and application of IFRS 5: Non-current assets held for sale and discontinued operation (“IFRS 5”) accounting policy.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The comparative consolidated statement of financial position as at 31 December 2021 and 30 September 2021 and the consolidated comparative statement of changes in equity for the period ended 30 September 2021 have been restated in accordance with IAS 8: ‘Accounting policies, changes in accounting estimates and errors’ to account for a decrease in the Group’s ‘investment in a media joint venture’ by KD 5,667 thousand and ‘investment in associates’ by KD 602 thousand. The restatement resulted in a decrease in the ‘retained earnings’ by KD 6,263 thousand and non controlling interest by KD 6 thousand. The restatement did not have any effect on the interim condensed consolidated income statement and the interim condensed consolidated cash flow statement for the nine month period ended 30 September 2021.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Further, results for the nine months period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”) and all values are rounded to the nearest KD thousand except when otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 September 2022

2 SIGNIFICANT ACCOUNTING POLICIES

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell unless the items presented in the disposal group are not part of the measurement scope as defined in IFRS 5. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Equity accounting for investment in joint ventures ceases once classified as held for sale.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the interim condensed consolidated income statement.

2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9: Financial Instruments. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods or services to customer.

The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2022). Accordingly, the information presented for 2021 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The adoption of IFRS 15 is resulting in no material change in the revenue recognition policy of the Group in relation to its contracts with customers. However, upon adoption of IFRS 15 the Group has recorded the adjustment in its investment in a media joint venture by KD 1,003 thousand, retained earnings by KD 957 thousand and KD 46 thousand in non-controlling interest.

ADEEM Investment & Wealth Management Company and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2022

2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (“IFRS 9”)

The Group has adopted IFRS 9 effective from 1 January 2022. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”) and represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Changes to classification and measurement categories of financial assets and liabilities

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity’s own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments as described below. Financial instruments are initially measured at their fair values except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtract from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in investment income. In those cases where fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in statement of income when the inputs become observable, or when the instrument is derecognised.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘Sell’ business model. The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales ~~are~~ also important aspects of the Group’s assessment.

IFRS 9 Financial Instruments (continued)

Business model assessment (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Measurement categories of financial assets and liabilities

From 1 January 2022, the Group classified all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured as following:

Debt instruments at amortised cost

Classification

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

Cash and cash equivalents, Treasury bills, bonds & other debt securities, loans & advances and other assets are classified as debt instruments at amortised cost.

Subsequent measurement

Debt instruments categorised at amortised cost are subsequently measured at amortized cost using the effective interest method adjusted for impairment losses, if any.

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2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (continued)

Measurement categories of financial assets and liabilities (continued)

Debt instruments at FVOCI

Classification

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Subsequent measurement

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI except for the recognition of impairment gains and losses. Interest income and foreign exchange gains and losses are recognised in statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. The management of the Group classifies certain quoted and unquoted bonds as debt instrument at FVOCI and includes them under financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to statement of income. Dividends are recognised in statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity. Equity investments at FVOCI are included in investment securities in the statement of financial position.

Financial asset at FVTPL

The Group classifies financial assets at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, financing income and dividends are recorded in statement of income according to the terms of the contract, or when the right to payment has been established.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in ECLs over the life of asset.

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2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)

IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

The Group applies three-stage approach to measuring expected credit losses (ECL). Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Groups methodology for specific provisions remains largely unchanged.

POCI:

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The management recognises a 12-month ECL on current accounts with banks and OFI's, placements with from banks and OFI's and debt securities carried at FVOCI since these are determined to have low credit risk at the reporting date and these financial instrument represent investments in corporate and sovereign bonds that are of high credit quality grade.

Lifetime ECL are recorded on financial assets that is credit-impaired. A financial asset is 'credit-impaired' when there is an objective evidence of impairment that has detrimental impact on the estimated future cash flows of the financial asset have occurred.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

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**2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)**

IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortization recognised in the statement of income, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised with provisions.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

Objective evidence that a specific financial asset or a group of financial assets classified as loans and advances are impaired includes whether any payment of principal or interest is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assess whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, gross domestic product, consumer price index and government expenditure, and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Significant accounting judgements, estimates and assumptions

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are output of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements estimates include:

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2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (continued)

Significant accounting judgements, estimates and assumptions (continued)

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment level and collateral values, and the effect on PDs, EADs and LGD.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Transition to IFRS 9 adoption

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2022, as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2022. Accordingly, the information presented for 2021 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2022 under IFRS 9.

b) The following assessments have been made based on the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Impact of Adopting IFRS 9

The impact of adoption of IFRS 9 as at 1 January 2022 has been to decrease retained earnings by KD 129,877 thousand, decrease in non-controlling interest by KD 71,651 thousand, and to increase the fair value reserve by KD 9,206 thousand as follows:

	<i>Retained earnings KD 000's</i>	<i>Fair value reserve KD 000's</i>	<i>Non- controlling interests KD 000's</i>
<i>Impact on reclassification and re-measurements:</i>			
Investment securities (debt) from amortised cost to FVOCI	-	195	110
Investment securities (debt) from available-for-sale to amortised cost	-	744	418
Investment securities (debt and equity) from available-for-sale to FVTPL	(2,683)	3,283	3,035
Investment securities (equity and debt) from available-for-sale to FVOCI	(8,985)	4,905	(2,301)
<i>Impact on recognition of Expected Credit Losses on financial assets:</i>			
Expected credit losses under IFRS 9 for debt financial assets at FVOCI	(79)	79	-
Expected credit losses under IFRS 9 for financial assets at amortised cost	(118,130)	-	(72,913)
Net impact under IFRS 9 on date of initial application of 1 January 2022	<u>(129,877)</u>	<u>9,206</u>	<u>(71,651)</u>

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2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)

IFRS 9 Financial Instruments (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2022.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD '000'	Transition adjustments KD '000'	New carrying amount under IFRS 9 KD '000'
Financial assets					
Cash in hand and banks	Loans and receivables	Amortised cost	1,569,565	(454)	1,569,111
Treasury bills, bonds and other debt securities	Loans & receivables	Amortised cost	646,675	219,267	865,942
Loans and advances	Loans & receivables	Amortised cost	5,240,825	(183,865)	5,056,960
Financial assets at fair value through profit or loss	Fair Value through P&L	Fair Value through P&L	35,355	48,589	83,944
Financial assets available for sale	Available for sale	Fair Value through OCI	514,103	(191,973)	322,130
Financial assets held to maturity	Held to maturity Loans and receivables	Amortised cost	77,597	(77,597)	-
Other assets		Amortised cost	447,200	(81)	447,119
Total financial assets			8,531,320	(186,114)	8,345,206

Other transition adjustments includes share of ECL on loans and advances of investment in associates amounting to KD 358 thousand and other liabilities amounting to KD 5,850 thousand.

The Group's opening loan loss provision on loans and advances under IAS 39 amounting to KD 77,930 thousand as at 31 December 2021 is remeasured for opening ECL allowances on loans and advances under IFRS 9 amounting to KD 261,795 thousand.

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2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)

IFRS 9 Financial Instruments (continued)

Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2022.

	<i>IAS 39 carrying amount as at 31 December 2021 KD 000's</i>	<i>Reclassification KD 000's</i>	<i>Re-measurement KD 000's</i>	<i>IFRS 9 carrying amount as at 1 January 2022 KD 000's</i>
Financial assets at amortised cost				
<i>Cash in hand and at banks</i>				
Opening balance	1,569,565	-	-	-
Impairment allowance	-	-	(454)	-
Closing balance	1,569,565	-	(454)	1,569,111
<i>Treasury bills, bonds and other debt securities</i>				
Opening balance	646,675	-	-	-
From financial assets held to maturity	-	59,764	-	-
From financial assets available for sale	-	158,961	-	-
Impairment allowance	-	-	(435)	-
Remeasurement	-	-	977	-
Closing balance	646,675	218,725	542	865,942
<i>Loans and advances</i>				
Opening balance	5,240,825	-	-	-
Impairment allowance	-	-	(183,865)	-
Closing balance	5,240,825	-	(183,865)	5,056,960
<i>Held-to-maturity</i>				
Opening balance	77,597	-	-	-
To treasury bills, bonds and other debt securities	-	(59,764)	-	-
To FVOCI	-	(17,833)	-	-
Closing balance	77,597	(77,597)	-	-

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2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)

IFRS 9 Financial Instruments (continued)

*Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9
(continued)*

	IAS 39 carrying amount as at 31 December 2021 KD 000's	Reclassification KD 000's	Re-measurement KD 000's	IFRS 9 carrying amount as at 1 January 2022 KD 000's
Other assets				
Opening balance	447,200	-	-	-
Impairment allowance	-	-	(81)	-
Closing balance	447,200	-	(81)	447,119
Financial asset available for sale				
Opening balance	514,103	-	-	-
To FVOCI	-	(274,015)	-	-
To FVTPL	-	(81,127)	-	-
To treasury bills, bonds and other debt securities	-	(158,961)	-	-
Closing balance	514,103	(514,103)	-	-
FVOCI				
Opening balance	-	-	-	-
From available-for-sale	-	274,015	(3,368)	-
From held to maturity	-	17,833	306	-
From FVTPL	-	33,344	-	-
Closing balance	-	325,192	(3,062)	322,130
Financial assets at fair value through profit or loss				
Opening balance	35,355	-	-	-
From available-for-sale	-	81,127	-	-
To FVOCI	-	(33,344)	806	-
Closing balance	35,355	47,783	806	83,944

3 CASH IN HAND AND AT BANKS

	30 September 2022 KD 000's	(Audited) 31 December 2021 KD 000's	30 September 2021 KD 000's
Cash and bank balances	798,501	1,127,545	735,722
Deposits with original maturities up to three months	933,826	432,225	626,958
Cash and cash equivalents	1,732,327	1,559,770	1,362,680
Add: deposits with original maturities exceeding three months	10,198	9,795	4,025
	1,742,525	1,569,565	1,366,705

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4 LOANS PAYABLE

	30 September 2022	(Audited) 31 December 2021	30 September 2021
	KD 000's	KD 000's	KD 000's
<i>By the Parent Company:</i>			
Loans with maturity within 1 year	-	-	18,000
Loans with maturity above 1 year	-	42,053	-
	<u>-</u>	<u>42,053</u>	<u>18,000</u>
<i>By the subsidiaries:</i>			
Loans with maturity within 1 year	479,623	529,857	489,282
Loans with maturity above 1 year	613,485	389,976	409,715
	<u>1,093,108</u>	<u>919,833</u>	<u>898,997</u>
Less: inter-group borrowings	<u>(514,425)</u>	<u>(479,801)</u>	<u>(468,173)</u>
	<u>578,683</u>	<u>482,085</u>	<u>448,824</u>

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5 BONDS

	KD 000's	KD 000's	KD 000's
Issued by the Parent Company:			
Fixed interest of 5.25% per annum and maturing on 28 December 2024	35,608	35,568	-
Floating interest of 2.25% per annum above the CBK discount rate and maturing on 28 December 2024	63,302	63,232	-
Issued by subsidiaries:			
Fixed interest of 5.65% per annum and maturing on 27 December 2022 *	-	35,210	35,201
Floating interest of 3.90% per annum above the CBK discount rate (capped at 6.65% per annum) and maturing on 27 December 2022 *	-	37,199	37,189
Fixed interest of 5.75% per annum and matured on 24 June 2022	-	36,450	36,450
Floating interest of 3.25% per annum above the CBK discount rate and matured on 24 June 2022	-	23,550	23,550
Fixed interest of 6% per annum and maturing on 9 March 2026	29,832	29,805	29,796
Floating interest of 3.95% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 9 March 2026	69,278	69,215	69,194
Fixed interest of 5.75% per annum and maturing on 19 April 2023	32,150	-	-
Floating interest of 2.50% per annum above the CBK discount rate and maturing on 19 April 2023	27,850	-	-
Fixed interest of 6% per annum and maturing on 26 July 2023	14,900	-	-
Floating interest of 2.75% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 26 July 2023	25,100	-	-
	298,020	330,229	231,380
Less: inter-group eliminations	-	(9,000)	(9,000)
	298,020	321,229	222,380

Subsequent to the reporting period on 8 November 2022, the Group issued bonds amounting to KD 100,000 thousand composed of KD 14,000 thousand fixed rate bond at 5.50% per annum, payable semi-annually in arrears due on 8 November 2023 and KD 86,000 thousand floating rate bonds at 2.25% plus CBK discount rate (Capped at 6.5%) per annum, payable semi-annually in arrears due on 8 November 2023.

* Subordinated bonds issued in 2012, callable at the option of the bank after 5 years from the date of issuance, have been prepaid during the period.

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6 MEDIUM TERM NOTES

	30 September 2022 KD 000's	(Audited) 31 December 2021 KD 000's	30 September 2021 KD 000's
<i>Euro medium term notes (EMTN) issued by the Parent Company through a SPE:</i>			
Fixed rate notes amounting to US\$ 500 million having a term of 10 years maturing on 23 February 2027 and carrying a coupon interest rate of 4.5% per annum payable on a semi annual basis. The notes are listed on the London Stock Exchange.	147,766	146,840	146,947
Fixed rate notes amounting to US\$ 500 million having a term of 10 years maturing on 15 July 2020 and carrying a coupon interest rate of 9.375% payable on a semi annual basis. The notes are listed on the London Stock Exchange.	151,048	150,189	150,329
Fixed rate notes amounting to US\$ 233 million (originally US\$ 500 million) having a term of 5 years maturing on 5 February 2019 and carrying a coupon interest rate of 4.8% payable on a semi annual basis. The notes are listed on the London Stock Exchange.	70,538	70,172	70,248
Fixed rate notes amounting to US\$ 500 million having a term of 7 years maturing on 15 March 2023 and carrying a coupon interest rate of 5% per annum payable on a semi annual basis. The notes are listed on the London Stock Exchange.	151,550	150,875	151,075
<i>Issued by subsidiaries through SPEs:</i>			
Fixed rate notes amounting to US\$ 500 million having a term of 5 years maturing on 14 September 2021 and carrying a coupon interest rate of 3.125%. The notes are listed on the Irish Stock Exchange.	150,678	149,842	149,971
	671,580	667,918	668,570
Less: inter-group eliminations	(7,299)	(7,537)	(6,152)
	664,281	660,381	662,418

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7 SHAREHOLDERS' EQUITY, TREASURY SHARES, RESERVES AND APPROPRIATIONS

a) Share capital

	30 September 2022 KD 000's	31 December (Audited) 2021 KD 000's	30 September 2021 KD 000's
Authorised share capital (shares of 100 fils each)	200,000	200,000	200,000
Issued and fully paid up capital (shares of 100 fils each) *	154,725	147,357	147,357

* This comprises 1,049,620,700 shares (31 December 2021: 1,049,620,700 shares and 30 September 2021: 1,049,620,700 shares) which are fully paid up in cash, whereas 497,630,638 shares (31 December 2021: 423,952,003 shares and 30 September 2021: 423,952,003 shares) were issued as bonus shares.

b) Share premium

The share premium is not available for distribution.

c) Treasury shares

	30 September 2022	(Audited) 31 December 2021	30 September 2021
Number of treasury shares	151,851,851	131,027,237	130,881,515
Percentage of capital	9.81%	8.89%	8.88%
Market value (KD 000's)	31,889	43,894	46,725

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

d) Dividend

On 4 April 2022 the Annual General Assembly of shareholders approved the distribution of cash dividend of 10 fils per share for the year ended 31 December 2021 (for the year ended 31 December 2016: 25 fils per share) and stock dividend of 5% (for the year ended 31 December 2016: Nil) to the Parent Company's shareholders on record as at the record date.

8 INVESTMENT INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2022 KD 000's	2021 KD 000's	2022 KD 000's	2021 KD 000's
Gain on sale of financial assets at fair value through profit or loss	2,548	5,223	3,351	8,242
Unrealised (loss) gain on financial assets at fair value through profit or loss	(369)	41	347	240
Loss on sale of debt instruments at fair value through other comprehensive income	(155)	-	(871)	-
Gain on sale of financial assets available for sale	-	913	-	1,967
Dividend income	5,615	694	13,619	3,154
Loss on sale of investment properties	-	(37)	(125)	(99)
Gain on sale of investment in associates	-	747	176	747
Bargain gain on acquisition of a subsidiary (note 10)	1,108	-	1,108	-
Gain on partial sale of investment in a media joint venture	-	-	-	38,517
	8,747	7,581	17,605	52,768

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Basic:

Basic earnings (loss) per share is computed by dividing the profit (loss) for the period attributable to equity holders of the Parent Company after interest payment on perpetual capital securities by the weighted average number of shares outstanding during the period, as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	KD 000's	KD 000's	KD 000's	KD 000's
Basic earnings per share:				
Profit for the period attributable to the equity holders of the Parent Company from continuing operations	11,512	15,008	43,341	40,724
Loss for the period attributable to the equity holders of the Parent Company from discontinued operation	(3,196)	(6,849)	(22,968)	(18,418)
Profit for the period attributable to the equity holders of the Parent Company	8,316	8,159	20,373	22,306
Less: interest payment on perpetual capital securities attributable to the equity holders of the Parent Company	(3,520)	(3,508)	(7,124)	(7,200)
Profit for the period attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities	4,796	4,651	13,249	15,106
	Shares	Shares	Shares	Shares
Number of shares outstanding:				
Issued and fully paid up capital	1,547,251,338	1,547,251,338	1,547,251,338	1,547,251,338
Weighted average number of treasury shares	(150,413,882)	(135,527,941)	(144,435,367)	(134,702,238)
Weighted average number of outstanding shares	1,396,837,456	1,411,723,397	1,402,815,971	1,412,549,100
	Fils	Fils	Fils	Fils
Basic earnings per share	3.43	3.29	9.44	10.69
Basic earnings per share from continuing operations	5.72	8.14	25.81	23.73
Basic loss per share from discontinued operation	(2.29)	(4.85)	(16.37)	(13.04)

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EARNINGS (LOSS) PER SHARE (continued)

Diluted:

Diluted earnings (loss) per share is calculated by dividing the profit (loss) for the period attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities adjusted for the effect of decrease in profit due to exercise of potential ordinary shares of subsidiaries by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all employee's stock options. The Parent Company has outstanding share options, issued under the Employee Stock Options Plan (ESOP), which may have a dilutive effect on earnings.

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	KD 000's	KD 000's	KD 000's	KD 000's
Diluted earnings per share:				
Profit for the period attributable to the equity holders of the Parent Company from continuing operation	11,512	15,008	43,341	40,724
Loss for the period attributable to the equity holders of the Parent Company from a discontinued operation	(3,196)	(6,849)	(22,968)	(18,418)
Profit for the period attributable to the equity holders of the Parent Company	8,316	8,159	20,373	22,306
Less: interest payment on perpetual capital securities attributable to the equity holders of the Parent Company	(3,520)	(3,508)	(7,124)	(7,200)
Profit for the period attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities	4,796	4,651	13,249	15,106
	Shares	Shares	Shares	Shares
Weighted average number of outstanding shares	1,396,837,456	1,411,723,397	1,402,815,971	1,412,549,100
	Fils	Fils	Fils	Fils
Diluted earnings per share	3.43	3.29	9.44	10.69
Diluted earnings per share from continuing operations	5.72	8.14	25.81	23.73
Diluted loss per share from discontinued operation	(2.29)	(4.85)	(16.37)	(13.04)

The effect of stock options on issue has not been considered in the computation of diluted earnings (loss) per share as the result is anti-dilutive.

* Basic and diluted earnings (loss) per share for the comparative period presented has been adjusted to reflect the adjustments of the bonus shares (Note 7d).

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10 BUSINESS COMBINATION

During September 2022, one of the subsidiaries of the Group acquired 71.18% effective equity interest of Global Investment House K.S.C (Closed) (“GIH”), a Kuwaiti Shareholding Company, regulated by CMA as an investment company and CBK for financing activities. GIH is principally engaged in provision of asset management, investment banking and brokerage activities. The Group was able to control the investee and therefore, the entity became a subsidiary of the Group. Accordingly, GIH has been consolidated from the date of exercise of control. The acquisition has been accounted for in accordance with IFRS 3: Business combination (“IFRS 3”).

The consideration paid and the provisional values of assets acquired and liabilities assumed, as well as the non-controlling interest at the proportionate share of the acquiree’s identifiable net assets, are summarized as follows:

Assets	KD ‘000
Cash in hand and at banks	32,895
Treasury bills, bonds and other debt securities	149
Loans and advances	5,992
Financial assets designated at fair value through profit or loss	19,346
Financial assets designated at fair value through other comprehensive income	6,992
Investment in associates	129
Investment properties	690
Property and equipment	7,562
Other assets	11,021
	84,776
Liabilities	
Other liabilities	14,646
Net assets	70,130
Non-controlling interests	1,507
Value of net assets	68,623
Consideration paid in cash	(40,024)
Deferred consideration payable	(7,715)
Non-controlling interests in acquiree	(19,776)
Bargain purchase gain	1,108
Cash flows on business combination	
Cash consideration	(40,024)
Cash and bank balances in subsidiary acquired	32,895
Net cash outflow on business combination	(7,129)

In accordance with requirements of IFRS 3, the Group has carried out a preliminary PPA exercise which resulted in a gain from business combination, since the fair value of the assets acquired, and liabilities assumed exceeded the purchase consideration paid and related transaction expenses. Non-controlling interest has been recognised at the proportionate share of GIH’s identifiable net assets.

Acquisition-related costs are charged to the interim condensed consolidated income statement of the Group.

Had the business combinations taken place at the beginning of the year, revenue of the Group and profit attributable to equity holders, would have been higher by KD 10,705 thousand and KD 3,386 thousand, respectively.

The Group is required to pay deferred consideration of KD 2,500 thousand after 180 days of the acquisition and remaining amount of KD 5,215 thousand is payable by January 2019 as per agreement terms agreed between the parties.

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11 HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The Group designated its investments in foreign operations (i.e. investment in PMGL, United Gulf Holding Company B.S.C., Taka'ud Savings & Pensions Company B.S.C. and Pulsar Knowledge Centre) and EMTN as a hedge of a net investment in foreign operations. EMTN is being used to hedge the Group's exposure to the US\$ foreign exchange risk on these investments. During the period, gains or losses amounting to KD 1,519 thousand on the retranslation of this borrowing are transferred to interim condensed consolidated statement of comprehensive income to offset any losses on translation of the net investments in the foreign operations. There is no ineffectiveness during the period ended 30 September 2022.

Burgan Bank has entered into a forward foreign exchange contracts between Turkish lira (TRY) and United States Dollar (USD), rolled over on a monthly basis, which has been designated as a hedge of the Bank's net investment in its Turkish subsidiary. This transaction has created a net long position in USD. Gains or losses on the retranslation of the aforesaid contracts are transferred to interim condensed consolidated statement of comprehensive income to offset any gains or losses on translation of the net investments in the Turkish subsidiary. No ineffectiveness from hedges of net investments in foreign operations was recognised in profit or loss during the period.

12 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholder, associates, 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. Related party balances and transactions consist of the following:

	Major shareholder KD 000's	Associates KD 000's	Others KD 000's	Total 30 September 2022 KD 000's	(Audited) 31 December 2021 KD 000's	30 September 2021 KD 000's
Interim condensed consolidated statement of financial position:						
Cash in hand and at banks	-	-	-	-	769	-
Loans and advances *	-	22,632	335,486	358,118	488,175	515,870
Other assets	2,227	974	507	3,708	45,337	3,887
Due to banks and other financial institutions *	-	23,886	31,776	55,662	51,763	30,217
Deposits from customers *	86,728	14,143	18,313	119,184	76,813	88,607
Medium term notes	-	3,031	-	3,031	3,018	3,022
Other liabilities	480	27	61,194	61,701	117,500	560
Perpetual capital securities	-	1,509	906	2,415	2,415	2,415
Commitments and contingent liabilities:						
Letter of credit	-	-	57	57	667	717
Guarantees	25	79,820	4,816	84,661	77,457	33,675
Nine months ended 30 September						
	Major shareholder KD 000's	Associates KD 000's	Others KD 000's	2022 KD 000's	2021 KD 000's	
Transactions:						
Interest income	3,072	806	7,929	11,807	14,261	
Dividend income	-	-	9,945	9,945	-	
Fee and commission income	5,067	1,280	1,816	8,163	4,831	
Gain on partial sale of investment in a media joint venture	-	-	-	-	38,517	
Interest expense	1,776	610	2,586	4,972	2,375	

* Related party balances pertain to operations of a banking subsidiary.

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13 SEGMENT INFORMATION

The Board of Directors of the Parent Company approved initiating an active plan to divest its stake in OSN, a media segment. Accordingly, for management purposes, the Group reorganised its media segment as discontinued operation in accordance with IFRS 5 (Note 17) and others are organised into six main business segments based on internal reporting provided to the chief operating decision maker as follows:

Commercial banking - represents Group's commercial banking activities which includes retail banking, corporate banking, and private banking and treasury products. These entities are regulated by the Central Banks of the respective countries.

Asset management and investment banking - represents Group's asset management and investment banking activities which includes asset management, corporate finance (advisory and capital markets services), investment advisory and research, and wealth management.

Insurance - represents Group's insurance activities and other related services.

Industrial - represents Group's activities in industrial project development, food, utilities, services, medical equipment and other related sectors.

Hospitality and real estate - represents Group's activities in the hospitality and real estate sector.

Others - represents other activities undertaken by the Group which includes management advisory, education and consultancy.

Transfer prices between operating segments are at a price approved by the management of the Group.

The following table presents revenue and profit before taxation from continuing operations information regarding the Group's operating segments:

	<i>Nine months ended 30 September</i>			
	<i>2022</i>		<i>2021</i>	
	<i>Segment revenues KD 000's</i>	<i>Segment results KD 000's</i>	<i>Segment revenues KD 000's</i>	<i>Segment results KD 000's</i>
Commercial banking	411,914	130,725	368,805	92,616
Asset management and investment banking	32,690	(39,879)	61,743	(5,619)
Insurance	5,316	5,316	3,630	3,630
Industrial	26,071	3,939	25,764	4,984
Hospitality and real estate	76,978	(2,380)	65,016	(4,608)
Others	39,921	2,324	13,260	(2,827)
Inter-segmental eliminations	(31,970)	(6,550)	(29,830)	(7,592)
Segment revenues and results	560,920	93,495	508,388	80,584

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13 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities of the Group's operating segments: *(Audited)*

	30 September 2022	31 December 2021	30 September 2021
	KD 000's	(Restated) KD 000's	(Restated) KD 000's
Assets:			
Commercial banking	8,217,402	8,798,228	8,412,684
Asset management and investment banking	744,092	860,141	699,275
Insurance	71,622	73,369	71,911
Media	-	177,863	127,075
Industrial	263,009	267,168	260,753
Hospitality and real estate	899,184	865,106	787,880
Others	259,048	283,978	176,002
Inter-segmental eliminations	(771,241)	(981,068)	(815,546)
Non-current assets held for sale	181,689	-	-
Total assets	9,864,805	10,344,785	9,720,034
Liabilities:			
Commercial banking	7,406,603	7,851,858	7,436,375
Asset management and investment banking	1,173,229	1,153,527	966,964
Industrial	112,650	115,596	122,335
Hospitality and real estate	589,170	560,827	425,252
Others	193,425	204,790	157,148
Inter-segmental eliminations	(645,415)	(753,541)	(602,968)
Total liabilities	8,829,662	9,133,057	8,505,106

Inter-segmental eliminations represent the elimination of balances and transactions arising in the normal course of business between different segments of the Group.

14 COMMITMENTS

The Group has the following commitments:

	30 September 2022	(Audited) 31 December 2021	30 September 2021
	KD 000's	KD 000's	KD 000's
Credit related commitments:			
Letters of credit	314,745	330,985	269,965
Guarantees	957,099	1,031,100	982,692
	1,271,844	1,362,085	1,252,657
Undrawn lines of credit	728,560	808,803	760,421
Investment related commitments	110,409	145,418	175,345
	2,110,813	2,316,306	2,188,423

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15 DERIVATIVES

The table below shows the notional amounts of derivatives outstanding as at the reporting date. The notional amount of a derivative is based upon the derivative's underlying asset, reference rate or index.

	30 September 2022 KD 000's	31 December 2021 KD 000's (Audited)	30 September 2021 KD 000's
Derivatives held for trading:			
<i>(including non-qualifying hedges)</i>			
Forward foreign exchange contracts	1,046,643	1,353,156	934,933
Interest rate swaps	288,607	329,785	287,593
Options	495,404	339,068	339,377
Derivatives held for hedging:			
<i>Fair value hedges:</i>			
Forward foreign exchange contracts	217,243	221,829	318,446
Interest rate swaps	106,085	105,613	105,753
<i>Cash flow hedges:</i>			
Interest rate swaps	270,288	234,056	234,509

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Fair value of financial instruments are not materially different from their carrying values except for medium term notes whose fair value amounts to KD 668,876 thousand (31 December 2021: KD 694,909 thousand). For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fair value of quoted securities is derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The fair values of the funds that are listed on active markets are determined by reference to their quoted bid prices. The fair values of unlisted funds are based on net asset values which are determined by the fund manager using the quoted market prices of the underlying assets, if available, or other acceptable methods such as a recent price paid by another investor or the market value of a comparable company.

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: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	<i>Level 1</i> <i>KD 000's</i>	<i>Level 2</i> <i>KD 000's</i>	<i>Level 3</i> <i>KD 000's</i>	<i>Total fair value</i> <i>KD 000's</i>
30 September 2022				
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	2,107	-	1,155	3,262
Debt securities	3,907	-	-	3,907
Managed funds	4,656	14,426	84,417	103,499
	<u>10,670</u>	<u>14,426</u>	<u>85,572</u>	<u>110,668</u>
<i>Financial assets at fair value through OCI:</i>				
Equities	32,150	42,012	63,908	138,070
Debt securities	109,974	6,330	8,149	124,453
	<u>142,124</u>	<u>48,342</u>	<u>72,057</u>	<u>262,523</u>
	<i>Level 1</i> <i>KD 000's</i>	<i>Level 2</i> <i>KD 000's</i>	<i>Level 3</i> <i>KD 000's</i>	<i>Total fair value</i> <i>KD 000's</i>
31 December 2021				
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	2,844	-	26,880	29,724
Debt securities	4,396	-	-	4,396
Managed funds	-	388	847	1,235
	<u>7,240</u>	<u>388</u>	<u>27,727</u>	<u>35,355</u>
<i>Financial assets available for sale:</i>				
Equities	42,175	4,913	43,263	90,351
Debt securities	270,846	-	38,000	308,846
Managed funds	-	11,088	60,235	71,323
	<u>313,021</u>	<u>16,001</u>	<u>141,498</u>	<u>470,520</u>

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16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>
30 September 2021	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	1,837	-	34,440	36,277
Debt securities	6,123	-	-	6,123
Managed funds	-	390	2,462	2,852
	<u>7,960</u>	<u>390</u>	<u>36,902</u>	<u>45,252</u>
<i>Financial assets available for sale:</i>				
Equities	44,872	10,875	40,355	96,102
Debt securities	191,508	-	39,276	230,784
Managed funds	-	12,321	61,277	73,598
	<u>236,380</u>	<u>23,196</u>	<u>140,908</u>	<u>400,484</u>

There were no material transfers between the levels during the period. The impact on the consolidated statement of financial position or the consolidated statement of changes in equity is immaterial, if the relevant risk variables used to determine fair values for the unquoted securities are altered by 5%.

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17 DISCONTINUED OPERATIONS

The Group owns 60.50% equity interest in Panther Media Group Limited (“PMGL”) known as “OSN”, a jointly controlled entity incorporated in Dubai and registered in the Dubai International Financial Center, engaged in providing satellite encrypted pay television services across the Middle East and North Africa region.

The Group had accounted for its interest in PMGL using the equity method. On 8 August 2022, the Board of Directors of the Parent Company approved initiating an active plan to divest its entire interest in PMGL. The Group has engaged an international investment banker for this purpose. As a result, the investment in a media joint venture has been classified as “Non-current asset held for sale” in accordance with IFRS 5 - Non-current Assets held for sale and discontinued operations (“IFRS 5”) in the interim condensed consolidated statement of financial position for the period ended 30 September 2022.

The business of OSN represented the entirety of the Group’s media operating segment. In accordance with IFRS 5, the investment in OSN is classified as a discontinued operation and accordingly, the media segment is no longer presented in the segment note. The results of PMGL for the period are presented below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2022 *	2021	2022 *	2021
	KD 000’s	KD 000’s	KD 000’s	KD 000’s
Income	12,377	42,683	92,535	136,071
Expenses	(17,666)	(55,756)	(130,549)	(168,958)
Loss for the period from discontinued operations	(5,289)	(13,073)	(38,014)	(32,887)
Total comprehensive loss for the period from discontinued operations	(5,288)	(13,076)	(38,084)	(32,803)
Group’s share of loss for the period from discontinued operations	(3,196)	(6,849)	(22,968)	(18,418)
Group’s share of total comprehensive loss for the period from discontinued operations	(3,195)	(6,851)	(23,010)	(18,364)

The following table summarizes the carrying value of the Group’s share of investment in joint venture and non-current asset held for sale.

	30 September	(Audited)	30 September
	2022 *	31 December	2021
	KD 000’s	2021	2021
	KD 000’s	‘Restated’	‘Restated’
	KD 000’s	KD 000’s	KD 000’s
Current assets	90,698	81,750	72,735
Non-current assets	427,372	428,292	429,275
Current liabilities	(133,884)	(119,906)	(157,722)
Non-current liabilities	(58,276)	(70,310)	(7,825)
Equity	325,910	319,826	336,463
Group’s carrying value as investment in a media joint venture	-	177,863	127,075
Group’s carrying value as non-current asset held for sale	181,689	-	-

* Represents activity until 08 August 2022, prior to the classification as non-current assets held for sale & discontinued operations.