

**KUWAIT PROJECTS COMPANY HOLDING  
K.S.C.P. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 JUNE 2018 (UNAUDITED)**



**Building a better  
working world**

Ernst & Young  
Al Aiban, Al Osaimi & Partners  
P.O. Box 74  
18-21st Floor, Baitak Tower  
Ahmed Al Jaber Street  
Safat Square 13001, Kuwait

Tel: +965 2295 5000  
Fax: +965 2245 6419  
kuwait@kw.ey.com  
ey.com/mena



**RSM**

RSM Albazie & Co.

Arraya Tower 2, Floors 41 & 42  
Abdulaziz Hamad Alsaqar St., Sharq  
P.O. Box 2115, Safat 13022, State of Kuwait

T +965 22961000

F +965 22412761

www.rsm.global/kuwait

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P.**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Projects Company Holding K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 30 June 2018, and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for three months and six months periods then ended, and the related interim condensed consolidated cash flow statement and interim condensed consolidated statement of changes in equity for the six months period then ended. The 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 ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

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

### **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 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, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2018 that might have had a material effect on the business of the Parent Company or on its financial position.


BADER A. AL-ABDULJADER  
LICENCE NO. 207 A  
EY  
AL-AIBAN, AL-OSAIMI & PARTNERS

NAYEF M. AL-BAZIE  
LICENSE NO. 91-A  
RSM ALBAZIE & CO.

31 July 2018  
Kuwait

Kuwait Projects Company Holding K.S.C.P. and Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (UNAUDITED)**  
As at 30 June 2018

		<b>30 June 2018 KD 000's</b>	<b>(Audited) 31 December 2017 (Restated)* KD 000's</b>	<b>30 June 2017 (Restated)* KD 000's</b>
	<i>Notes</i>			
<b>ASSETS</b>				
Cash in hand and at banks	3	1,626,845	1,569,565	1,570,162
Treasury bills, bonds and other debt securities		778,311	646,675	649,580
Loans and advances		4,771,510	5,240,825	5,119,031
Financial assets at fair value through profit or loss		91,199	35,355	79,569
Financial assets available for sale		-	514,103	419,259
Financial assets held to maturity		-	77,597	80,077
Financial assets at fair value through other comprehensive income		281,290	-	-
Other assets		504,657	447,200	371,255
Properties held for trading		92,315	91,564	56,526
Investment in associates		367,904	375,305	448,456
Investment in a media joint venture	4	181,010	177,863	130,795
Investment properties		532,619	522,946	426,712
Property, plant and equipment		315,944	316,624	260,338
Intangible assets		325,000	329,163	302,640
<b>TOTAL ASSETS</b>		<b>9,868,604</b>	<b>10,344,785</b>	<b>9,914,400</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		1,810,952	2,056,010	2,101,513
Deposits from customers		5,021,833	5,108,535	4,900,466
Loans payable	5	561,939	482,085	440,111
Bonds	6	257,953	321,229	222,330
Medium term notes	7	663,403	660,381	664,058
Other liabilities		546,486	504,817	382,660
<b>Total liabilities</b>		<b>8,862,566</b>	<b>9,133,057</b>	<b>8,711,138</b>
<b>Equity</b>				
Equity attributable to equity holders of the Parent Company	8	300,577	439,275	449,607
Perpetual capital securities		146,440	146,440	146,440
Non controlling interest		559,021	626,013	607,215
<b>Total equity</b>		<b>1,006,038</b>	<b>1,211,728</b>	<b>1,203,262</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,868,604</b>	<b>10,344,785</b>	<b>9,914,400</b>

  
Faisal Hamad Al Ayyar  
Vice Chairman (Executive)

\* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2017 and interim condensed consolidated financial information as at 30 June 2017 and reflect adjustments made as detailed in Note 2.

The attached notes 1 to 16 form part of these interim condensed consolidated financial information.

Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

(UNAUDITED)

For the period ended 30 June 2018

	<i>Notes</i>	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2018 KD 000's</i>	<i>2017 KD 000's</i>	<i>2018 KD 000's</i>	<i>2017 KD 000's</i>
<b>Income:</b>					
Interest income		<b>108,718</b>	97,826	<b>218,576</b>	187,829
Investment income	9	<b>7,274</b>	40,418	<b>8,858</b>	45,187
Fee and commission income		<b>11,871</b>	12,678	<b>23,601</b>	26,395
Share of results of associates		<b>4,822</b>	(3,516)	<b>12,646</b>	5,681
Share of results of a media joint venture	4	<b>(9,788)</b>	(7,499)	<b>(19,772)</b>	(11,569)
Digital satellite network services income		<b>3,176</b>	4,277	<b>6,797</b>	6,923
Hospitality and real estate income		<b>24,040</b>	20,576	<b>46,608</b>	43,255
Educational service income		<b>7,137</b>	-	<b>13,238</b>	-
Manufacturing and distribution income		<b>5,399</b>	5,728	<b>11,320</b>	10,328
Other income		<b>13,204</b>	6,739	<b>21,002</b>	10,831
Foreign exchange gain		<b>6,894</b>	1,978	<b>10,826</b>	5,883
<b>Income</b>		<b>182,747</b>	179,205	<b>353,700</b>	330,743
<b>Expenses:</b>					
Interest expense		<b>72,363</b>	65,163	<b>140,468</b>	121,895
Digital satellite network services expense		<b>2,652</b>	2,773	<b>5,654</b>	5,300
Hospitality and real estate expenses		<b>18,117</b>	15,495	<b>33,615</b>	30,118
Educational service expenses		<b>3,425</b>	-	<b>7,051</b>	-
Manufacturing and distribution expense		<b>5,025</b>	5,073	<b>10,706</b>	9,010
General and administrative expenses		<b>46,444</b>	46,503	<b>91,894</b>	89,299
Depreciation and amortisation		<b>5,721</b>	6,390	<b>11,792</b>	13,727
<b>Expenses</b>		<b>153,747</b>	141,397	<b>301,180</b>	269,349
<b>Operating profit before provisions</b>		<b>29,000</b>	37,808	<b>52,520</b>	61,394
Provision for credit losses		<b>(4,116)</b>	(11,286)	<b>(4,977)</b>	(13,104)
Provision for impairment of other financial and non financial		<b>(2,172)</b>	(8,354)	<b>(2,172)</b>	(8,766)
<b>Profit before taxation</b>		<b>22,712</b>	18,168	<b>45,371</b>	39,524
Taxation		<b>(3,796)</b>	(2,606)	<b>(7,882)</b>	(6,811)
<b>Profit for the period</b>		<b>18,916</b>	15,562	<b>37,489</b>	32,713
<b>Attributable to:</b>					
Equity holders of the Parent Company		<b>6,421</b>	9,080	<b>12,057</b>	14,147
Non controlling interest		<b>12,495</b>	6,482	<b>25,432</b>	18,566
		<b>18,916</b>	15,562	<b>37,489</b>	32,713
		<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
<b>EARNINGS PER SHARE:</b>					
Basic - attributable to the equity holders of the Parent Company	10	<b>4.48</b>	6.34	<b>6.01</b>	7.40
Diluted - attributable to the equity holders of the Parent Company	10	<b>4.48</b>	6.34	<b>6.01</b>	7.40

The attached notes 1 to 16 form part of these interim condensed consolidated financial information.

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2018

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2018 KD 000's</i>	<i>2017 KD 000's</i>	<i>2018 KD 000's</i>	<i>2017 KD 000's</i>
<b>Profit for the period</b>	<b>18,916</b>	15,562	<b>37,489</b>	32,713
<b>Other comprehensive income:</b>				
<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 income	(5,524)	-	(12,309)	-
	<b>(5,524)</b>	-	<b>(12,309)</b>	-
<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	(1,753)	-	(3,017)	-
Changes in allowance for expected credit losses	34	-	(77)	-
Net transfer to interim condensed consolidated income statement	166	-	1,106	-
Financial assets available for sale:				
Net change in fair values	-	2,109	-	6,327
Net transfer to interim condensed consolidated income statement	-	(351)	-	(794)
Change in fair value of cash flow hedge	3,434	(6,831)	5,154	(5,423)
Foreign currency translation adjustment	(1,201)	3,175	(6,148)	(823)
Share of other comprehensive (loss) income from associates and joint venture	(5,057)	(760)	(3,492)	4,596
	<b>(4,377)</b>	(2,658)	<b>(6,474)</b>	3,883
<b>Other comprehensive (loss) income for the period</b>	<b>(9,901)</b>	(2,658)	<b>(18,783)</b>	3,883
<b>Total comprehensive income for the period</b>	<b>9,015</b>	12,904	<b>18,706</b>	36,596
<b>Attributable to:</b>				
Equity holders of the Parent Company	(1,233)	8,836	(184)	19,133
Non controlling interest	10,248	4,068	18,890	17,463
	<b>9,015</b>	12,904	<b>18,706</b>	36,596

The attached notes 1 to 16 form part of these interim condensed consolidated financial information.

Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

---

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**(UNAUDITED)**  
For the period ended 30 June 2018

		<i>Six months ended</i> <i>30 June</i>	
	<i>Notes</i>	<i>2018</i> <i>KD 000's</i>	<i>2017</i> <i>KD 000's</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		45,371	39,524
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>			
Interest income		(218,576)	(187,829)
Investment income	9	(8,858)	(45,187)
Share of results of associates		(12,646)	(5,681)
Share of results of a media joint venture	4	19,772	11,569
Interest expense		140,468	121,895
Depreciation and amortisation		11,792	13,727
Provision for credit losses		4,977	13,104
Provision for impairment of other financial and non-financial assets		2,172	8,766
Foreign exchange income on loans payable and medium term notes		1,818	(2,306)
Provision for employee stock option plan		57	26
		<u>(13,653)</u>	<u>(32,392)</u>
Changes in operating assets and liabilities:			
Deposits with original maturities exceeding three months		(22)	920
Treasury bills bonds and other debt securities		87,631	25,671
Loans and advances		280,473	153,148
Financial assets at fair value through profit or loss		(5,736)	(17,114)
Financial assets at fair value through other comprehensive income		26,889	-
Financial assets available for sale		-	17,963
Other assets		(30,005)	(49,526)
Properties held for trading		223	(2,700)
Due to banks and other financial institutions		(245,058)	(207,590)
Deposits from customers		(86,702)	80,682
Other liabilities		29,074	25,261
Dividends received		8,004	2,460
Interest received		185,747	188,328
Interest paid		(144,336)	(119,833)
Taxation paid		(6,245)	(7,167)
Net cash from operating activities		<u>86,284</u>	<u>58,111</u>
<b>INVESTING ACTIVITIES</b>			
Net movement in investment properties		1,131	371
Additional subscription of shares in investment in a media joint venture		(21,209)	-
Purchase of financial assets held to maturity		-	(9,197)
Net movement in investment in associates		7,630	(5,172)
Proceeds from partial sale of investment in a media joint venture		-	60,710
Dividends from associates		3,723	4,253
Net cash (used in) from investing activities		<u>(8,725)</u>	<u>50,965</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from (repayment) of loans payable, net		79,854	(14,809)
Repayment of bonds, net		(63,276)	-
Proceeds from medium term notes, net		-	64,897
Purchase of treasury shares		(3,538)	(3,027)
Proceeds from sale of treasury shares		349	5,042
Dividends paid to equity holders of the Parent Company		(13,435)	(33,159)
Interest payment on perpetual capital securities		(5,562)	(5,655)
Dividends paid to non controlling interest		(10,537)	(9,740)
Movement in non controlling interest		(569)	1,463
Net cash (used in) from financing activities		<u>(16,714)</u>	<u>5,012</u>
Net foreign exchange difference		<u>(3,587)</u>	<u>(1,014)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>57,258</u>	<u>113,074</u>
Cash and cash equivalents at 1 January		1,559,770	1,455,043
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	3	<u>1,617,028</u>	<u>1,568,117</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial information.



# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

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

For the period ended 30 June 2018

	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 2018 (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 2018 (note 2.1)	-	-	-	-	-	9,206	-	-	-	(129,877)	(120,671)	-	(71,651)	(192,322)
Transition adjustment on adoption of IFRS 15 at 1 January 2018	-	-	-	-	-	-	-	-	-	957	957	-	46	1,003
Balance as at 1 January 2018 (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	-	-	-	-	-	-	-	-	-	12,057	12,057	-	25,432	37,489
Other comprehensive loss	-	-	-	-	-	(6,772)	(5,469)	-	-	-	(12,241)	-	(6,542)	(18,783)
Total comprehensive (loss) income	-	-	-	-	-	(6,772)	(5,469)	-	-	12,057	(184)	-	18,890	18,706
Dividends for 2017 at 10 fils per share (note 8)	-	-	-	-	-	-	-	-	-	(13,355)	(13,355)	-	-	(13,355)
Issue of bonus shares (note 8)	7,368	-	-	-	-	-	-	-	-	(7,368)	-	-	-	-
Purchase of treasury shares	-	-	(3,538)	-	-	-	-	-	-	-	(3,538)	-	-	(3,538)
Sale of treasury shares	-	-	615	-	-	-	-	-	-	(266)	349	-	-	349
Transfer to retained earnings on disposal of equity investments carried at FVOCI	-	-	-	-	-	(1,505)	-	-	-	1,505	-	-	-	-
Employees' share based payment	-	-	-	-	-	-	-	57	-	-	57	-	-	57
Dividends paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(10,537)	(10,537)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(3,604)	(3,604)	-	(1,958)	(5,562)
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	1,291	-	1,291	-	(1,782)	(491)
<b>As at 30 June 2018</b>	<b>154,725</b>	<b>3,111</b>	<b>(88,235)</b>	<b>106,821</b>	<b>106,546</b>	<b>1,666</b>	<b>(83,641)</b>	<b>1,654</b>	<b>(330)</b>	<b>98,260</b>	<b>300,577</b>	<b>146,440</b>	<b>559,021</b>	<b>1,006,038</b>

\* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2017 and reflect adjustments made as detailed in note 2.

The attached notes 1 to 16 form part of these interim condensed consolidated financial information.

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

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

For the period ended 30 June 2018

	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 2017 (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 2017 (Restated)	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
Profit for the period	-	-	-	-	-	-	-	-	-	14,147	14,147	-	18,566	32,713
Other comprehensive income/(loss)	-	-	-	-	-	6,140	(1,154)	-	-	-	4,986	-	(1,103)	3,883
Total comprehensive income/(loss)	-	-	-	-	-	6,140	(1,154)	-	-	14,147	19,133	-	17,463	36,596
Dividends for 2016 at 25 fils per share (note 8)	-	-	-	-	-	-	-	-	-	(33,684)	(33,684)	-	-	(33,684)
Purchase of treasury shares	-	-	(3,027)	-	-	-	-	-	-	-	(3,027)	-	-	(3,027)
Sale of treasury shares	-	-	5,034	-	-	-	-	-	-	8	5,042	-	-	5,042
Employees' share based payment	-	-	-	-	-	-	-	118	-	(92)	26	-	-	26
Dividends paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(9,740)	(9,740)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(3,692)	(3,692)	-	(1,963)	(5,655)
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	601	-	601	-	2,987	3,588
As at 30 June 2017	147,357	3,111	(84,209)	106,821	106,546	2,520	(65,602)	1,652	(705)	232,116	449,607	146,440	607,215	1,203,262

The attached notes 1 to 16 form part of these interim condensed consolidated financial information.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

As at and for the period ended 30 June 2018

**1 CORPORATE INFORMATION**

Kuwait Projects Company Holding K.S.C.P. (the "Parent Company") is a public shareholding company registered and incorporated under the laws of the State of Kuwait on 2 August 1975, 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 six months period ended 30 June 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 31 July 2018.

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 2017, except for the adoption of IFRS 9: Financial Instruments ("IFRS 9") and IFRS 15: Revenue from Contracts with Customers ("IFRS 15") from 1 January 2018 as explained in Note 2.1.

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 2017.

The comparative consolidated statement of financial position as at 31 December 2017 and 30 June 2017 and the consolidated comparative statement of changes in equity for the period ended 30 June 2017 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 six month period ended 30 June 2017.

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 six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 and for the period ended 30 June 2018

**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 2018). Accordingly, the information presented for 2017 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. 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.

***IFRS 9 Financial Instruments ("IFRS 9")***

The Group has adopted IFRS 9 effective from 1 January 2018. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

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

***IFRS 9 Financial Instruments (continued)***

**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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

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

***IFRS 9 Financial Instruments (continued)***

**Measurement categories of financial assets and liabilities**

From 1 January 2018, 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.

**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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

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

***IFRS 9 Financial Instruments (continued)***

**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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**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:

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**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**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2018, 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 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 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 2018 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 other than loans and advances to customers and financial institution:</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 2018	<u>(129,877)</u>	<u>9,206</u>	<u>(71,651)</u>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**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 2018.

	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original carrying amount under IAS 39 KD '000'</i>	<i>Transition adjustments KD '000'</i>	<i>New carrying amount under IFRS 9 KD '000'</i>
<b>Financial assets</b>					
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	Amortised cost	77,597	(77,597)	-
Other assets	Loans and receivables	Amortised cost	447,200	(81)	447,119
<b>Total financial assets</b>			<b>8,531,320</b>	<b>(186,114)</b>	<b>8,345,206</b>

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 2017 is remeasured for opening ECL allowances on loans and advances under IFRS 9 amounting to KD 261,795 thousand.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**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 2018.

	<b>IAS 39 carrying amount as at 31 December 2017 KD 000's</b>	<b>Reclassification KD 000's</b>	<b>Re-measurement KD 000's</b>	<b>IFRS 9 carrying amount as at 1 January 2018 KD 000's</b>
<b>Financial assets at amortised cost</b>				
<b><i>Cash in hand and at banks</i></b>				
Opening balance	1,569,565	-	-	-
Impairment allowance	-	-	(454)	-
Closing balance	1,569,565	-	(454)	1,569,111
<b><i>Treasury bills, bonds and other debt securities</i></b>				
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
<b><i>Loans and advances</i></b>				
Opening balance	5,240,825	-	-	-
Impairment allowance	-	-	(183,865)	-
Closing balance	5,240,825	-	(183,865)	5,056,960
<b><i>Held-to-maturity</i></b>				
Opening balance	77,597	-	-	-
To treasury bills, bonds and other debt securities	-	(59,764)	-	-
To FVOCI	-	(17,833)	-	-
Closing balance	77,597	(77,597)	-	-

Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**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)*

	<b>IAS 39 carrying amount as at 31 December 2017 KD 000's</b>	<b>Reclassification KD 000's</b>	<b>Re-measurement KD 000's</b>	<b>IFRS 9 carrying amount as at 1 January 2018 KD 000's</b>
<b><i>Other assets</i></b>				
Opening balance	447,200	-	-	-
Impairment allowance	-	-	(81)	-
Closing balance	447,200	-	(81)	447,119
<b><i>Financial asset available for sale</i></b>				
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)	-	-
<b><i>FVOCI</i></b>				
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
<b><i>Financial assets at fair value through profit or loss</i></b>				
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**

	<b>30 June 2018 KD 000's</b>	<b>(Audited) 31 December 2017 KD 000's</b>	<b>30 June 2017 KD 000's</b>
Cash and bank balances	<b>973,688</b>	1,127,545	951,913
Deposits with original maturities up to three months	<b>643,340</b>	432,225	616,204
Cash and cash equivalents	<b>1,617,028</b>	1,559,770	1,568,117
Add: deposits with original maturities exceeding three months	<b>9,817</b>	9,795	2,045
	<b>1,626,845</b>	1,569,565	1,570,162

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 4 INVESTMENT IN A MEDIA JOINT VENTURE

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's interest in PMGL is accounted for using the equity method. Summarized financial information of PMGL before inter-company eliminations is as follows:

	<b>30 June 2018 KD 000's</b>	<i>(Audited)</i> <b>31 December 2017 'Restated' KD 000's</b>	<b>30 June 2017 'Restated' KD 000's</b>
Current assets	<b>90,348</b>	81,750	82,907
Non-current assets	<b>427,081</b>	428,292	430,815
Current liabilities	<b>(135,009)</b>	(119,906)	(132,260)
Non-current liabilities	<b>(57,562)</b>	(70,310)	(36,945)
<b>Equity</b>	<b>324,858</b>	319,826	344,517
<b>Group's carrying value</b>	<b>181,010</b>	177,863	130,795

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2018 KD 000's</b>	<b>2017 KD 000's</b>	<b>2018 KD 000's</b>	<b>2017 KD 000's</b>
Income	<b>38,535</b>	45,580	<b>80,158</b>	93,388
Expenses	<b>(54,736)</b>	(58,658)	<b>(112,883)</b>	(113,202)
<b>Loss for the period</b>	<b>(16,201)</b>	(13,078)	<b>(32,725)</b>	(19,814)
<b>Total comprehensive loss for the period</b>	<b>(16,205)</b>	(13,058)	<b>(32,796)</b>	(19,727)
<b>Group's share of loss for the period</b>	<b>(9,788)</b>	(7,499)	<b>(19,772)</b>	(11,569)
<b>Group's share of total comprehensive loss for the period</b>	<b>(9,791)</b>	(7,483)	<b>(19,815)</b>	(11,513)

### 5 LOANS PAYABLE

	<b>30 June 2018 KD 000's</b>	<i>(Audited)</i> <b>31 December 2017 KD 000's</b>	<b>30 June 2017 KD 000's</b>
<b>By the Parent Company:</b>			
Loans with maturity within 1 year	-	-	18,000
Loans with maturity above 1 year	-	42,053	-
	-	42,053	18,000
<b>By the subsidiaries:</b>			
Loans with maturity within 1 year	<b>386,508</b>	522,675	489,893
Islamic financing payables with maturity within 1 year	<b>7,169</b>	7,182	1,655
Loans with maturity above 1 year	<b>596,233</b>	340,645	347,485
Islamic financing payables with maturity above 1 year	<b>70,274</b>	49,331	56,576
	<b>1,060,184</b>	919,833	895,609
Less: inter-group borrowings	<b>(498,245)</b>	(479,801)	(473,498)
	<b>561,939</b>	482,085	440,111

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 6 BONDS

	<b>30 June 2018 KD 000's</b>	<b>(Audited) 31 December 2017 KD 000's</b>	<b>30 June 2017 KD 000's</b>
<b><i>Issued by the Parent Company:</i></b>			
Fixed interest of 5.25% per annum and maturing on 28 December 2024	<b>35,594</b>	35,568	-
Floating interest of 2.25% per annum above the CBK discount rate and maturing on 28 December 2024	<b>63,279</b>	63,232	-
<b><i>Issued by subsidiaries:</i></b>			
Fixed interest of 5.65% per annum and maturing on 27 December 2022	-	35,210	35,191
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	37,179
Fixed interest of 5.75% per annum and matured on 24 June 2018	-	36,450	36,450
Floating interest of 3.25% per annum above the CBK discount rate and matured on 24 June 2018	-	23,550	23,550
Fixed interest of 6% per annum and maturing on 9 March 2026	<b>29,823</b>	29,805	29,787
Floating interest of 3.95% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 9 March 2026	<b>69,257</b>	69,215	69,173
Fixed interest of 5.75% per annum and maturing on 19 April 2023	<b>32,150</b>	-	-
Floating interest of 2.50% per annum above the CBK discount rate and maturing on 19 April 2023	<b>27,850</b>	-	-
	<b>257,953</b>	330,229	231,330
Less: inter-group eliminations	-	(9,000)	(9,000)
	<b>257,953</b>	321,229	222,330

Subsequent to the reporting period on 26 July 2018, one of the subsidiary the Group issued bonds amounting to KD 40,000 thousand composed of KD 14,900 thousand fixed rate bond at 6% due on 26 July 2023 and KD 25,100 thousand floating rate bonds at 2.75% plus CBK discount rate due on 26 July 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.

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 7 MEDIUM TERM NOTES

	30 June 2018 KD 000's	(Audited) 31 December 2017 KD 000's	30 June 2017 KD 000's
<b><i>Euro medium term notes (EMTN) issued by the Parent Company through a SPE:</i></b>			
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.	147,528	146,840	147,273
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.	150,834	150,189	150,694
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.	70,450	70,172	70,429
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.	151,400	150,875	151,500
<b><i>Issued by subsidiaries through SPEs:</i></b>			
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.	150,455	149,842	150,325
	670,667	667,918	670,221
Less: inter-group eliminations	(7,264)	(7,537)	(6,163)
	663,403	660,381	664,058

### 8 SHAREHOLDERS' EQUITY, TREASURY SHARES, RESERVES AND APPROPRIATIONS

#### a) Share capital

	30 June 2018 KD 000's	(Audited) 31 December 2017 KD 000's	30 June 2017 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 2017: 1,049,620,700 shares and 30 June 2017: 1,049,620,700 shares) which are fully paid up in cash, whereas 497,630,638 shares (31 December 2017: 423,952,003 shares and 30 June 2017: 423,952,003 shares) were issued as bonus shares.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**8 SHAREHOLDERS' EQUITY, TREASURY SHARES, RESERVES AND APPROPRIATIONS (continued)****b) Share premium**

The share premium is not available for distribution.

**c) Treasury shares**

	<i>30 June</i> <i>2018</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i>	<i>30 June</i> <i>2017</i>
Number of treasury shares	<b>150,134,670</b>	131,027,237	127,791,229
Percentage of capital	<b>9.70%</b>	8.89%	8.67%
Market value (KD 000's)	<b>37,384</b>	43,894	42,938

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

**d) Dividend**

On 4 April 2018 the Annual General Assembly of shareholders approved the distribution of cash dividend of 10 fils per share for the year ended 31 December 2017 (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.

**9 INVESTMENT INCOME**

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2018</i> <i>KD 000's</i>	<i>2017</i> <i>KD 000's</i>	<i>2018</i> <i>KD 000's</i>	<i>2017</i> <i>KD 000's</i>
Gain on sale of financial assets at fair value through profit or loss	<b>291</b>	605	<b>803</b>	3,019
Unrealised (loss) gain on financial assets at fair value through profit or loss	<b>(14)</b>	(232)	<b>716</b>	199
Gain (loss) on sale of debt instruments at fair value through other comprehensive income	<b>226</b>	-	<b>(716)</b>	
Gain on sale of financial assets available for sale	-	303	-	1,054
Dividend income	<b>6,888</b>	1,222	<b>8,004</b>	2,460
(Loss) gain on sale of investment properties	<b>(117)</b>	3	<b>(125)</b>	(62)
Gain on sale of investment in associates	-	-	<b>176</b>	-
Gain on partial sale of investment in a media joint venture	-	38,517	-	38,517
	<b>7,274</b>	40,418	<b>8,858</b>	45,187



# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 10 EARNINGS PER SHARE

#### **Basic:**

Basic earnings per share is computed by dividing the profit 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:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2018 KD 000's</i>	<i>2017 KD 000's</i>	<i>2018 KD 000's</i>	<i>2017 KD 000's</i>
<b>Basic earnings per share:</b>				
Profit for the period attributable to the equity holders of the Parent Company	<b>6,421</b>	9,080	<b>12,057</b>	14,147
Less: interest payment on perpetual capital securities attributable to the equity holders of the Parent Company	<b>(124)</b>	(124)	<b>(3,604)</b>	(3,692)
Profit for the period attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities	<b>6,297</b>	8,956	<b>8,453</b>	10,455
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
<b>Number of shares outstanding:</b>				
Weighted average number of paid up shares	<b>1,547,251,338</b>	1,547,251,338	<b>1,547,251,338</b>	1,547,251,338
Weighted average number of treasury shares	<b>(142,522,777)</b>	(133,961,272)	<b>(141,396,565)</b>	(133,520,113)
Weighted average number of outstanding shares	<b>1,404,728,561</b>	1,413,290,066	<b>1,405,854,773</b>	1,413,731,225
	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
Basic earnings per share	<b>4.48</b>	6.34	<b>6.01</b>	7.40

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 10 EARNINGS PER SHARE (continued)

#### *Diluted:*

Diluted earnings per share is calculated by dividing the profit 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.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2018 KD 000's</i>	<i>2017 KD 000's</i>	<i>2018 KD 000's</i>	<i>2017 KD 000's</i>
<b><i>Diluted earnings per share:</i></b>				
Profit for the period attributable to the equity holders of the Parent Company	6,421	9,080	12,057	14,147
Less: interest payment on perpetual capital securities attributable to the equity holders of the Parent Company	(124)	(124)	(3,604)	(3,692)
Profit for the period attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities	<u>6,297</u>	<u>8,956</u>	<u>8,453</u>	<u>10,455</u>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding Shares	<u>1,404,728,561</u>	<u>1,413,290,066</u>	<u>1,405,854,773</u>	<u>1,413,731,225</u>
	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
Diluted earnings per share	<u>4.48</u>	<u>6.34</u>	<u>6.01</u>	<u>7.40</u>

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

\* Basic and diluted earnings per share for the comparative period presented has been adjusted to reflect the adjustments of the bonus shares (Note 8d).

### 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 1,204 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 June 2018.

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.

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 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:

	<i>Major shareholder</i>	<i>Associates and joint ventures</i>	<i>Others</i>	<i>Total 30 June 2018</i>	<i>(Audited) 31 December 2017</i>	<i>30 June 2017</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b><i>Interim condensed consolidated statement of financial position:</i></b>						
Cash in hand and at banks	-	-	-	-	769	-
Loans and advances *	-	20,881	350,080	<b>370,961</b>	488,175	514,933
Other assets	2,608	713	13,638	<b>16,959</b>	45,337	4,642
Due to banks and other financial institutions *	-	23,761	30,168	<b>53,929</b>	51,763	38,551
Deposits from customers *	68,624	16,955	18,896	<b>104,475</b>	76,813	99,845
Medium term notes	-	3,028	-	<b>3,028</b>	3,018	3,030
Other liabilities	480	27	89,071	<b>89,578</b>	117,500	556
Perpetual capital securities	-	1,509	906	<b>2,415</b>	2,415	2,415

#### ***Commitments and contingent liabilities:***

Letter of credit	-	-	80	<b>80</b>	667	756
Guarantees	25	77,052	4,545	<b>81,622</b>	77,457	32,199

#### ***Six months ended 30 June***

	<i>Major shareholder</i>	<i>Associates and joint venture</i>	<i>Others</i>	<i>2018</i>	<i>2017</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b><i>Transactions:</i></b>					
Interest income	1,868	949	5,993	<b>8,810</b>	9,293
Dividend income	-	-	4,795	<b>4,795</b>	-
Fee and commission income	44	1,056	785	<b>1,885</b>	2,908
Gain on partial sale of investment in a media joint venture	-	-	-	-	38,517
Interest expense	1,082	291	1,279	<b>2,652</b>	1,460

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**13 SEGMENT INFORMATION**

For management purposes, the Group is 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.

Media - represents Group's activities in providing digital satellite network 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 information regarding the Group's operating segments:

	<i>Six months ended 30 June</i>			
	<i>2018</i>		<i>2017</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	<b>277,598</b>	<b>89,423</b>	246,713	58,496
Asset management and investment banking	<b>18,049</b>	<b>(25,935)</b>	54,734	3,974
Insurance	<b>3,468</b>	<b>3,468</b>	2,571	2,571
Media	<b>(19,772)</b>	<b>(19,772)</b>	(11,569)	(11,569)
Industrial	<b>20,653</b>	<b>4,853</b>	18,063	4,646
Hospitality and real estate	<b>51,995</b>	<b>(69)</b>	40,224	(4,498)
Others	<b>23,818</b>	<b>(1,343)</b>	8,416	(1,628)
Inter-segmental eliminations	<b>(22,109)</b>	<b>(5,254)</b>	(28,409)	(12,468)
Segment revenues and results	<b>353,700</b>	<b>45,371</b>	330,743	39,524

Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

---

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**13 SEGMENT INFORMATION (continued)**

The following table presents assets and liabilities of the Group's operating segments:

	<i>30 June 2018 KD 000's</i>	<i>(Audited) 31 December 2017 (Restated) KD 000's</i>	<i>30 June 2017 (Restated) KD 000's</i>
<b>Assets:</b>			
Commercial banking	8,294,351	8,798,228	8,604,488
Asset management and investment banking	716,009	860,141	729,479
Insurance	71,332	73,369	70,852
Media	181,010	177,863	130,795
Industrial	272,365	267,168	259,796
Hospitality and real estate	873,314	865,106	788,027
Others	269,352	283,978	169,691
Inter-segmental eliminations	(809,129)	(981,068)	(838,728)
<b>Total assets</b>	<b>9,868,604</b>	<b>10,344,785</b>	<b>9,914,400</b>
<b>Liabilities:</b>			
Commercial banking	7,497,810	7,851,858	7,661,635
Asset management and investment banking	1,128,431	1,153,527	982,799
Industrial	117,651	115,596	125,413
Hospitality and real estate	571,226	560,827	421,457
Others	200,067	204,790	152,125
Inter-segmental eliminations	(652,619)	(753,541)	(632,291)
<b>Total liabilities</b>	<b>8,862,566</b>	<b>9,133,057</b>	<b>8,711,138</b>

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:

	<i>30 June 2018 KD 000's</i>	<i>(Audited) 31 December 2017 KD 000's</i>	<i>30 June 2017 KD 000's</i>
<b>Credit related commitments:</b>			
Letters of credit	319,721	330,985	309,784
Guarantees	995,651	1,031,100	1,003,000
	<b>1,315,372</b>	<b>1,362,085</b>	<b>1,312,784</b>
<b>Undrawn lines of credit</b>	<b>858,651</b>	<b>808,803</b>	<b>791,576</b>
<b>Investment related commitments</b>	<b>106,945</b>	<b>145,418</b>	<b>130,758</b>
	<b>2,280,968</b>	<b>2,316,306</b>	<b>2,235,118</b>

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 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.

	<b>30 June 2018 KD 000's</b>	<i>(Audited)</i> <b>31 December 2017 KD 000's</b>	<b>30 June 2017 KD 000's</b>
<b>Derivatives held for trading:</b>			
<i>(including non-qualifying hedges)</i>			
Forward foreign exchange contracts	<b>1,091,692</b>	1,353,156	1,024,030
Interest rate swaps	<b>312,657</b>	329,785	290,921
Options	<b>712,514</b>	339,068	280,909
<b>Derivatives held for hedging:</b>			
<i>Fair value hedges:</i>			
Forward foreign exchange contracts	<b>105,980</b>	221,829	320,106
Interest rate swaps	<b>245,429</b>	105,613	106,050
<i>Cash flow hedges:</i>			
Interest rate swaps	<b>287,568</b>	234,056	242,580

### 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 670,057 thousand (31 December 2017: 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.

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 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>
<b>30 June 2018</b>				
<b>Assets measured at fair value</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	6,981	-	17,791	<b>24,772</b>
Debt securities	3,940	-	-	<b>3,940</b>
Managed funds	-	1,254	61,233	<b>62,487</b>
	<u>10,921</u>	<u>1,254</u>	<u>79,024</u>	<u><b>91,199</b></u>
<i>Financial assets at fair value through OCI:</i>				
Equities	25,207	19,747	87,417	<b>132,371</b>
Debt securities	134,257	-	14,662	<b>148,919</b>
	<u>159,464</u>	<u>19,747</u>	<u>102,079</u>	<u><b>281,290</b></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>
<b>31 December 2017</b>				
<b>Assets measured at fair value</b>				
<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>
Derivatives	-	38,881	-	38,881
<b>Liabilities measured at fair value</b>				
Derivatives	-	(21,754)	-	(21,754)



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy (continued)**

	<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 June 2017				
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	5,526	-	34,817	40,343
Debt securities	36,448	-	-	36,448
Managed funds	-	396	2,382	2,778
	<u>41,974</u>	<u>396</u>	<u>37,199</u>	<u>79,569</u>
<i>Financial assets available for sale:</i>				
Equities	46,439	7,521	35,126	89,086
Debt securities	178,501	-	39,276	217,777
Managed funds	-	16,277	56,775	73,052
	<u>224,940</u>	<u>23,798</u>	<u>131,177</u>	<u>379,915</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%.