

**SECURITIES GROUP COMPANY K.S.C. (CLOSED)
AND SUBSIDIARIES (THE GROUP)
STATE OF KUWAIT**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2022
(UNAUDITED)**

**WITH
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

SECURITIES GROUP COMPANY K.S.C. (CLOSED)
AND SUBSIDIARIES (THE GROUP)
STATE OF KUWAIT

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(UNAUDITED)
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REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
Securities Group Company K.S.C. (Closed)
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Securities Group Company K.S.C. (Closed) ("the Parent Company") and its subsidiaries (collectively, "the Group") as at December 31, 2022 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter

We draw attention to Note 14 to the accompanying interim condensed consolidated financial information, which describes the lawsuits filed against the Group. Our conclusion is not modified in respect of this matter.

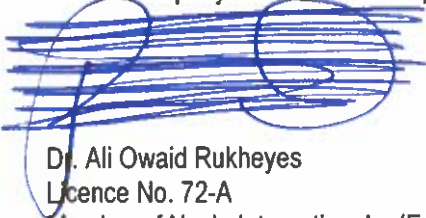
Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the 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, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended December 31, 2022 that might have had a material effect on the business of the Parent Company or on its financial position.



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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. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the nine months period ended December 31, 2022, that might have had a material effect on the business of the Parent Company or on its financial position.



Dr. Ali Owaid Rukheyas
Licence No. 72-A
Member of Nexia International – (England)
AL Waha Auditing Office



Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
February 13, 2023

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

	Note	December 31, 2022	(Audited) March 31, 2022	December 31, 2021
<u>ASSETS</u>				
Cash on hand and at banks		12,244,762	14,175,150	13,907,829
Financial assets at fair value through profit or loss ("FVTPL")		-	-	2,127,960
Accounts receivable and other debit balances		853,351	1,443,777	807,851
Financial assets at fair value through other comprehensive income ("FVOCI")	3	39,432,985	44,730,502	43,821,597
Investment in associates		9,520,496	9,893,694	10,115,522
Debt instruments at amortized cost	4	14,098,171	14,042,904	14,014,841
Investment properties		16,005,822	15,522,960	21,218,798
		92,155,587	99,808,987	106,014,398
Investment property classified as non-current asset held for sale	5	1,400,000	-	-
Total assets		93,555,587	99,808,987	106,014,398
<u>LIABILITIES AND EQUITY</u>				
Liabilities:				
Loan	6,10	23,132,858	28,615,257	38,060,057
Loan from a related party	10	14,000,000	14,000,000	14,000,000
Accounts payable and other credit balances		2,239,960	2,273,929	2,290,919
Total liabilities		39,372,818	44,889,186	54,350,976
Equity:				
Capital		20,000,000	20,000,000	20,000,000
Share premium		3,046,592	3,046,592	3,046,592
Treasury shares reserve		3,052	3,052	3,052
Statutory reserve		12,769,186	12,769,186	12,769,186
Voluntary reserve		4,405,892	4,405,892	4,405,892
Other reserves		324,283	324,416	328,419
Foreign currency translation adjustments		1,125,971	893,431	850,622
Fair value reserve		817,556	4,928,364	2,151,867
Retained earnings		11,624,231	8,483,375	8,042,321
Equity attributable to the shareholders of the Parent Company		54,116,763	54,854,308	51,597,951
Non-controlling interests		66,006	65,493	65,471
Total equity		54,182,769	54,919,801	51,663,422
Total liabilities and equity		93,555,587	99,808,987	106,014,398

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

Khaled S. Al - Ali
Chairman

Ali Y. Al - Awadi
Vice Chairman and CEO

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2022

(All amounts are in Kuwaiti Dinars)

		Three months ended December 31,		Nine months ended December 31,	
	Note	2022	2021	2022	2021
Revenues:					
Net investment income	7	166,686	10,233	2,035,610	1,127,608
Fees and commission income		533,959	488,849	1,535,913	1,496,002
Interest income		171,843	136,448	457,290	371,847
Net rental income		194,372	152,593	567,311	415,059
Group's share of results from associates		(8,942)	(186)	90,795	(55,983)
Gain on sale of investment properties		-	21,017	724,406	21,017
Other income		394	-	10,646	-
		<u>1,058,312</u>	<u>808,954</u>	<u>5,421,971</u>	<u>3,375,550</u>
Expenses and other charges:					
General and administrative expenses		(369,909)	(370,801)	(1,292,510)	(1,203,335)
Marketing expenses		(8,088)	(29,779)	(32,970)	(45,173)
Finance charges	10	(193,969)	(158,747)	(529,453)	(389,833)
Net allowance for ECL no longer required (charged)		32,738	(7,430)	36,426	50,574
Foreign exchange loss		-	(25,147)	(3,022)	(36,773)
		<u>(539,228)</u>	<u>(591,904)</u>	<u>(1,821,529)</u>	<u>(1,624,540)</u>
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat		519,084	217,050	3,600,442	1,751,010
Contribution to KFAS		(5,684)	(1,557)	(38,345)	(16,075)
Zakat		(4,079)	(1,317)	(18,135)	(12,650)
Profit for the period		<u>509,321</u>	<u>214,176</u>	<u>3,543,962</u>	<u>1,722,285</u>
Attributable to:					
Shareholders of the Parent Company		509,151	214,057	3,543,449	1,721,748
Non-controlling interests		170	119	513	537
Profit for the period		<u>509,321</u>	<u>214,176</u>	<u>3,543,962</u>	<u>1,722,285</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic and diluted earnings per share attributable to shareholders of the Parent Company	8	<u>2.55</u>	<u>1.07</u>	<u>17.72</u>	<u>8.61</u>

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (UNAUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2022
 (All amounts are in Kuwaiti Dinars)

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Profit for the period	<u>509,321</u>	<u>214,176</u>	<u>3,543,962</u>	<u>1,722,285</u>
Other comprehensive income (loss):				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Exchange differences on translating foreign operations	(99,081)	37,717	232,540	(1,585)
<u>Items that will not be reclassified subsequently to profit or loss</u>				
Changes in fair value of financial assets at FVOCI	1,069,990	(351,148)	(4,110,808)	(209,993)
Other comprehensive income (loss) for the period	<u>970,909</u>	<u>(313,431)</u>	<u>(3,878,268)</u>	<u>(211,578)</u>
Total comprehensive income (loss) for the period	<u>1,480,230</u>	<u>(99,255)</u>	<u>(334,306)</u>	<u>1,510,707</u>
Attributable to:				
Shareholders of the Parent Company	1,480,060	(99,374)	(334,819)	1,510,170
Non-controlling interests	170	119	513	537
Total comprehensive income (loss) for the period	<u>1,480,230</u>	<u>(99,255)</u>	<u>(334,306)</u>	<u>1,510,707</u>

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Shareholders of the Parent Company											
	Capital	Share premium	Treasury shares reserve	Statutory Reserve	Voluntary reserve	Other reserves	Foreign currency translation adjustments	Fair value reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance as at March 31, 2022 (Audited)	20,000,000	3,046,592	3,052	12,769,186	4,405,892	324,416	893,431	4,928,364	8,483,375	54,854,308	65,493	54,919,801
Effect of ownership change in an associate	-	-	-	-	-	(133)	-	-	-	(133)	-	(133)
Transfer of gain on disposal of financial assets at FVOCI to retained earnings	-	-	-	-	-	-	-	-	997,407	997,407	-	997,407
Total comprehensive income (loss) for the period	-	-	-	-	-	-	232,540	(4,110,808)	3,543,449	(334,819)	513	(334,306)
Cash dividends (Note 12)	-	-	-	-	-	-	-	-	(1,400,000)	(1,400,000)	-	(1,400,000)
Balance as at December 31, 2022	20,000,000	3,046,592	3,052	12,769,186	4,405,892	324,283	1,125,971	817,556	11,624,231	54,116,763	66,006	54,182,769
Balance as at March 31, 2021 (Audited)	20,000,000	3,046,592	3,052	12,769,186	4,405,892	328,754	852,207	2,361,860	7,311,742	51,079,285	64,934	51,144,219
Effect of ownership change in an associate	-	-	-	-	-	(335)	-	-	-	(335)	-	(335)
Transfer of gain on disposal of financial assets at FVOCI to retained earnings	-	-	-	-	-	-	-	-	8,831	8,831	-	8,831
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,585)	(209,993)	1,721,748	1,510,170	537	1,510,707
Cash dividends (Note 12)	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Balance as at December 31, 2021	20,000,000	3,046,592	3,052	12,769,186	4,405,892	328,419	850,622	2,151,867	8,042,321	51,597,951	65,471	51,663,422

The accompanying notes (1) to (14) form an integral part of the interim condensed consolidated financial information.

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

	Nine months ended December 31,	
	2022	2021
Cash flow from operating activities:		
Profit for the period before contribution to KFAS and Zakat	3,600,442	1,751,010
Adjustments for:		
Net investment income	(2,035,610)	(1,127,608)
Interest income	(457,290)	(371,847)
Group's share of results from associates	(90,795)	55,983
Depreciation expenses	9,057	-
Gain from sale of investment properties	(724,406)	(21,017)
Foreign exchange loss	3,022	36,773
Finance charges	529,453	389,833
Net allowance for ECL no longer required	(36,426)	(50,574)
	<u>797,447</u>	<u>662,553</u>
Changes in operating assets and liabilities:		
Financial assets at FVTPL	(2,135,047)	(869,002)
Accounts receivable and other debit balances	602,564	(1,253)
Accounts payable and other credit balances	(95,428)	(455,740)
Net cash flows used in operating activities	<u>(830,464)</u>	<u>(663,442)</u>
Cash flow from investing activities:		
Paid for purchase of financial assets at FVOCI	(2,093,712)	(15,066,181)
Proceeds from sale of financial assets at FVOCI	7,054,451	574,018
Purchase of additional investment in an associate	-	(60,666)
Proceeds from capital reduction of investment in an associate	207,768	110,972
Cash dividends received from investment in an associate	279,088	51,088
Paid for purchase of debt instruments at amortized cost	-	(4,000,000)
Proceeds from redemption of debt instruments at amortized cost	-	4,000,000
Paid for purchase of investment properties	(2,334,500)	-
Proceeds from sale of investment properties	1,264,918	802,363
Interest income received	394,106	376,535
Dividends income received	1,534,830	292,379
Net cash flows generated from (used in) investing activities	<u>6,306,949</u>	<u>(12,919,492)</u>
Cash flows from financing activities:		
Loan	(5,482,399)	10,545,195
Loan from a related party	-	5,100,000
Cash dividends paid	(1,419,570)	(955,791)
Capital reduction	(7,490)	(27,609)
Finance charges paid	(497,414)	(446,087)
Net cash flows (used in) generated from financing activities	<u>(7,406,873)</u>	<u>14,215,708</u>
Net (decrease) increase in cash on hand and at banks	<u>(1,930,388)</u>	<u>632,774</u>
Cash on hand and at banks at the beginning of the period	<u>14,175,150</u>	<u>13,275,055</u>
Cash on hand and at banks at the end of the period	<u>12,244,762</u>	<u>13,907,829</u>

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

1. Incorporation and principal activities

Securities Group Company K.S.C. (Closed) (the Parent Company) is a Kuwaiti Closed Shareholding Company incorporated by agreement no. 786 / Vol. 2 dated October 24, 1981 and the latest amendment on August 4, 2022. The Parent Company's commercial registration number is 31846. The Parent Company's registered office is P.O. Box 26953, Safat 13130, State of Kuwait.

The activities of the Parent Company are:

- Obtaining loans from financial market in accordance with the procedures and methods recognized for companies.
- Buying and selling securities listed in the Boursa Kuwait and the securities that are traded in the State of Kuwait and in the Gulf Cooperation Council countries.
- Investment consultants
- The Company may carry out some or all of its business outside Kuwait in accordance with the conditions and rules known in this regard.
- Investment in real estate inside and outside the State of Kuwait.
- Investment portfolio manager

The Shareholders' Extraordinary General Assembly held on June 28, 2022 approved the Board of Directors' proposal to cancel the financing activity license granted to the Parent Company by Central Bank of Kuwait (CBK) and amending the article No. (4) of the Parent Company's Articles of Association and article No. (5) of the Memorandum of Incorporation relating to the Company's activities. Accordingly, on July 24, 2022, the Parent Company submitted a request to the CBK to cancel the financing activity license granted to the Parent Company by Central Bank of Kuwait. On August 1, 2022, CBK approved to cancel the financing activity license granted to the Parent Company.

The above amendments were notarized in the commercial registry under reference number 21799 dated August 4, 2022.

The Parent Company is under the supervision of the Capital Markets Authority ("CMA") according to Law No. 7/2010 for investment companies.

This interim condensed consolidated financial information was authorized for issue by the Parent Company's Board of Directors on February 13, 2023.

2. Basis of presentation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the financial year ended March 31, 2022. The management also has adopted accounting standards for non-current asset held for sale as mentioned in the Note 2 (a).

The interim condensed consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB" or "Board"). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the accompanying interim condensed consolidated financial information. Operating results for the nine months period ended December 31, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2023. For further information, refer to the consolidated financial statements and notes thereto for the fiscal year ended March 31, 2022.

(a) **Significant accounting policies**

In preparation of the interim condensed consolidated financial information, the management made judgments and estimates that may affect the adoption of accounting policies and the reported amount of assets and liabilities, incomes and expenses. Actual result may differ from these estimates.

The adoption of the following accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ended March 31, 2023.

During the period ended December 31, 2022, the Group applied the accounting policy as per IFRS 5 due to the reclassification of the Group's investment property as non-current asset held for sale based on the Group's intention to sell the investment property (Note 5).

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition 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. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Non-current assets once classified as held for sale are not depreciated or amortized. Assets classified as held for sale are presented separately as current items in the interim condensed consolidated statement of financial position.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in consolidated statement of profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Non-current assets that cease to be classified as held for sale (or cease to be included in a disposal group classified as held for sale) are measured at the lower of:

- a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- b) its recoverable amount at the date of the subsequent decision not to sell.

(b) **Amendments on the applied standards**

Amended IFRS standards that are effective for the current year are as follows:

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous year except for the changes due to implementation of the following amended International Financial Reporting Standards as of April 1, 2022:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the International Accounting Standards Board ('IASB' or 'Board') issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued on 29 March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. These amendments are not expected to have a material impact on the Group.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

Annual Improvements to IFRS 2018-2020 cycle

The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 9 Financial Instruments - Fees in the '10%' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

This amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. These amendments are not expected to have a material impact on the Group.

New and revised IFRS in issue but not yet effective

At the date of authorization of these interim condensed consolidated financial information, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

Amendments to IAS 1 Presentation of Financial Statements — Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the amendment.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors-Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the amendment.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

These amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is in the process of assessing the potential impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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3. Financial assets at fair value through other comprehensive income ("FVOCI")

	December 31, 2022	(Audited) March 31, 2022	December 31, 2021
Quoted securities	32,746,213	37,391,640	37,154,360
Unquoted securities	6,400,892	7,338,862	6,667,237
Fund	285,880	-	-
	<u>39,432,985</u>	<u>44,730,502</u>	<u>43,821,597</u>

Securities with a carrying value of KD 21,367,790 (March 31, 2022: KD 22,266,003; December 31, 2021: KD 21,717,940) were pledged with a local bank against a loan (Note 6).

Fair value measurement disclosures of financial assets at FVOCI are provided in Note 13.

4. Debt instruments at amortized cost

	Interest rate %	Maturity date	December 31, 2022	(Audited) March 31, 2022	December 31, 2022
Floating rate bond issued by a local company	2.75% + CBK discount rate	July 26, 2023	2,000,000	2,000,000	2,000,000
Floating rate bonds issued by a local company	2.25% + CBK discount rate	November 8, 2023	-	3,750,000	3,750,000
Floating rate bonds issued by a local company	2.25% + CBK discount rate	December 28, 2024	-	4,400,000	4,400,000
Floating rate bonds issued by a local bank	2.25% + CBK discount rate	October 10, 2032	2,000,000	2,000,000	2,000,000
Fixed rate bond issued by a local bank	4%	October 10, 2032	2,000,000	2,000,000	2,000,000
Floating rate bonds issued by a local company	3% + CBK discount rate	December 29, 2028	8,150,000	-	-
			<u>14,150,000</u>	<u>14,150,000</u>	<u>14,150,000</u>
Less: allowance for Expected Credit Losses ("ECL") (a)			<u>(51,829)</u>	<u>(107,096)</u>	<u>(135,159)</u>
			<u>14,098,171</u>	<u>14,042,904</u>	<u>14,014,841</u>

(a) The movement in the allowance for ECL is as follows:

	December 31, 2022	(Audited) March 31, 2022	December 31, 2021
Balance as at the beginning of the period / year	107,096	150,842	150,842
Charge during the period / year	46,430	21,753	48,982
Provision no longer required	(101,697)	(65,499)	(64,665)
Balance as at the end of the period / year	<u>51,829</u>	<u>107,096</u>	<u>135,159</u>

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5. Investment property classified non-current asset held for sale

During the period ended December 31, 2022, the Parent Company's management decided to sell one of its local investment properties. The Parent Company's management received a purchase proposal from a buyer expressing his intention to purchase the investment property for an amount of KD 1,950,000. Subsequently, the Board of Directors in its meeting dated November 30, 2022, approved the sale of the investment property to the third party. Since the sale of the investment property was expected to be completed within a year from the reporting date, as at December 31, 2022, the investment property with carrying value of KD 1,400,000 was classified as "investment property classified as held for sale" in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations".

6. Loan

Revolving loan carry an annual interest rate 0.7% (March 31, 2022: 0.7%; December 31, 2021: 0.7%) over the Central Bank of Kuwait discount rate and due for settlement on May 15, 2025.

Loan is secured by pledge of the following first-degree collaterals:

- (i) Pledge of investment properties with a carrying value of KD 1,403,554 (March 31, 2022: KD 2,803,554; December 31, 2021: KD 2,803,554)
- (ii) Pledge of financial assets at FVOCI with a carrying value amounting to KD 21,367,790 (March 31, 2022: KD 22,266,003; December 31, 2021: KD 21,717,940) (Note 3).
- (iii) Pledge of 3,405,898 shares of Future Communication Co. K.S.C.P. ("FCC") classified as investment in associates.
- (iv) Pledge of 9,999,999 shares (March 31, 2022: 11,999,999 shares; December 31, 2021: 11,999,999 shares) of Al-Jazeera Real Estate Development Co. K.S.C. (Closed) classified as investment in associates.

7. Net investment income

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Unrealized (loss) gain on change in fair value of financial assets at FVTPL	-	(126,639)	-	41,785
Realized gain on sale of financial assets at FVTPL	-	122,372	355,694	793,444
Dividend income	21,600	14,500	1,534,830	292,379
Gain on initial recognition of financial assets at FVOCI	145,086	-	145,086	-
	<u>166,686</u>	<u>10,233</u>	<u>2,035,610</u>	<u>1,127,608</u>

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

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

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Profit for the period attributable to shareholders of the Parent Company	<u>509,151</u>	<u>214,057</u>	<u>3,543,449</u>	<u>1,721,748</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic and diluted earnings per share attributable to shareholders of the Parent Company	<u>2.55</u>	<u>1.07</u>	<u>17.72</u>	<u>8.61</u>

As there are no dilutive instruments outstanding, basic and diluted earnings per share attributable to shareholders of the Parent Company is the same as the above.

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9. Fiduciary assets

The Parent Company manages investment portfolios for others amounting to KD 2,708,719,868 as at December 31, 2022 (March 31, 2022: KD 2,768,298,090; December 31, 2021: KD 2,740,403,587) to earn management fees. These investment portfolios are registered in the name of the Parent Company and are not included in the accompanying interim condensed consolidated financial information (accounts off the interim condensed consolidated statement of financial position).

10. Related party disclosures

The Group has entered into various transactions with related parties concerning financing and other related services. Prices and terms of payment are approved by the Group's management and subject to approval by the shareholders of the Parent Company in the Annual General Assembly. Significant balances and transactions with other related parties are as follows:

	December 31, 2022	(Audited) March 31, 2022	December 31, 2021
(i) Interim condensed consolidated statement of financial position:			
Cash on hand and at banks	12,201,879	13,796,535	12,595,206
Loan (Note 6)	23,132,858	28,615,257	38,060,057
Loan from a related party (a)	14,000,000	14,000,000	14,000,000
Dividends payable	243,782	260,402	261,579
Payable to shareholder on account of capital reduction	60,816	68,305	69,202
Due to related parties	176,099	157,124	106,829

- (a) This represents loan obtained from a shareholder carrying an annual interest rate of 2% (March 31, 2022: 1.5%; December 31, 2021: 1.25%). Loan from a related party is due for settlement on March 17, 2024.

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
(ii) Interim condensed consolidated statement of profit or loss:				
Fees and commission income	40,000	54,501	120,000	169,838
Interest income	49	42	143	129
Finance charges	(193,969)	(158,747)	(529,453)	(389,833)
(iii) Compensation to key management personnel:				
Short-term benefits	81,808	81,808	245,404	254,143
Termination benefits	7,188	7,188	21,564	21,563

(All amounts are in Kuwaiti Dinars)

The Group is divided into operating segments for managing its business activities based on internal reporting provided to the chief operating decision maker as follows:

- **Investment activities:** Direct investment for the Group's benefit in securities, portfolios and funds.
- **Asset management services:** Portfolio and Fund management services for clients.
- **Real estate activities:** Investment in real estate and managing real estate portfolios.

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12. General Assembly

The shareholders Annual General Assembly of the Parent Company held on June 28, 2022, approved the distribution of cash dividends of 7 fils per share amounting to KD 1,400,000 and to distribute Board of Directors' remuneration amounting to KD 25,000 for the financial year ended March 31, 2022.

The shareholders Annual General Assembly of the Parent Company held on June 23, 2021, approved the distribution of cash dividends of 5 fils per share amounting to KD 1,000,000 and to distribute Board of Directors' remuneration amounting to KD 25,000 for the financial year ended March 31, 2021.

13. Fair value measurement

The details of fair value measurement hierarchy are as follow:

Level 1: Quoted (unadjusted) market price in active markets for identical assets or liabilities.

Level 2: Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table presents the Group's financial instruments that are measured at fair value:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial assets at FVOCI	32,746,213	6,686,772	39,432,985
 <u>March 31, 2022 (Audited)</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Total</u>
Financial assets at FVOCI	37,391,640	7,338,862	44,730,502
 <u>December 31, 2021</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Total</u>
Financial assets at FVTPL	2,127,960	-	2,127,960
Financial assets at FVOCI	37,154,360	6,667,237	43,821,597
	39,282,320	6,667,237	45,949,557

During the period ended December 31, 2022, there were no transfers among different levels of fair value measurement.

14. Legal cases

The Lawsuit No. 4878 of 2020 on June 27, 2022 and the Appeal No. 5239 of 2022, commercial No. 12 on January 10, 2023

Parties to the Lawsuit:

Filed by: Yousef Ibrahim Yousef Al Reqem and Aisha Ibrahim Yousef Al Reqem (Plaintiffs).

Against: One of the local banks (First Defendant), Securities Group Company K.S.C. (Closed) (the "Parent Company") (Second Defendant) and Tareq Ibrahim Yousef Al Reqem (Third Defendant).

Subject of the Lawsuit:

The Plaintiffs have brought a lawsuit claiming for settlement of accounts between Plaintiffs and Defendants arising from the following:

- Subject to an indebtedness agreement secured by a pledge of shares, the local bank, on June 2, 1997, has granted a loan amounting to KD 7,273,394 to the Third Defendant against a pledge of its shares in the local bank and both Defendants have pledged their shares in Gulf Cables & Electrical Industries Group Company and Zain Telecommunications Company "Zain" in favor of the local bank.

- On December 29, 1998, a supplementary contract was subsequently executed as an addendum to the contract under which a property was mortgaged in return for writing off certain shares and collateral of others, while the terms and conditions of original contract remain effective and continue in force with respect to the debt and mortgage for all parties.
- On February 9, 2005, subject to a debt purchase agreement and assignment of right secured by a pledge of assets in-kind, the Parent Company has purchased the debt of the Third Defendant from the local bank (First Defendant) on behalf of one of its clients and shareholders (a related party) at an amount of KD 4,595,455 being indebtedness till February 9, 2005.

Judgments:

- (1) On June 27, 2022, the "Court of First Instance" rendered its judgment dismissing the lawsuit. The Plaintiff, by lawsuit No. 5239 of 2022 commercial 12, brought an appeal against the judgment before the Court of Appeal.
- (2) Subsequent to the date of interim condensed consolidated financial information, the Court of Appeal, on January 10, 2023, rendered its judgment in favor of the Plaintiffs by obliging the Parent Company to pay KD 4,861,384.

The Legal opinion:

This indebtedness was purchased by the Parent Company on behalf of one of its clients and shareholders (a related party), who committed to pay the amount mentioned in the appeal ruling in the event that it was executed on the Parent Company according to a letter issued from him on January 15, 2023. Based on that and based on the opinion of the legal advisor of the Group, no provision is required to be provided against this legal case is in the interim condensed consolidated financial information for the period ended December 31, 2022.