

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2019 (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 September 2019, and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three months and the nine months periods then ended, and the related interim condensed consolidated cash flow statement and interim condensed consolidated statement of changes in equity for the nine 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 nine months period ended 30 September 2019 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
LICENCE NO. 91-A
RSM ALBAZIE & CO.

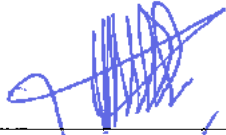
10 November 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

		<i>(Audited)</i>	<i>(Restated)*</i>
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
<i>Notes</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
ASSETS			
Cash in hand and at banks	3	1,421,090	1,742,525
Treasury bills, bonds and other debt securities		586,988	731,964
Loans and advances	4	4,854,045	4,559,973
Financial assets at fair value through profit or loss		269,159	251,958
Financial assets at fair value through other comprehensive income		249,128	257,206
Other assets		499,880	495,790
Properties held for trading		102,169	105,758
Investment in associates		350,075	364,263
Investment properties		626,471	526,491
Property, plant and equipment		362,113	323,173
Intangible assets		325,964	324,369
Assets held for sale	17	201,651	181,689
TOTAL ASSETS		9,848,733	9,865,159
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions		1,327,679	1,705,669
Deposits from customers		5,090,789	5,019,162
Loans payable	5	698,746	589,926
Bonds	6	474,296	298,020
Medium term notes	7	602,957	664,281
Other liabilities		550,002	552,604
Total liabilities		8,744,469	8,829,662
Equity			
Equity attributable to equity holders of the Parent Company	8	343,811	301,885
Perpetual capital securities	8	153,832	146,440
Non controlling interest		606,621	587,172
Total equity		1,104,264	1,035,497
TOTAL LIABILITIES AND EQUITY		9,848,733	9,865,159


Faisal Hamad Al Ayyar
Vice Chairman (Executive)

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 September 2018 and reflect adjustments made as detailed in Note 2.

The attached notes 1 to 17 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 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
Continuing operations:					
Income:					
Interest income		102,099	107,430	307,581	326,006
Investment income	9	7,212	8,747	18,501	17,605
Fee and commission income		19,290	18,120	47,371	41,721
Share of results of associates		2,685	3,713	19,057	16,359
Digital satellite network services income		3,088	3,215	9,482	10,012
Hospitality and real estate income		34,311	26,039	91,901	72,647
Educational service income		6,278	6,336	20,990	19,574
Manufacturing and distribution income		6,439	4,537	18,422	15,857
Other income		190	4,611	14,812	25,613
Foreign exchange gain		2,124	4,700	6,967	15,526
Income		183,716	187,448	555,084	560,920
Expenses:					
Interest expense		72,495	73,041	218,502	213,509
Digital satellite network services expense		2,180	2,698	6,973	8,352
Hospitality and real estate expenses		25,978	18,942	66,278	52,557
Educational service expenses		2,618	2,691	9,990	9,742
Manufacturing and distribution expense		5,636	4,175	16,770	14,881
General and administrative expenses		37,995	45,453	130,621	137,347
Depreciation and amortisation		7,006	5,400	20,317	17,192
Expenses		153,908	152,400	469,451	453,580
Operating profit from continuing operations before provisions		29,808	35,048	85,633	107,340
Provision for credit losses		(7,614)	(6,313)	(13,078)	(11,290)
Reversal of (provision) for impairment of other financial and non-financial assets		862	(383)	(777)	(2,555)
Profit before taxation from continuing operations		23,056	28,352	71,778	93,495
Taxation		(4,195)	(3,828)	(12,045)	(11,710)
Profit for the period from continuing operations		18,861	24,524	59,733	81,785
Discontinued operation:					
Loss from discontinued operation	17	-	(3,196)	-	(22,968)
Profit for the period		18,861	21,328	59,733	58,817
Attributable to:					
Equity holders of the Parent Company		9,179	8,316	22,756	20,373
Non-controlling interest		9,682	13,012	36,977	38,444
		18,861	21,328	59,733	58,817
		<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
EARNINGS PER SHARE:					
Basic - attributable to the equity holders of the Parent Company	10	0.9	3.4	7.5	9.3
Diluted - attributable to the equity holders of the Parent Company	10	0.9	3.4	7.5	9.3
EARNINGS PER SHARE FOR CONTINUING OPERATIONS:					
Basic - attributable to the equity holders of the Parent Company	10	0.9	5.6	7.5	25.4
Diluted - attributable to the equity holders of the Parent Company	10	0.9	5.6	7.5	25.4

The attached notes 1 to 17 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 September 2019

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 KD 000's</i>	<i>2018 KD 000's</i>	<i>2019 KD 000's</i>	<i>2018 KD 000's</i>
Profit for the period	18,861	21,328	59,733	58,817
Other comprehensive income:				
<i>Items that will not be reclassified to interim condensed consolidated income statement in subsequent periods:</i>				
Net change in fair value of equity instruments at fair value through other comprehensive income	(2,133)	(5,233)	(2,680)	(17,542)
Share of other comprehensive income (loss) from associates	2,207	(870)	6,475	(4,362)
	<u>74</u>	<u>(6,103)</u>	<u>3,795</u>	<u>(21,904)</u>
<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	3,622	(1,277)	4,968	(4,294)
- Changes in allowance for expected credit losses	(55)	2	(43)	(75)
- Net transfer to interim condensed consolidated income statement	(3,001)	148	(5,395)	1,254
Change in fair value of cash flow hedge	(5,630)	4,410	(7,746)	9,564
Foreign currency translation adjustment	(910)	(3,695)	(12,404)	(9,843)
	<u>(5,974)</u>	<u>(412)</u>	<u>(20,620)</u>	<u>(3,394)</u>
Other comprehensive loss for the period	(5,900)	(6,515)	(16,825)	(25,298)
Total comprehensive income for the period	12,961	14,813	42,908	33,519
Attributable to:				
Equity holders of the Parent Company	7,989	5,654	12,759	5,470
Non controlling interest	4,972	9,159	30,149	28,049
	<u>12,961</u>	<u>14,813</u>	<u>42,908</u>	<u>33,519</u>

The attached notes 1 to 17 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 September 2019

	Notes	Nine months ended 30 September	
		2019 KD 000's	2018 KD 000's
OPERATING ACTIVITIES			
Profit before taxation from continuing operations		71,778	93,495
Loss from discontinued operation	17	-	(22,968)
		<u>71,778</u>	<u>70,527</u>
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>			
Interest income		(307,581)	(326,006)
Investment income	9	(18,501)	(17,605)
Share of results of associates		(19,057)	(16,359)
Interest expense		218,502	213,509
Depreciation and amortisation		20,317	17,192
Provision for credit losses		13,078	11,290
Provision for impairment of other financial & non-financial assets		777	2,555
Share of results from discontinued operation	17	-	22,968
Foreign exchange income on loans payable and medium-term notes		892	2,381
Provision for employee stock option plan		338	267
		<u>(19,457)</u>	<u>(19,281)</u>
Changes in operating assets and liabilities:			
Deposits with original maturities exceeding three months		(8,159)	(403)
Treasury bills, bonds and other debt securities		139,471	134,127
Loans and advances		(231,796)	355,716
Financial assets at fair value through profit or loss		3,711	(3,680)
Financial assets at fair value through other comprehensive income		7,476	40,366
Other assets		(65,955)	16,662
Properties held for trading		(4,488)	(4,488)
Due to banks and other financial institutions		(731,326)	(308,402)
Deposits from customers		203,186	(110,038)
Other liabilities		(19,770)	16,897
Dividends received		5,266	13,619
Interest received		293,434	263,848
Interest paid		(229,255)	(210,631)
Taxation paid		(11,405)	(12,970)
Net cash (used in) from operating activities		<u>(669,067)</u>	<u>171,342</u>
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired		-	(7,129)
Additional subscription of shares in assets held for sale		(13,857)	(24,866)
Net movement in investment properties		238	758
Net movement in investment in associates		-	7,630
Dividends from associates		8,947	8,857
Net cash used in investing activities		<u>(4,672)</u>	<u>(14,750)</u>
FINANCING ACTIVITIES			
Proceeds from issue of rights shares	8	88,735	-
Proceeds from of loans payable, net		3,535	86,786
Repayment of bonds, net		-	(23,209)
Repayment of medium term notes, net		(63,707)	-
Purchase of treasury shares		(2,919)	(5,012)
Proceeds from sale of treasury shares		637	1,444
Repayment of Perpetual capital securities	8	(152,403)	-
Net Proceeds from issue of perpetual capital securities	8	149,950	-
Dividends paid to equity holders of the Parent Company		(16,769)	(13,534)
Interest payment on perpetual capital securities		(9,578)	(11,059)
Dividends paid to non controlling interest		(16,306)	(11,575)
Movement in non controlling interest		4,596	(744)
Net cash (used in) from financing activities		<u>(14,229)</u>	<u>23,097</u>
Net foreign exchange difference		(17,869)	(7,132)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(705,837)</u>	<u>172,557</u>
Cash and cash equivalents at 1 January		2,114,689	1,559,770
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3	<u>1,408,852</u>	<u>1,732,327</u>

The attached notes 1 to 17 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 September 2019

	Attributable to equity holders of the Parent Company													
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Cumulative changes in fair values KD 000's	Foreign currency translation reserve KD 000's	ESOP reserve KD 000's	Other reserve KD 000's	Retained earnings KD 000's	Total KD 000's	Perpetual capital securities KD 000's	Non controlling interest KD 000's	Total equity KD 000's
As at 1 January 2019	154,725	3,111	(86,111)	106,821	106,546	(6,271)	(97,046)	1,535	(14,172)	107,925	277,063	146,440	587,132	1,010,635
Profit for the period	-	-	-	-	-	(514)	(9,483)	-	-	22,756	22,756	-	36,977	59,733
Other comprehensive loss	-	-	-	-	-	(514)	(9,483)	-	-	-	(9,997)	-	(6,828)	(16,825)
Total comprehensive (loss) income	-	-	-	-	-	(514)	(9,483)	-	-	22,756	12,759	-	30,149	42,908
Dividends for 2018 at 12 fils per share (note 8)	-	-	-	-	-	-	-	-	-	(16,818)	(16,818)	-	-	(16,818)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(16,306)	(16,306)
Issue of Right shares (note 8)	45,275	49,802	(6,342)	-	-	-	-	-	-	-	88,735	-	-	88,735
Purchase of treasury shares	-	-	(2,919)	-	-	-	-	-	-	-	(2,919)	-	-	(2,919)
Sale of treasury shares	-	-	983	-	-	-	-	-	-	(346)	637	-	-	637
Employees' share based payment	-	-	-	-	-	-	-	338	-	-	338	-	-	338
Issue of perpetual capital securities (note 8)	-	-	-	-	-	-	-	-	-	-	-	151,242	-	151,242
Perpetual capital securities issuance cost	-	-	-	-	-	-	-	-	-	(811)	(811)	-	(481)	(1,292)
Repayment of perpetual capital securities (note 8)	-	-	-	-	-	-	-	-	-	(5,260)	(5,260)	(144,025)	(3,118)	(152,403)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(6,026)	(6,026)	-	(3,552)	(9,578)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(110)	(110)	175	(65)	-
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	1,950	-	-	-	(1,950)	-	-	-	-
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	(3,777)	-	(3,777)	-	12,862	9,085
As at 30 September 2019	200,000	57,913	(94,389)	106,821	106,546	(4,835)	(106,529)	1,873	(17,949)	99,360	343,811	153,832	606,621	1,104,264

The attached notes 1 to 17 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 September 2019

	Attributable to equity holders of the Parent Company													
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Cumulative changes in fair values KD 000's	Foreign currency translation reserve KD 000's	ESOP reserve KD 000's	Other reserve KD 000's	Retained earnings KD 000's	Total KD 000's	Perpetual capital securities KD 000's	Non controlling interest KD 000's	Total equity KD 000's
As at 1 January 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	626,367	1,212,082
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	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	554,762	1,020,763
Profit for the period	-	-	-	-	-	-	-	-	-	20,373	20,373	-	38,444	58,817
Other comprehensive loss	-	-	-	-	-	(6,567)	(8,336)	-	-	-	(14,903)	-	(10,395)	(25,298)
Total comprehensive (loss) income	-	-	-	-	-	(6,567)	(8,336)	-	-	20,373	5,470	-	28,049	33,519
Dividends for 2017 at 10 fils per share (note 8)	-	-	-	-	-	-	-	-	-	(13,355)	(13,355)	-	-	(13,355)
Dividends paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(11,575)	(11,575)
Issue of bonus shares	7,368	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(5,012)	-	-	-	-	-	-	(7,368)	-	-	-	(5,012)
Sale of treasury shares	-	-	2,361	-	-	-	-	-	-	(917)	1,444	-	-	1,444
Employees' share based payment	-	-	-	-	-	-	-	267	-	-	267	-	-	267
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(7,124)	(7,124)	-	(3,935)	(11,059)
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	(1,574)	-	-	-	1,574	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	634	-	634	-	21,283	21,283
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,412)	(778)
As at 30 September 2018	154,725	3,111	(87,963)	106,821	106,546	1,802	(86,508)	1,864	(987)	102,474	301,885	146,440	587,172	1,035,497

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

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 nine months period ended 30 September 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 10 November 2019.

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

2.1 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 2018, except for the adoption of IFRS 16: Leases ("IFRS 16"). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2018.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Further, results for the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

During the year ended 31 December 2018, the Group carried out Purchase Price Allocation ("PPA") exercise for a business combination and accordingly restated the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of changes in equity for the period ended 30 September 2018. The restatement in accordance with IFRS 3 is to account for increase in the Group's 'Intangible assets' by KD 354 thousand and 'Non-controlling interest' by KD 354 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 period ended 30 September 2018.

Further, certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications were made in order to more appropriately present certain items of interim condensed consolidated statement of financial position, interim condensed consolidated cash flow statement and interim condensed consolidated income statement. Such reclassifications do not affect previously reported assets, liabilities, equity and profit for the period, nor materially affect the interim condensed consolidated cash flow statement. The reclassifications are not material to the interim condensed consolidated financial information.

As at 30 September 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

IFRS 16 'Leases'

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised, and the lease payments were recognised as rent expense in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'Other current assets' and 'Trade and other payables', respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method and accordingly, the comparative information is not restated with the date of initial application of 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- ▶ Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- ▶ Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- ▶ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application and;
- ▶ Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 16 'Leases' (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

The effect of adoption of IFRS 16 as at 1 January 2019 (increase) is as follows:

	<i>KD 000's</i>
Assets	
Right-of-use assets (included under other assets & property plant and equipment)	23,516
	<u>23,516</u>
Liabilities	
Lease liabilities (included under other liabilities)	23,516
	<u>23,516</u>

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 16 'Leases' (continued)

b) Summary of new accounting policies (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

c) Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The Group recognised a decrease in rental expense of KD 4,498 thousand and increase in depreciation expense of KD 4,099 thousand for the period ended 30 September 2019.

3 CASH IN HAND AND AT BANKS

	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cash and bank balances	859,265	1,053,464	798,501
Deposits with original maturities up to three months	549,818	1,061,772	933,826
Expected credit losses	(231)	(547)	-
Cash and cash equivalents	<u>1,408,852</u>	<u>2,114,689</u>	<u>1,732,327</u>
Add: deposits with original maturities exceeding three months	12,238	4,079	10,198
	<u><u>1,421,090</u></u>	<u><u>2,118,768</u></u>	<u><u>1,742,525</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

4 PROVISIONS FOR CREDIT LOSSES

An analysis of changes in the ECL allowances in relation to loans and advances, as follows:

	<i>Stage 1</i> <i>KD '000</i>	<i>Stage 2</i> <i>KD '000</i>	<i>Stage 3</i> <i>KD '000</i>	<i>Total</i> <i>KD '000</i>
<i>ECL allowance</i>				
Balance at 1 January	27,947	58,181	118,952	205,080
Charge /(reversal) during the period	1,920	(1,664)	15,700	15,956
Amount written off during the period	-	-	(12,968)	(12,968)
Foreign exchange	(58)	(591)	143	(506)
As at 30 September 2019	29,809	55,926	121,827	207,562

During the period the reversal to ECL allowance on non-cash credit related facilities is KD 2,878 thousand.

Following is the stage wise break-up of the gross carrying amount of loans and advances:

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Loans and advances	4,124,253	672,378	264,976	5,061,607
ECL allowances	(29,809)	(55,926)	(121,827)	(207,562)
As at 30 September 2019	4,094,444	616,452	143,149	4,854,045

5 LOANS PAYABLE

	<i>30 September</i> <i>2019</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD 000's</i>	<i>30 September</i> <i>2018</i> <i>KD 000's</i>
<i>By the subsidiaries:</i>			
Loans with maturity within 1 year	740,137	752,016	497,837
Loans with maturity above 1 year	643,581	509,871	613,485
	1,383,718	1,261,887	1,111,322
Less: inter-group borrowings	(684,972)	(566,676)	(521,396)
	698,746	695,211	589,926

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

6 BONDS

	<i>30 September 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>30 September 2018 KD 000's</i>
<i>Issued by the Parent Company:</i>			
Fixed rate bond at 5.50% per annum and maturing on 8 November 2023	13,911	13,898	-
Floating rate bonds at 2.25% plus CBK discount rate (Capped at 6.5% per annum) and maturing on 8 November 2023	85,454	85,367	-
Fixed interest of 5.25% per annum and maturing on 28 December 2024	35,662	35,620	35,608
Floating interest of 2.25% per annum above the CBK discount rate and maturing on 28 December 2024	63,399	63,325	63,302
<i>Issued by subsidiaries:</i>			
Fixed interest of 4.125% per annum and maturing 30 December 2021	99,690	99,624	-
Fixed interest of 5.75% per annum and maturing on 19 April 2023	32,150	32,150	32,150
Floating interest of 2.50% per annum above the CBK discount rate and maturing on 19 April 2023	27,850	27,850	27,850
Fixed interest of 6% per annum and maturing on 26 July 2023	14,900	14,900	14,900
Floating interest of 2.75% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 26 July 2023	25,100	25,100	25,100
Floating interest of 3.95% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 9 March 2026	69,362	69,299	69,278
Fixed interest of 6% per annum and maturing on 9 March 2026	29,868	29,841	29,832
	<u>497,346</u>	<u>496,974</u>	<u>298,020</u>
Less: inter-group eliminations	<u>(23,050)</u>	<u>(24,000)</u>	<u>-</u>
	<u><u>474,296</u></u>	<u><u>472,974</u></u>	<u><u>298,020</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

7 MEDIUM TERM NOTES

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
	KD 000's	KD 000's	KD 000's
<i>Euro medium term notes (EMTN) issued by the Parent Company through a SPE:</i>			
Fixed rate notes amounting to US\$ 233 million (originally US\$ 500 million) having a term of 5 years carrying a coupon interest rate of 4.8% payable on a semi-annual basis matured and paid on 5 February 2019. The notes were listed on the London Stock Exchange.	-	70,602	70,538
Fixed rate notes amounting to US\$ 500 million having a term of 10 years maturing on 15 July 2020 and carrying a coupon interest rate of 9.375% payable on a semi-annual basis. The notes are listed on the London Stock Exchange.	151,793	151,213	151,048
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.	152,025	151,650	151,550
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.	148,605	147,956	147,766
<i>Issued by subsidiaries through SPEs:</i>			
Fixed rate notes amounting to US\$ 500 million having a term of 5 years maturing on 14 September 2021 and carrying a coupon interest rate of 3.125%. The notes are listed on the Irish Stock Exchange.	151,446	150,852	150,678
	603,869	672,273	671,580
Less: inter-group eliminations	(912)	(7,293)	(7,299)
	602,957	664,980	664,281

Subsequent to the reporting period, on 29 October 2019, the Parent Company issued a new fixed rate notes of US\$ 500 million having a term of 7 years maturing on 29 October 2026 and carrying a coupon interest rate of 4.229% per annum payable on a semi annual basis.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

8 SHAREHOLDERS' EQUITY, TREASURY SHARES, RESERVES AND APPROPRIATIONS AND PERPETUAL CAPITAL SECURITIES

a) Share capital

	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
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) *	200,000	154,725	154,725

* This comprises 1,502,369,362 shares (31 December 2018: 1,049,620,700 shares and 30 September 2018: 1,049,620,700 shares) which are fully paid up in cash, whereas 497,630,638 shares (31 December 2018: 497,630,638 shares and 30 September 2018: 423,952,003 shares) were issued as bonus shares.

b) Share premium

The share premium is not available for distribution.

c) Treasury shares

	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
Number of treasury shares	187,459,660	146,921,701	151,851,851
Percentage of capital	9.37%	9.50%	9.81%
Market value (KD 000's)	41,241	30,560	31,889

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

d) Dividend

On 10 April 2019 the Annual General Assembly of shareholders approved the distribution of cash dividend of 12 fils per share for the year ended 31 December 2018 (for the year ended 31 December 2017: 10 fils per share) and stock dividend of Nil (for the year ended 31 December 2017: 5%) to the Parent Company's shareholders on record as at the record date.

e) Capital Increase

On 12 June 2019, the Board of Directors of the Parent Company passed a resolution to increase the Parent Company's capital through the issuance of 452,748,662 shares at an offer price of 210 fils per share which includes a nominal value of 100 fils per share and a share premium of 110 fils per share, after obtaining necessary approvals from regulatory bodies. The rights issue has been fully subscribed resulting in increase in share capital of KD 45,275 thousand and share premium of KD 49,802 thousand.

f) Perpetual Capital securities issued by a subsidiary of the Group

On 02 July 2019, one of the subsidiaries of the Group i.e. Burgan Bank S.A.K ("BB") issued new Perpetual Tier 1 Capital Securities of USD 500,000 thousand. The new Perpetual Tier 1 Capital Securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 5.75% and are eligible as Tier 1 capital under the Kuwait Basel III regulations.

The issuance was part of a wider financing exercise and was undertaken in conjunction with a tender offer on the BB existing USD 500,000 thousand Perpetual Tier 1 Capital Securities, after which BB accepted USD 230,185 thousand worth of securities for purchase at 100.85% of their nominal value and the balance Tier 1 securities amounting to USD 269,815 thousand were redeemed together with interest accrued on its first call date of 30 September 2019. Premium paid on the tender buy-back along with the foreign exchange translation were recorded in the interim condensed consolidated statement of changes in equity for the period.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

9 INVESTMENT INCOME

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 KD 000's</i>	<i>2018 KD 000's</i>	<i>2019 KD 000's</i>	<i>2018 KD 000's</i>
Gain on sale of financial assets at fair value through profit or loss	1,611	2,548	2,509	3,351
Unrealised gain (loss) on financial assets at fair value through profit or loss	2,088	(369)	5,296	347
Gain (loss) on sale of debt instruments at fair value through other comprehensive income	2,996	(155)	5,526	(871)
Dividend income	517	5,615	5,266	13,619
Loss on sale of investment properties	-	-	(96)	(125)
Gain on sale of investment in associates	-	-	-	176
Bargain gain on acquisition of a subsidiary	-	1,108	-	1,108
	<u>7,212</u>	<u>8,747</u>	<u>18,501</u>	<u>17,605</u>

10 EARNINGS (LOSS) PER SHARE

Basic:

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 KD 000's</i>	<i>(Restated) * 2018 KD 000's</i>	<i>2019 KD 000's</i>	<i>(Restated) * 2018 KD 000's</i>
<i>Earnings:</i>				
Profit for the period attributable to the equity holders of the Parent Company from continuing operations	9,179	11,512	22,756	43,341
Loss for the period attributable to the equity holders of the Parent Company from a discontinued operation	-	(3,196)	-	(22,968)
Profit for the period attributable to the equity holders of the Parent Company	9,179	8,316	22,756	20,373
Less: interest and other payments on perpetual capital securities attributable to the equity holders of the Parent Company	(7,692)	(3,520)	(11,286)	(7,124)
Profit for the period attributable to the equity holders of the Parent Company after interest and other payments on perpetual capital securities	<u>1,487</u>	<u>4,796</u>	<u>11,470</u>	<u>13,249</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

10 EARNINGS (LOSS) PER SHARE (continued)

Basic: (continued)

	Shares	Shares	Shares	Shares
<i>Number of shares outstanding:</i>				
Weighted average number of paid up shares	1,920,996,611	1,572,452,246	1,689,910,420	1,572,452,246
Weighted average number of treasury shares	(176,262,460)	(152,863,754)	(158,420,334)	(146,787,864)
Weighted average number of outstanding shares	1,744,734,151	1,419,588,492	1,531,490,086	1,425,664,382
	Fils	Fils	Fils	Fils
Basic earnings per share	0.9	3.4	7.5	9.3
Basic earnings per share from continuing operations	0.9	5.6	7.5	25.4
Basic loss per share from discontinued operation	-	(2.3)	-	(16.1)

Diluted:

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 KD 000's	(Restated) * 2018 KD 000's	2019 KD 000's	(Restated) * 2018 KD 000's
<i>Earnings:</i>				
Profit for the period attributable to the equity holders of the Parent Company from continuing operations	9,179	11,512	22,756	43,341
Loss for the period attributable to the equity holders of the Parent Company from a discontinued operation	-	(3,196)	-	(22,968)
Profit for the period attributable to the equity holders of the Parent Company	9,179	8,316	22,756	20,373
Less: interest and other payments on perpetual capital securities attributable to the equity holders of the Parent Company	(7,692)	(3,520)	(11,286)	(7,124)
Profit for the period attributable to the equity holders of the Parent Company after interest and other payments on perpetual capital securities	1,487	4,796	11,470	13,249

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

10 EARNINGS (LOSS) PER SHARE (continued)

Diluted: (continued)

	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares	<u>1,744,734,151</u>	<u>1,419,588,492</u>	<u>1,531,490,086</u>	<u>1,425,664,382</u>
	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
Diluted earnings per share	<u>0.9</u>	<u>3.4</u>	<u>7.5</u>	<u>9.3</u>
Diluted earnings per share from continuing operations	<u>0.9</u>	<u>5.6</u>	<u>7.5</u>	<u>25.4</u>
Diluted loss per share from discontinued operation	<u>-</u>	<u>(2.3)</u>	<u>-</u>	<u>(16.1)</u>

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

* Basic and diluted earnings (loss) per share for 2018 has been adjusted to reflect the adjustments of the rights issue (Note 8).

11 HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The Group designated its investments in foreign operations (i.e. investment in Panther Media Group Limited, 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 775 thousand on the retranslation of this borrowing are transferred to interim condensed consolidated statement of comprehensive income to offset any losses on translation of the net investments in the foreign operations. There is no ineffectiveness during the period ended 30 September 2019.

Burgan Bank has entered into a forward foreign exchange contract 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 30 September 2019

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>KD 000's</i>	<i>Associates</i> <i>KD 000's</i>	<i>Others</i> <i>KD 000's</i>	<i>Total (Audited)</i>		
				<i>30 September 2019</i> <i>KD 000's</i>	<i>31 December 2018</i> <i>KD 000's</i>	<i>30 September 2018</i> <i>KD 000's</i>
<i>Interim condensed consolidated statement of financial position:</i>						
Cash in hand and at banks	-	-	11,858	11,858	-	-
Loans and advances *	-	35,345	311,275	346,620	367,414	358,118
Other assets	2,211	1,605	566	4,382	3,640	3,708
Due to banks and other financial institutions *	-	11,585	25,437	37,022	35,528	55,662
Deposits from customers *	22,281	11,992	32,535	66,808	93,175	119,184
Medium term notes	-	3,041	-	3,041	3,033	3,031
Other liabilities	458	29	14,599	15,086	62,635	61,701
Perpetual capital securities	-	1,509	906	2,415	2,415	2,415
<i>Commitments and contingent liabilities:</i>						
Letter of credit	-	3,739	1,610	5,349	6,994	57
Guarantees	25	53,383	48,423	101,831	79,978	84,661
				<i>Nine months ended 30 September</i>		
	<i>Major shareholder</i> <i>KD 000's</i>	<i>Associates and joint venture</i> <i>KD 000's</i>	<i>Others</i> <i>KD 000's</i>	<i>2019</i> <i>KD 000's</i>	<i>2018</i> <i>KD 000's</i>	
<i>Transactions:</i>						
Interest income	3,316	1,013	6,157	10,486	11,807	
Dividend income	-	-	1,598	1,598	9,945	
Fee and commission income	66	1,050	821	1,937	8,163	
Interest expense	2,808	585	359	3,752	4,972	

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

13 SEGMENT INFORMATION

On 8 August 2018 the Board of Directors of the Parent Company approved initiating an active plan to divest its stake in Panther Media Group Limited, a media segment. Accordingly, for management purposes, the Group reorganised its media segment as discontinued operation in accordance with IFRS 5 (Note 17) and others are organised into six main business segments based on internal reporting provided to the chief operating decision maker as follows:

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

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

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

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

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

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

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

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

	<i>Nine months ended 30 September</i>			
	<i>2019</i>		<i>2018</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	390,617	102,200	411,914	130,725
Asset management and investment banking	39,380	(42,288)	32,690	(39,879)
Insurance	4,932	4,932	5,316	5,316
Industrial	31,553	6,734	26,071	3,939
Hospitality and real estate	95,064	2,526	76,978	(2,380)
Others	35,170	(1,601)	39,921	2,324
Inter-segmental eliminations	(41,632)	(725)	(31,970)	(6,550)
Segment revenues and results	<u>555,084</u>	<u>71,778</u>	<u>560,920</u>	<u>93,495</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

13 SEGMENT INFORMATION (continued)

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

	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>(Restated) 30 September 2018</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Assets:			
Commercial banking	8,246,732	8,708,774	8,271,852
Asset management and investment banking	742,292	795,279	744,092
Insurance	78,150	73,174	71,622
Industrial	300,396	278,966	263,009
Hospitality and real estate	977,951	970,290	899,184
Others	282,598	291,009	259,048
Inter-segmental eliminations	(981,037)	(934,485)	(825,337)
Assets held for sale	201,651	187,304	181,689
Total assets	9,848,733	10,370,311	9,865,159
Liabilities:			
Commercial banking	7,251,491	7,754,344	7,406,603
Asset management and investment banking	1,307,233	1,294,011	1,173,229
Industrial	133,158	138,145	112,650
Hospitality and real estate	670,038	675,398	589,170
Others	199,263	205,692	193,425
Inter-segmental eliminations	(816,714)	(707,914)	(645,415)
Total liabilities	8,744,469	9,359,676	8,829,662

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 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Credit related commitments:			
Letters of credit	245,609	332,348	314,745
Guarantees & Acceptances	1,012,118	974,017	957,099
	1,257,727	1,306,365	1,271,844
Undrawn lines of credit	762,226	656,263	728,560
Investment related commitments	117,808	88,173	110,409
	2,137,761	2,050,801	2,110,813

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

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.

	<i>30 September 2019 KD 000's</i>	<i>(Audited) 31 December 2018 KD 000's</i>	<i>30 September 2018 KD 000's</i>
Derivatives held for trading:			
<i>(including non-qualifying hedges)</i>			
Forward foreign exchange contracts	1,153,543	938,513	1,046,643
Interest rate swaps	208,817	269,553	288,607
Options	66,648	220,446	495,404
	<u> </u>	<u> </u>	<u> </u>
Derivatives held for hedging:			
Fair value hedges:			
Forward foreign exchange contracts	215,586	293,282	217,243
Interest rate swaps	-	106,155	106,085
	<u> </u>	<u> </u>	<u> </u>
Cash flow hedges:			
Interest rate swaps	300,645	299,963	270,288
	<u> </u>	<u> </u>	<u> </u>

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 625,768 thousand (31 December 2018: KD 655,883 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.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	<i>Level 1 KD 000's</i>	<i>Level 2 KD 000's</i>	<i>Level 3 KD 000's</i>	<i>Total fair value KD 000's</i>
30 September 2019				
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	13,112	-	1,184	14,296
Debt securities	5,043	-	-	5,043
Managed funds	319	14,593	121,925	136,837
Forfeiting assets	-	-	112,983	112,983
	<u>18,474</u>	<u>14,593</u>	<u>236,092</u>	<u>269,159</u>
<i>Financial assets at fair value through other comprehensive income:</i>				
Equities	31,203	36,895	38,108	106,206
Debt securities	131,004	4,918	7,000	142,922
	<u>162,207</u>	<u>41,813</u>	<u>45,108</u>	<u>249,128</u>
	<i>Level 1 KD 000's</i>	<i>Level 2 KD 000's</i>	<i>Level 3 KD 000's</i>	<i>Total fair value KD 000's</i>
31 December 2018				
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	10,846	-	7,723	18,569
Debt securities	2,832	-	-	2,832
Managed funds	-	13,199	125,133	138,332
Forfeiting assets	-	-	105,332	105,332
	<u>13,678</u>	<u>13,199</u>	<u>238,188</u>	<u>265,065</u>
<i>Financial assets at fair value through other comprehensive income:</i>				
Equities	32,709	34,790	53,874	121,373
Debt securities	118,291	6,020	8,000	132,311
	<u>151,000</u>	<u>40,810</u>	<u>61,874</u>	<u>253,684</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

30 September 2018	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total fair value KD 000's
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	2,107	-	1,155	3,262
Debt securities	3,907	-	-	3,907
Managed funds	4,656	14,426	137,948	157,030
Forfeiting assets	-	-	87,759	87,759
	<u>10,670</u>	<u>14,426</u>	<u>226,862</u>	<u>251,958</u>
<i>Financial assets at fair value through other comprehensive income:</i>				
Equities	32,150	42,012	58,591	132,753
Debt securities	109,974	6,330	8,149	124,453
	<u>142,124</u>	<u>48,342</u>	<u>66,740</u>	<u>257,206</u>

There were no material transfers between the levels during the period. The impact on the interim condensed consolidated statement of financial position or the interim condensed 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%.

17 DISCONTINUED OPERATION

The Group's investment in a media joint venture consists of interest in Panther Media Group Limited ("PMGL") known as "OSN", a jointly controlled entity incorporated in Dubai and registered in the Dubai International Financial Centre, engaged in providing satellite encrypted pay television services across the Middle East and North Africa region.

The Group had accounted for its interest in PMGL using the equity method. On 8 August 2018, the Board of Directors of the Parent Company approved initiating an active plan to divest its entire interest in PMGL. The Group has engaged an international investment banker for this purpose. As a result, the investment in a media joint venture has been classified as "Assets held for sale" in accordance with IFRS 5 - Non-current Assets held for sale and discontinued operations ("IFRS 5") and the Group is committed to divest its interest and actively engaged with the investment bankers and accordingly continue to classify as Assets held for sale in the interim condensed consolidated statement of financial position for the period ended 30 September 2019.

The business of OSN represented the entirety of the Group's media operating segment in accordance with IFRS 5. The results of PMGL for the period are presented below:

	<i>Three months ended 30 September 2018 *</i>	<i>Nine months ended 30 September 2018 *</i>
	KD 000's	KD 000's
Income	12,377	92,535
Expenses	(17,666)	(130,549)
Loss for the period from discontinued operation	<u>(5,289)</u>	<u>(38,014)</u>
Total comprehensive loss for the period from discontinued operation	<u>(5,288)</u>	<u>(38,084)</u>
Group's share of loss for the period from discontinued operation	<u>(3,196)</u>	<u>(22,968)</u>
Group's share of total comprehensive loss for the period from discontinued operation	<u>(3,195)</u>	<u>(23,010)</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

17 DISCONTINUED OPERATION (continued)

The following table summarizes the carrying value of the Group's share of investment in a media joint venture and assets held for sale.

	<i>30 September 2019 *</i> <i>KD 000's</i>	<i>31 December 2018 *</i> <i>KD 000's</i>	<i>30 September 2018</i> <i>KD 000's</i>
Current assets	90,983	90,698	90,698
Non-current assets	428,711	427,372	427,372
Current liabilities	(134,303)	(133,884)	(133,884)
Non-current liabilities	(58,458)	(58,276)	(58,276)
Equity	<u>326,933</u>	<u>325,910</u>	<u>325,910</u>
Group's carrying value as assets held for sale	<u>201,651</u>	<u>187,304</u>	<u>181,689</u>

* Represents activity until 8 August 2018, prior to the classification as assets held for sale & discontinued operation and subsequent movement in carrying value is due to foreign currency translation and capital contribution.