

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

**RSM Albazie & Co.**

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## **INDEPENDENT AUDITOR'S REPORT**

The Shareholders  
Kuwait Projects Company Holding K.S.C.P.  
State of Kuwait

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Kuwait Projects Company Holding K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

## **Key Audit Matters (continued)**

### *Expected credit losses (ECL) on loans and advances*

Loans and advances of the Group's commercial banking subsidiaries represent a significant part of the total assets. The implementation of IFRS 9: Financial Instruments (IFRS 9) significantly changed the approach to determine the provisions against financial assets and incorporated a more forward-looking approach to determine the recoverability of the financial assets. Recognition of ECL under IFRS 9, is a complex accounting policy, which requires considerable judgement in its application. ECL is dependent on management's judgement in assessing significant increase in credit risk on initial recognition and significant increase in credit risk subsequently at reporting date for classification of credit facilities into various stages, determining when a default has occurred, review of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral.

Due to the significance of credit facilities, the related estimation uncertainty and judgements applied and the Group's exposure to loans and advances forming a major portion of the Group's assets, ECL for loans and advances is considered as a key audit matter. The estimation uncertainty relating to this matter was further heightened due to the ongoing economic impact of Covid-19.

As part of our audit of the commercial banking subsidiaries our audit procedures included:

- Gaining an understanding of the Group's key credit processes comprising granting, booking, monitoring and provisioning and testing the key controls over these processes;
- We obtained the understanding of the design and tested the relevant controls over ECL model, including model build and approval, ongoing monitoring / validation, model governance and arithmetical accuracy. We have also checked completeness and accuracy of the data used and the reasonableness of the management assumptions;
- We understood and assessed the significant modeling assumptions for exposures as well as overlays with a focus on:
  - Key modeling assumptions adopted by the Group; and
  - Basis for and data used to determine overlays.
- We assessed:
  - the Group's IFRS 9 based impairment provisioning policy including significant increase in credit risk criteria with the requirements of IFRS 9;
  - the Group's ECL modelling techniques and methodology against the requirements of IFRS 9; and
  - the soundness of the Group's loan grading processes and mathematical integrity of the models.



## **Key Audit Matters (continued)**

### **Expected credit losses (ECL) on loans and advances (continued)**

- For a sample of exposures, we performed procedures to evaluate:
  - Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL;
  - We have checked appropriateness of the Group's staging criteria, exposure at Default ("EAD") Probability of Default ("PD") and Loss Given Default ("LGD") including the eligibility and value of collateral considered in the ECL models used by the Group and the overlays considered by the management in view of the ongoing Covid-19 pandemic, in order to determine ECL.
  - Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and
  - ECL calculation.
- For forward looking information used by the Group's management in its ECL calculations, we held discussions with management and checked internal approvals by management for the economic outlook post consideration of Covid-19 pandemic continuous impact used for purposes of calculating ECL.

We further considered the adequacy of the disclosures in the consolidated financial statements in relation to impairment of loans and advances as required under IFRS 9. Refer to the critical accounting estimates, judgements and disclosures and risk management objectives and policies including Covid-19 pandemic of loans and advances in Note 2.6, 5 and 30.7 of the consolidated financial statements.

### **Impairment testing of investment in associates**

The Group has interests in number of associates which are significant to the Group's consolidated financial statements. The Group's carrying value of its investments in Qurain Petrochemical Industries Company K.S.C.P. ("QPIC") and Gulf Insurance Group K.S.C.P. ("GIG") are significantly higher than the proportion of equity attributable to Group's ownership interest in these associates. The investment in associates are accounted for using the equity method of accounting and considered for impairment in case of indication of impairment. Significant management judgement is required in determining whether there are any indications of impairment and in estimating the recoverable amounts of the investment in associates based on the value in use, especially due to the Covid-19 pandemic continuous impact. Accordingly, we considered this as a key audit matter.

We carried out procedures to understand management's process for identifying impairment triggers such as significant adverse changes in the technological, market, economic, or legal environment in which the investee operates, structural changes in the industry in which the investee operates, changes in the political or legal environment affecting the investee's business and changes in the investee's financial condition including the continuous impact of Covid-19 pandemic in the underlying associates. Our audit procedures included, amongst others, assessing the appropriateness of the recoverable amounts determined by management and the methods used.

We also assessed the adequacy of the Group's disclosure in Note 9 of the consolidated financial statements.

## **Key Audit Matters (continued)**

### **Impairment testing of goodwill and intangible assets**

Impairment testing of goodwill and intangible assets performed by the management was significant to our audit because the assessment of the recoverable amount of goodwill and intangible assets under the value-in-use basis is complex and requires considerable judgment on the part of management. Estimates of future cash flows are based on management's views of variables such as the interest margins, discount rates, market share assumptions, projected growth rates and economic conditions such as the economic growth and expected inflation rates, which have been impacted by continuous impact of the Covid-19 pandemic. We considered this area to be a key audit matter.

- As part of our audit procedures, we assessed the knowledge and expertise of the management of the Group to perform such valuations and obtained management's impairment calculations and key assumptions, including profit forecasts and basis of selection of growth rates and discount rates.
- We involved our valuation experts to assist us in evaluating the appropriateness of the valuation model and testing key assumptions used in the impairment analysis, such as the discount rate and terminal growth rate, considering Covid-19 pandemic continuous impact.
- We reviewed the sensitivity analysis performed by management around key assumptions noted above and the outcomes of the assessment. Future cash flow assumptions were also reviewed through comparison to current trading performance considering the historical consistency and the understanding of the reasons for growth profiles used, including consideration of the continuous impacts of the Covid-19 pandemic.

Furthermore, we assessed the adequacy of the Group's disclosures included in Note 11 of the consolidated financial statements related to those assumptions. The Group's policy on impairment testing is disclosed in Note 2 of the consolidated financial statements.

### **Valuation of investment properties**

Investment properties are significant to the Group's consolidated financial statements. The management determines the fair value of its investment properties and uses external appraisers to support the valuation. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions, such as average net initial yield, reversionary yield, inflation rate, vacancy rates, growth in rental rates, market knowledge and historical transactions.

This clause highlights that less certainty, and consequently a higher degree of caution, should be associated to the valuation as a result of the continuous impact of Covid-19 pandemic. This represents a significant estimate uncertainty in relation to the valuation of investment properties.

Given the size, complexity and impact of ongoing Covid-19 pandemic on the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we considered this as a key audit matter.



## **Key Audit Matters (continued)**

### **Valuation of investment properties (continued)**

Our audit procedures included, amongst others:

- We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations.
- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis.
- Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.
- We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of investment properties. We also assessed the adequacy of the disclosures relating to the assumptions and sensitivity of such assumptions in Note 10 of the consolidated financial statements.

### **Purchase Price Allocation (PPA)**

As disclosed in Note 3 of the consolidated financial statements, during the year ended 31 December 2021, the Group finalized the Purchase Price Allocation (“PPA”) exercise of the business combination of Panther Media Group Limited (“PMGL”) that was concluded during the year ended 31 December 2020 which resulted in a provisional goodwill of KD 346,193 thousand. The purchase consideration for the business acquisition is allocated to the assets and liabilities acquired at fair value at the date of acquisition, including identifiable intangible assets such as customer relationship and trade name amounting to KD 24,588 thousand and KD 32,018 thousand respectively, with the residual purchase consideration balance of KD 296,608 thousand recorded as goodwill.

The PPA exercise has been performed by the management through an external expert and this requires a significant amount of management estimation, particularly in relation to the identification and valuation of intangible assets and assignment of their useful lives, and also in the estimation of future cash flows which are based on the views of the management on variables such as growth rates, discount rates, economic conditions, such as economic growth and expected inflation rates.

We focused in this area due to the significance of the acquisition to the Group’s consolidated financial statements, the inherent complexities in accounting for business acquisition, and the judgement applied by the management in identifying and determining the fair value of the assets and liabilities acquired, including the separately identifiable intangible assets.

**Key Audit Matters (continued)****Purchase Price Allocation (PPA)(continued)**

Our audit procedures included, amongst others:

- Assessing the professional competence of the external experts, assessing the appropriateness and completeness of the intangible assets identified by the management.
- Assessing the appropriateness of the valuation model used, evaluating the key inputs and assumptions used in the valuation and involving our internal valuation specialists in evaluating the methodologies and key assumptions, including the discount rates, used in the valuation of the assets and liabilities acquired.
- Evaluated the appropriateness of the related disclosures provided in Note 3 of the consolidated financial statements.

**Other information included in the Group's 2021 Annual Report**

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.



### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

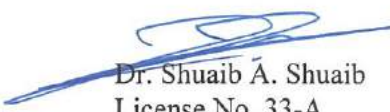
From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements included in the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no 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, have occurred during the year ended 31 December 2021, that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

State of Kuwait  
29 March 2022

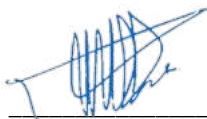
  
Dr. Shuaib A. Shuaib  
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RSM Albazie & Co.

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

			(Restated) *
	Notes	2021 KD 000's	2020 KD 000's
<b>ASSETS</b>			
Cash in hand and at banks	4	1,296,911	1,346,865
Treasury bills, bonds and other debt securities		584,227	500,770
Loans and advances	5	4,791,444	4,945,497
Financial assets at fair value through profit or loss	6	266,945	252,208
Financial assets at fair value through other comprehensive income	7	420,547	391,927
Other assets	8	930,774	815,808
Properties held for trading		120,817	118,353
Investment in associates	9	345,843	351,781
Investment properties	10	487,722	624,258
Property, plant and equipment		378,193	396,442
Intangible assets	11	556,346	607,339
<b>TOTAL ASSETS</b>		<b>10,179,769</b>	<b>10,351,248</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions		1,230,089	1,271,941
Deposits from customers		5,198,902	5,160,158
Loans payable	12	922,103	744,113
Bonds	13	433,826	631,977
Medium term notes	14	450,113	601,257
Other liabilities	15	920,635	1,048,409
<b>Total liabilities</b>		<b>9,155,668</b>	<b>9,457,855</b>
<b>Equity</b>			
Share capital	16	264,000	200,000
Share premium	16	68,913	52,913
Treasury shares	16	(95,258)	(93,151)
Statutory reserve	16	107,562	106,821
Voluntary reserve	16	76,546	76,546
Cumulative changes in fair values		(10,544)	(19,287)
Revaluation surplus	2.2	24,526	-
Foreign currency translation reserve		(140,955)	(131,138)
Employee stock option plan reserve	17	1,367	2,067
Other reserve		(18,254)	(20,708)
Retained earnings		37,630	21,842
<b>Equity attributable to equity holders of the Parent Company</b>		<b>315,533</b>	<b>195,905</b>
Perpetual capital securities	16	153,332	153,332
Non-controlling interest		555,236	544,156
<b>Total equity</b>		<b>1,024,101</b>	<b>893,393</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,179,769</b>	<b>10,351,248</b>



Faisal Hamad Al- Ayyar  
Vice Chairman

\* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2020 and reflect adjustments made as detailed in Note 3.

The attached notes 1 to 33 form part of these consolidated financial statements.



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

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

		2021 KD 000's	(Restated) * 2020 KD 000's
	Notes		
<b>Continuing operations:</b>			
<b>Income:</b>			
Interest income		306,556	328,398
Investment income	19	63,254	86,135
Fees and commission income	20	62,985	56,408
Share of results of associates		32,592	17,772
Share of results from a media joint venture		-	(6,101)
Media and digital satellite network services income		97,526	85,485
Hospitality and real estate income		88,181	101,346
Manufacturing and distribution income		7,891	9,837
Other income		35,659	31,888
Foreign exchange gain		16,425	12,871
		<b>711,069</b>	<b>724,039</b>
<b>Expenses:</b>			
Interest expense		210,116	229,148
Media and digital satellite network services expenses		99,472	99,131
Hospitality and real estate expenses		65,644	83,581
Manufacturing and distribution expenses		6,113	8,369
General and administrative expenses	21	177,516	160,918
Depreciation and amortization		28,325	27,911
		<b>587,186</b>	<b>609,058</b>
<b>Operating profit from continuing operations before provisions and Directors' remuneration</b>		<b>123,883</b>	<b>114,981</b>
Provision for credit losses	5&27	(74,169)	(65,385)
Provision for impairment of non-financial assets	29	(30,905)	(46,283)
Board of Directors' remuneration	24	(220)	(220)
<b>Profit from continuing operations before taxation</b>		<b>18,589</b>	<b>3,093</b>
Taxation	22	(9,357)	(3,081)
<b>Profit for the year from continuing operations</b>		<b>9,232</b>	<b>12</b>
<b>Discontinued operations:</b>			
Profit from discontinued operation	25	1,997	2,539
<b>Profit for the year</b>		<b>11,229</b>	<b>2,551</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		7,195	1,135
Non-controlling interest		4,034	1,416
		<b>11,229</b>	<b>2,551</b>
		<i>Fils</i>	<i>Fils</i>
<b>EARNINGS (LOSS) PER SHARE:</b>			
Basic – attributable to equity holders of the Parent Company	23	0.7	(2.5)
Diluted – attributable to equity holders of the Parent Company	23	0.7	(2.5)
<b>EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS:</b>			
Basic - attributable to the equity holders of the Parent Company	23	0.1	(3.3)
Diluted – attributable to equity holders of the Parent Company	23	0.1	(3.3)

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2020 and reflect adjustments made as detailed in Note 3 and Note 25.

The attached notes 1 to 33 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<b>2021</b>	<i>(Restated)*</i>
	<b>KD 000's</b>	<b>2020</b>
		<b>KD 000's</b>
<b>Profit for the year</b>	<b>11,229</b>	2,551
<b>Other comprehensive income (loss)</b>		
<i>Items that will not be reclassified subsequently to consolidated income statement:</i>		
Net change in fair value of equity instruments at fair value through other comprehensive income	<b>5,739</b>	(13,801)
Share of other comprehensive loss from associates	<b>(1,356)</b>	(9,072)
	<b>4,383</b>	(22,873)
<i>Items that are or will be reclassified subsequently to consolidated income statement:</i>		
Debt instruments at fair value through other comprehensive income:		
Net change in fair value during the year	<b>(1,396)</b>	6,924
Changes in allowance for expected credit losses	<b>(172)</b>	111
Net transfer to consolidated income statement	<b>(385)</b>	(8,589)
Changes in fair value of cash flow hedge	<b>7,921</b>	1,417
Revaluation surplus	<b>41,648</b>	-
Net foreign currency translation adjustment	<b>(27,162)</b>	(39,093)
	<b>20,454</b>	(39,230)
<b>Other comprehensive income (loss) for the year</b>	<b>24,837</b>	(62,103)
<b>Total comprehensive income (loss) for the year</b>	<b>36,066</b>	(59,552)
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>31,259</b>	(28,963)
Non-controlling interest	<b>4,807</b>	(30,589)
	<b>36,066</b>	(59,552)

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2020 and reflect adjustments made as detailed in Note 3.



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

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

			(Restated) *
	Notes	2021 KD 000's	2020 KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation from continuing operations		18,589	3,093
Profit from discontinued operation		1,997	2,539
Profit before taxation		20,586	5,632
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>			
Interest income		(306,556)	(328,398)
Investment income	19	(63,254)	(86,135)
Loss on disposal of discontinued operation	25	37	-
Share of results of associates		(32,592)	(17,772)
Share of results from a media joint venture		-	6,101
Interest expense		210,116	229,148
Depreciation and amortization		28,325	27,911
Provision for credit losses	5&27	74,169	65,385
Provision for impairment of non-financial assets		30,905	46,283
Net results from discontinued operation	25	2,188	3,138
Foreign exchange loss on loans payable and medium-term notes		194	2,686
Provision for employee stock option plan	17	508	914
		(35,374)	(45,107)
<i>Changes in operating assets and liabilities:</i>			
Deposits with original maturities exceeding three months		(5,601)	(25,513)
Treasury bills, bonds and other debt securities		(131,312)	9,542
Loans and advances		84,257	109,176
Financial assets at fair value through profit or loss		26,090	43,567
Financial assets at fair value through other comprehensive income		(32,888)	(76,528)
Other assets		(62,607)	(39,823)
Properties held for trading		3,461	4,248
Due to banks and other financial institutions		(41,731)	(153,124)
Deposits from customers		89,245	77,000
Other liabilities		(87,741)	21,065
Dividends received	19	1,969	3,117
Interest received		284,889	348,624
Interest paid		(224,420)	(276,155)
Taxation paid		(7,473)	(13,277)
Net cash flows used in operating activities		(139,236)	(13,188)
<b>INVESTING ACTIVITIES</b>			
Net movement in investment properties		12,466	(3,800)
Net movement in investment in associates		(14,548)	491
Dividends received from associates		15,328	9,535
Net cashflow from disposal of a subsidiary	24	(2,117)	-
Net cash flow from disposal of a discontinued operation	25	35,751	-
Net cash flows from investing activities		46,880	6,226
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of rights shares	16	76,051	-
Proceeds from (repayment of) loans payable, net		297,669	(26,367)
Repayment of medium term notes, net		(150,955)	(153,900)
(Repayment of) proceeds from bonds, net		(199,382)	155,467
Purchase of treasury shares		-	(1,181)
Proceeds from sale of treasury shares		491	1,216
Interest payment on perpetual capital securities		(9,106)	(9,111)
Dividends paid to equity holders of the Parent Company		(9,045)	(17,963)
Dividends paid to non-controlling interest		(5,133)	(14,683)
Movement in non-controlling interest		64,955	(5,630)
Net cash flows from (used in) financing activities		65,545	(72,152)
Net foreign exchange difference		(23,744)	(36,417)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(50,555)	(115,531)
Cash and cash equivalents as at 1 January		1,456,005	1,571,536
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	4	1,405,450	1,456,005

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2020 and reflect adjustments made as detailed in Note 3.

The attached notes 1 to 33 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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	Revaluation surplus 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 31 December 2020 (as previously stated)	200,000	52,913	(93,151)	106,821	76,546	(19,287)	-	(131,138)	2,067	(21,398)	27,255	200,628	153,332	538,559	892,519
Restatement (Note 3) *	-	-	-	-	-	-	-	-	-	690	(5,413)	(4,723)	-	5,597	874
As at 1 January 2021 (restated) *	200,000	52,913	(93,151)	106,821	76,546	(19,287)	-	(131,138)	2,067	(20,708)	21,842	195,905	153,332	544,156	893,393
Profit for the year	-	-	-	-	-	-	-	-	-	-	7,195	7,195	-	4,034	11,229
Other comprehensive income (loss)	-	-	-	-	-	9,816	24,742	(10,494)	-	-	-	24,064	-	773	24,837
Total comprehensive income (loss)	-	-	-	-	-	9,816	24,742	(10,494)	-	-	7,195	31,259	-	4,807	36,066
Issue of right shares (Note 16)	64,000	16,000	(3,949)	-	-	-	-	-	-	-	-	76,051	-	-	76,051
Sale of treasury shares	-	-	1,842	-	-	-	-	-	-	-	(844)	998	-	(507)	491
Dividends for 2020 at 5 fils per share (Note 16)	-	-	-	-	-	-	-	-	-	-	(9,063)	(9,063)	-	-	(9,063)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,133)	(5,133)
Employees' share based payment	-	-	-	-	-	-	-	-	(700)	-	-	(700)	-	-	(700)
Transfer related to disposal group held for sale	-	-	-	-	-	128	-	677	-	(805)	-	-	-	-	-
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	(1,201)	-	-	-	-	1,201	-	-	-	-
Transfer of depreciation related to property, plant and equipment carried at revaluation	-	-	-	-	-	-	(216)	-	-	-	216	-	-	-	-
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(5,838)	(5,838)	-	(3,268)	(9,106)
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	-	3,259	23,662	26,921	-	15,181	42,102
Transfer to statutory reserve	-	-	-	741	-	-	-	-	-	-	(741)	-	-	-	-
<b>As at 31 December 2021</b>	<b>264,000</b>	<b>68,913</b>	<b>(95,258)</b>	<b>107,562</b>	<b>76,546</b>	<b>(10,544)</b>	<b>24,526</b>	<b>(140,955)</b>	<b>1,367</b>	<b>(18,254)</b>	<b>37,630</b>	<b>315,533</b>	<b>153,332</b>	<b>555,236</b>	<b>1,024,101</b>

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2020 and reflect adjustments made as detailed in Note 3.

The attached notes 1 to 33 form part of these consolidated financial statements.



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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

	<i>Attributable to equity holders of the Parent Company</i>													
	<i>Share capital KD 000's</i>	<i>Share premium KD 000's</i>	<i>Treasury shares KD 000's</i>	<i>Statutory reserve KD 000's</i>	<i>Voluntary reserve KD 000's</i>	<i>Cumulative changes in fair values KD 000's</i>	<i>Foreign currency translation reserve KD 000's</i>	<i>ESOP reserve KD 000's</i>	<i>Other reserve KD 000's</i>	<i>Retained earnings KD 000's</i>	<i>Total KD 000's</i>	<i>Perpetual capital securities KD 000's</i>	<i>Non controlling interest KD 000's</i>	<i>Total equity KD 000's</i>
As at 31 December 2019 (as previously stated)	200,000	52,913	(94,427)	106,821	106,546	(9,819)	(114,986)	1,779	(14,644)	104,225	338,408	153,332	605,746	1,097,486
Restatements	-	-	-	-	-	-	-	-	-	(87,241)	(87,241)	-	(950)	(88,191)
As at 1 January 2020 (restated)*	200,000	52,913	(94,427)	106,821	106,546	(9,819)	(114,986)	1,779	(14,644)	16,984	251,167	153,332	604,796	1,009,295
Profit for the year (restated)*	-	-	-	-	-	-	-	-	-	1,135	1,135	-	1,416	2,551
Other comprehensive loss	-	-	-	-	-	(10,678)	(19,420)	-	-	-	(30,098)	-	(32,005)	(62,103)
Total comprehensive (loss) income	-	-	-	-	-	(10,678)	(19,420)	-	-	1,135	(28,963)	-	(30,589)	(59,552)
Dividends for 2019 at 10 fils per share (Note 16)	-	-	-	-	-	-	-	-	-	(18,124)	(18,124)	-	-	(18,124)
Purchase of treasury shares	-	-	(1,181)	-	-	-	-	-	-	-	(1,181)	-	-	(1,181)
Sale of treasury shares	-	-	2,457	-	-	-	-	-	-	(1,241)	1,216	-	-	1,216
Employees' share based payment	-	-	-	-	-	-	-	288	-	-	288	-	-	288
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(5,777)	(5,777)	-	(3,334)	(9,111)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(14,683)	(14,683)
Transfer to reserve for disposal group held for sale	-	-	-	-	-	75	3,268	-	(3,343)	-	-	-	-	-
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	1,135	-	-	-	(1,135)	-	-	-	-
Acquisition of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	(9,125)	(9,125)
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	(2,721)	-	(2,721)	-	(2,909)	(5,630)
Transfer of reserve to retained earnings (Note 16)	-	-	-	-	(30,000)	-	-	-	-	30,000	-	-	-	-
As at 31 December 2020 (restated)*	200,000	52,913	(93,151)	106,821	76,546	(19,287)	(131,138)	2,067	(20,708)	21,842	195,905	153,332	544,156	893,393

\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2020 and reflect adjustments made as detailed in Note 3.

The attached notes 1 to 33 form part of these consolidated financial statements.

## 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 on the Boursa Kuwait. The address of the Parent Company's registered office is P.O. Box 23982, Safat 13100 - State of Kuwait.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 29 March 2022 and are issued subject to the approval of the Annual General Assembly of the Shareholders' of the Parent Company. The Annual General Assembly of the Shareholders has the power to amend these consolidated financial statements after issuance.

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).

## 2.1 BASIS OF PREPARATION

The consolidation financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial instruments, investment properties and freehold land and buildings classified under "property, plant and equipment" that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company, and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the described below:

### Adoption of voluntary changes in accounting policy of property, plant and equipment

#### **Revaluation of Hotels class classified under "property, plant and equipment"**

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of Hotels class after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses. During the year ended 31 December 2021, the Group elected to change the method of accounting for hotels classified as property, plant and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its consolidated financial statements as it is more aligned to practices adopted by its competitors. In addition, available valuation techniques provide reliable estimates of the Hotels' fair value.

The Group applied the revaluation model prospectively and recognized a revaluation gain of KD 24,742 thousand in 2021 in revaluation surplus account within equity attributable to equity holders of the Parent Company. After initial recognition, hotels are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

### Amended standards and interpretations

The Group applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### **Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16:**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

- i) A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to interest rate, equivalent to a movement in a market rates.
- ii) Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- iii) Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

### **Amendments to IFRS 16 – Covid-19 Related Rent Concessions**

COVID-19-Related Rent Concessions, issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorized for issue at 28 May 2020.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The amendments do not have any material impact on the Group's consolidated financial statements.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group.

## 2.3 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

### **Reference to the Conceptual Framework – Amendments to IFRS 3**

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

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

## 2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

### ***Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Continued)***

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

### ***Annual Improvements to IFRS Standards 2018-2020 cycle***

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

### ***IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities***

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

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

### ***IFRS 17 – Insurance Contracts and amendments to IFRS 17***

A) In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.



## 2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

### *Annual Improvements to IFRS Standards 2018-2020 cycle (continued)*

#### **IFRS 17 – Insurance Contracts and amendments to IFRS 17 (continued)**

B) In June 2020, the IASB issued amendments to IFRS 17. These amendments follow from the Exposure Draft (ED) on proposed Amendments to IFRS 17 Insurance Contracts.

As a result of its re-deliberations, the IASB has made changes to the following main areas of IFRS 17:

- ▶ Deferral of the effective date of IFRS 17 and IFRS 9 for qualifying insurance entities by two years to annual reporting periods beginning on or after 1 January 2023)
- ▶ Scope of the standard
- ▶ Expected recovery of insurance acquisition cash flows from insurance contract renewals
- ▶ CSM relating to investment activities
- ▶ Applicability of the risk mitigation option for contracts with direct participation features
- ▶ Reinsurance contracts held - expected recovery of losses on underlying onerous contracts
- ▶ Simplified presentation of insurance contracts in the statement of financial position
- ▶ Additional transition reliefs

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

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

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

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

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. These amendments do not expect to have material impact on the Group's consolidated financial statements.

#### ***Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates***

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. These amendments do not expect to have material impact on the Group's consolidated financial statements.

## 2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

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

## 2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee, and
- ▶ The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary
- ▶ Derecognises the carrying amount of any non-controlling interests
- ▶ Derecognises the cumulative translation differences recorded in equity
- ▶ Recognises the fair value of the consideration received
- ▶ Recognises the fair value of any investment retained
- ▶ Recognises any surplus or deficit in consolidated income statement
- ▶ Reclassifies the parent's share of components previously recognised in OCI to consolidated income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 2.4 BASIS OF CONSOLIDATION (continued)

The subsidiaries of the Group are as follows:

Name of company	Country of incorporation	Principal activities	Effective interest as at	
			31 December *	
			2021	2020
<b>Directly held</b>				
United Gulf Holding Company B.S.C (“UGH”)	Bahrain	Holding Company	<b>90.56%</b>	93.26%
Burgan Bank S.A.K. (“Burgan”)	Kuwait	Banking	<b>62.14%</b>	62.87%
United Real Estate Company K.S.C.P. (“URC”) (Note 33)	Kuwait	Real Estate	<b>73.63%</b>	73.88%
United Industries Company K.S.C. (Closed) (“UIC”)	Kuwait	Industrial	<b>79.48%</b>	78.63%
Overland Real Estate Company W.L.L. (“Overland”)	Kuwait	Real estate	<b>88.82%</b>	88.58%
Pulsar Knowledge Centre	India	Consultancy	<b>100.00%</b>	100.00%
United Gulf Management Incorporation	USA	Asset management	<b>100.00%</b>	100.00%
United Gulf Management Limited	United Kingdom	Asset management	<b>100.00%</b>	100.00%
Al Rawabi United Holding Company K.S.C.C. (Holding)	Kuwait	Holding	<b>99.99%</b>	99.99%
		Pension and		
Takaful Savings & Pensions B.S.C. (a)	Bahrain	savings	-	100.00%
Kuwait United Consultancy Company K.S.C. (Closed)	Kuwait	Consultancy	<b>99.99%</b>	99.99%
		Hospitality &		
Chairman’s Club Kuwait Company K.S.C.(Closed)	Kuwait	Entertainment	<b>99.99%</b>	99.99%
		services		
Panther Media Group LTD “PMGL”	UAE	Media Pay TV	<b>69.84%</b>	86.34%
		services		
<b>Held through Group companies</b>				
United Towers Holding Company K.S.C. (Closed) (“UTHC”) (Note 33)	Kuwait	Real Estate	<b>66.85%</b>	66.85%
Ikarus United for Marine Services Company S.A.K. (Closed)	Kuwait	Marine services	<b>60.00%</b>	60.00%
North Africa Holding Company K.S.C. (Closed) (“NAH”)	Kuwait	Investments	<b>53.53%</b>	53.53%
North Africa Holding Industries Limited	Guernsey	Holding Company	<b>98.04%</b>	98.04%
United Networks Company K.S.C. (Closed) (“UNC”)	Kuwait	Satellite & media	<b>63.62%</b>	63.62%
Assoufid B.V.	Netherlands	Real estate	<b>100.00%</b>	100.00%
Mena Homes Real Estate Company K.S.C (Closed)	Kuwait	Real estate	<b>87.82%</b>	87.82%
<b>Structured entities (“SPVs”) treated as subsidiaries</b>				
Kuwait Projects Company (Cayman) (a)	Cayman Islands	Special purpose entity	-	100.00%
UBC Ventures W.L.L.	Bahrain	Special purpose entity	<b>100.00%</b>	100.00%
Kuwait Projects Company S.P.C Limited (“DIFC”)	UAE	Special purpose entity	<b>100.00%</b>	100.00%
		Special purpose		
Al Ansar United Real Estate Company S.P.C (b)	Kuwait	entity	-	100.00%

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 2.4 BASIS OF CONSOLIDATION (continued)

Name of company	Country of incorporation	Principal activities	Effective interest as at	
			31 December *	
			2021	2020
<b>Held through UGH</b>				
United Gulf Bank B.S.C. ("UGB")	Bahrain	Investment banking	100.00%	100.00%
<b>Held through UGH /UGB</b>				
KAMCO Investment Company K.S.C.P. ("KAMCO")	Kuwait	Asset management	62.92%	62.92%
FIM Bank Group ("FIM Bank")	Malta	Banking	88.89%	88.89%
Hatoon Real Estate Company W.L.L.	Kuwait	Real estate	98.00%	98.00%
Syria Gulf Investment Company	Syria	Investment banking	99.00%	99.00%
United Gulf Financial Services North Africa Holding Company "UGFS"	Tunisia	Brokerage and investment banking	83.81%	83.81%
United Gulf Financial Services "UGAS"	Tunisia	Financial Services	100.00%	100.00%
United Gulf Asset Company S.P.C	Bahrain	Asset management	100.00%	100.00%
	British Virgin Islands			
United Gulf Realty International Limited	Islands	Real estate	100.00%	100.00%
Federal Street 176 Holdings, Inc.	USA	Real estate	100.00%	100.00%
<b>Held through KAMCO</b>				
Al Zad Real Estate W.L.L.	Kuwait	Real estate	99.48%	99.48%
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	Real estate	99.80%	99.80%
First North Africa Real Estate Company W.L.L.	Kuwait	Real estate	99.79%	99.79%
KAMCO GCC Opportunistic Fund	Bahrain	Fund	90.75%	100.00%
Kuwait Private Equity Opportunities Fund	Kuwait	Fund	72.82%	72.82%
		Investment management		
KAMCO Investment Company (DIFC) Limited	UAE		100.00%	100.00%
AL Jazi Money Market fund	Kuwait	Fund	96.94%	96.94%
Nawasi United Holding Company K.S.C. (Closed)	Kuwait	Holding Company	96.00%	96.00%
Al Tadamun United Holding Company K.S.C. (Closed)	Kuwait	Holding Company	96.00%	96.00%
Buckeye Power Advisory Company LLC	USA	Advisory	47.83%	47.83%
		Investment management		
Buckeye Power Manager Limited	Jersey		100.00%	100.00%
Carnition Manager Limited	Jersey	Advisory	100.00%	100.00%
Carnition advisory company LLC	USA	Advisory	74.89%	74.89%
KAMCO Egypt Holding (DIFC) Limited (a)	UAE	Holding Company	-	100.00%
Shurooq Investment Services Holding Company SAOG (a)	Oman	Financial Services	-	76.97%
Global Investment House – Egypt (a)	Egypt	Financial Services	-	100.00%
Global Investment House B.S.C. (Closed)	Bahrain	Brokerage Services	100.00%	100.00%
First securities Brokerage Company K.S.C (Closed)	Kuwait	Brokerage Services	93.23%	93.23%
KAMCO Investment Company Saudia	Saudi Arabia	Financial Services	100.00%	100.00%
Global Investment House Company Limited	Jordan	Brokerage Services	100.00%	100.00%
		Investment management		
KAMCO GCC Investment Funds Company B.S.C.	Bahrain		99.90%	99.90%
Shurooq Securities Company LLC (a)	Oman	Financial Services	-	100.00%
United Holding Company K.S.C. (Holding)	Kuwait	Holding Company	99.98%	99.98%
		Investment management		
KAMCO Capital Partners Ltd.	Cayman Islands		100.00%	100.00%
		Investment management		
KAMCO Capital Management Ltd.	Cayman Islands		100.00%	100.00%
KAMCO Mena Plus Fixed Income Fund (OECD) Limited	UAE	Fund	57.57%	57.57%
Kubbar United Real Estate Company (SPC)	Kuwait	Real Estate	100.00%	100.00%
Plans United Real Estate Company (SPC)	Kuwait	Real Estate	100.00%	100.00%
		Investment management		
HP plaza Investors, Inc.	USA		100.00%	100.00%
HP Plaza Advisor LLC	USA	Advisory	50.00%	50.00%



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 2.4 BASIS OF CONSOLIDATION (continued)

<i>Name of company</i> <i>Held through KAMCO (continued)</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Effective interest as at 31 December *</i>	
			2021	2020
Centerstone Investor, Inc	USA	Investment management	100.00%	100.00%
Centerstone Advisor LLC	USA	Advisory	50.00%	50.00%
Lawson Lane Investor, Inc.	USA	Management services	100.00%	100.00%
Martley Holdings GP Limited	Jersey	Management services	100.00%	100.00%
Martley Finance GP Limited	Jersey	Management services	100.00%	100.00%
<b><i>Held Through FIM Bank</i></b>				
London Forfaiting Company Limited	UK	Forfaiting	100.00%	100.00%
FIM Factors B.V.	Netherlands	Holding Company IT Services	100.00%	100.00%
FIM Business Solutions Limited	Malta	Provider Property	100.00%	100.00%
FIM Property Investment Limited	Malta	Management	100.00%	100.00%
London Forfaiting International Limited	UK	Holding Company	100.00%	100.00%
London Forfaiting Americas Inc.	USA	Marketing	100.00%	100.00%
London Forfaiting do Brasil Ltd.	Brazil	Marketing	100.00%	100.00%
India Factoring and Finance Solutions Private Limited	India	Factoring	88.16%	88.16%
FIM Holdings (Chile) S.P.A.	Chile	Factoring	100.00%	100.00%
The Egyptian Company for Factoring S.A.E.	Egypt	Factoring	100.00%	100.00%
<b><i>Held through Burgan</i></b>				
Algeria Gulf Bank S.P.A. ("AGB")	Algeria	Banking	91.13%	91.13%
Bank of Baghdad P.J.S.C ("BOB") (c)	Iraq	Banking	51.79%	51.79%
Tunis International Bank S.A. ("TIB")	Tunisia	Banking	86.70%	86.70%
Baghdad Brokerage Company (c)	Iraq	Banking	51.79%	51.79%
Burgan Bank A.S. ("BBT")	Turkey	Banking	99.63%	99.56%
Burgan Finansal Kiralama A.S.	Turkey	Leasing	99.63%	99.56%
Burgan Yatirim Menkul Degerler A.S.	Turkey	Brokerage	99.63%	99.56%
Burgan Bank Financial Services Limited("BBFS")	Dubai	Financial Advisory Services	100.00%	100.00%
Burgan Senior SPC Limited	Dubai	Special Purpose entity	100.00%	100.00%
<b><i>Held through URC</i></b>				
Souk Al -Muttaheda Joint venture – Salhia	Kuwait	Real estate	92.17%	92.17%
United Building Company S.A.K. (Closed)	Kuwait	Real estate	98.00%	98.00%
United Building Company Egypt S.A.E.	Egypt	Real estate	100.00%	100.00%
Tamleek United Real Estate Company W.L.L.	Kuwait	Real estate Facilities	99.00%	99.00%
United International Project Management Company W.L.L.	Kuwait	management Facilities	96.00%	96.00%
United Facilities Management Company S.A.K. (Closed)	Kuwait	management	96.80%	96.80%
United Lebanese Real Estate Company S.A.L (Holding)	Lebanon	Real estate	99.90%	99.90%
United Areej Housing Company W.L.L.	Jordan	Real estate	100.00%	100.00%
United Kuwaiti Real Estate Development Company L.L.C	Oman	Real estate	100.00%	100.00%
Al Reef Real Estate Company S.A.O. (Closed)	Oman	Real estate	100.00%	100.00%
United Ritaj for Touristic Investment S.A.E. (Closed)	Egypt	Touristic development	100.00%	100.00%
United Facilities Development Company K.S.C (Closed)	Kuwait	Real estate	63.50%	63.50%
United Company for Investment W.L.L.	Syria	Real estate	95.00%	95.00%
United Real Estate Holding for Financial Investments	Egypt	Investment	100.00%	100.00%
Manazel United for Real Estate Investment Company S.A.E.	Egypt	Real estate	91.49%	91.49%

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 2.4 BASIS OF CONSOLIDATION (continued)

Name of company	Country of incorporation	Principal activities	Effective interest as at	
			31 December *	
			2021	2020
<b>Held through URC (continued)</b>				
Aswar United Real Estate Company S.A.E.	Egypt	Real estate	100.00%	100.00%
Al Dhiyafa Holding Company K.S.C (Closed) (Note 33)	Kuwait	Real estate	90.22%	89.58%
United Real Estate Jordan P.S.C.	Jordan	Real estate	100.00%	100.00%
Greenwich Quay Limited	Isle of Man	Real estate	100.00%	100.00%
United Real Estate Company W.L.L.	Syria	Real estate	90.00%	90.00%
Universal United Real Estate W.L.L.	Kuwait	Real estate	63.00%	63.00%
Gulf Egypt Hotels & Tourism S.A.E.	Egypt	Real estate	100.00%	100.00%
Bhamdoun United Real Estate Company S.A.L.	Lebanon	Hotel management	100.00%	100.00%
Rouche Holding Company S.A.L.	Lebanon	Real estate	100.00%	100.00%
Al Dhiyafa – Lebanon SAL (Holding Company)	Lebanon	Real estate	100.00%	100.00%
United Lebanese Real Estate Company S.A.L.	Lebanon	Real estate	100.00%	100.00%
Abdali Mall Company P.S.C.	Jordan	Real estate	100.00%	100.00%
United Facilities Management L.L.C.	Oman	Facilities management	100.00%	100.00%
UFM Facilities Management Services L.L.C.	UAE	Facilities management	100.00%	100.00%
ABM1 Building Maintenance L.L.C.	UAE	Facilities management	100.00%	100.00%
Egypt United Project Management Company W.L.L.	Egypt	Facilities management	100.00%	100.00%
Dhow Holdings Limited	Isle of Man	Real Estate	100.00%	100.00%
United Arab Facility Management L.L.C.	Jordan	Facilities management	100.00%	100.00%
Areej United for Agricultural Investment Company	Egypt	Agriculture	100.00%	100.00%
<b>Held through UIC</b>				
Kuwait National Industrial Projects Company K.S.C. (Closed)	Kuwait	Industrial Investment	99.95%	99.95%
Eastern Projects General Trading Company W.L.L.	Kuwait	Industrial Investment	99.00%	99.00%
United Gulf Industries Company W.L.L.	Saudi Arabia	Industrial Investment	95.00%	95.00%
<b>Held through UNC</b>				
Gulfsat Communications Company K.S.C. (Closed)	Kuwait	Satellite services	82.37%	82.37%
Takhatob, Company limited by shares	Cayman Islands	Communication	100.00%	100.00%
Syrian Communication Technological Company	Syria	Communication	100.00%	100.00%
Gulfsat Communication Company	Jordan	Communication	100.00%	100.00%
Gcast Media W.L.L.	Egypt	Communication	100.00%	100.00%
My TV (CY) Limited	Cyprus	Communication	100.00%	100.00%
<b>Held through Overland</b>				
Amaken United Real Estate Company K.S.C. (Closed)	Kuwait	Real estate	99.99%	99.99%
United Industrial Gas K.S.C. (Closed)	Kuwait	Industrial Investment	99.99%	99.99%
Alternative Energy Projects Company	Kuwait	Manufacturing	99.99%	99.99%
Alternative Energy Projects Company	Jordan	Manufacturing	100.00%	100.00%
AEPC Mena Sky Holding Limited (d)	UAE	Special purpose entity	100.00%	-
AEPC IBRI II Holding Limited (d)	UAE	Special purpose entity	100.00%	-
United Education Company K.S.C. (Closed) (e)	Kuwait	Education	-	63.89%
<b>Held through United Towers Holding Company</b>				
22 Project Management Company	Kuwait	Real estate	99.99%	99.99%

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 2.4 BASIS OF CONSOLIDATION (continued)

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Effective interest as at</i>	
			<i>31 December *</i>	
			<i>2021</i>	<i>2020</i>
<b><i>Held through North Africa Holding Industries Limited</i></b>				
SACEM Industries S.A.	Tunisia	Manufacturing	<b>100.00%</b>	100.00%
SACEM Service	Tunisia	Service & repairs	<b>100.00%</b>	100.00%
STE SACEM Training	Tunisia	Industrial		
SACEM International	Tunisia	Training	<b>100.00%</b>	100.00%
		Trading	<b>100.00%</b>	100.00%
		Research & development		
SACEM Smart	Tunisia	Industrial	<b>100.00%</b>	100.00%
SACEM Energy and Engineering	Tunisia	Industrial	<b>100.00%</b>	100.00%
SACEM GCC Electrical L.L.C.	UAE	Sales	<b>100.00%</b>	100.00%
SACEM Industries Cote D'Ivoire	Ivory Coast	Sales	<b>100.00%</b>	100.00%
SACEM Rowanda Ltd.	Rowanda	Sales	<b>100.00%</b>	100.00%
SOCIETE DEN	Tunisia	Advertising	<b>100.00%</b>	100.00%
<b><i>Held through Assoufid BV</i></b>				
Assoufid Properties development S.A.	Morocco	Real Estate	<b>100.00%</b>	100.00%
		Facilities		
Assoufid Properties Management S.A.	Morocco	management	<b>100.00%</b>	100.00%
		Facilities		
Assoufid Golf Operations S.A.	Morocco	management	<b>100.00%</b>	100.00%
Assoufid Hotels S.A.	Morocco	Real Estate	<b>100.00%</b>	100.00%
Assoufid Golf S.A.	Morocco	Real Estate	<b>100.00%</b>	100.00%
Assoufid Golf & Hotels S.A.	Morocco	Real Estate	<b>100.00%</b>	100.00%
Assoufid palace	Morocco	Real Estate	<b>100.00%</b>	100.00%
Stavebni S.A.	Morocco	Construction	<b>100.00%</b>	100.00%
Assem BV	Netherlands	Real Estate	<b>100.00%</b>	100.00%
<b><i>Held through Rawabi</i></b>				
Jordan Kuwait Bank P.L.C. ("JKB")	Jordan	Banking	<b>51.19%</b>	51.19%
<b><i>Held through United Education Company (e)</i></b>				
Al Rayan Holding Company K.S.C (Closed)	Kuwait	Educational	-	99.39%
AUS Education Company W.L. L.	Kuwait	Educational	-	99.99%
AlRayan Educational Services Company (ARESC)	Kuwait	Educational	-	99.99%
Al-Nouri Educational Establishment Co W.L. L.	Kuwait	Educational	-	99.99%
<b><i>Held through NAH</i></b>				
Egyptian International Medical Center S.A. E. (c)	Egypt	Pharmaceutical	<b>51.00%</b>	51.00%
		Investment Holding		
Cheraga North Africa General Trading L.L.C.	UAE	company	<b>100.00%</b>	100.00%
		Investment Holding		
North Africa Holding Glass Industries Ltd.	Guernsey	company	<b>100.00%</b>	100.00%
		Investment Holding		
North Africa Holding Pharma Industry Ltd.	Guernsey	company	<b>100.00%</b>	100.00%
		Investment Holding		
North Africa Aero General Trading L.L.C.	UAE	company	<b>100.00%</b>	100.00%
		Investment Holding		
North Africa Management Services L.L.C.	UAE	company	<b>100.00%</b>	100.00%
		Investment Holding		
North Africa Pharmaceutical Industries L.L.C.	Egypt	company	<b>100.00%</b>	100.00%
		Investment Holding		
North Pharma Distribution L.L.C.	Egypt	company	<b>100.00%</b>	100.00%
		Investment Holding		
Suntrana Investment Ltd.	Cyprus	company	<b>100.00%</b>	100.00%

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 2.4 BASIS OF CONSOLIDATION (continued)

Name of company	Country of incorporation	Principal activities	Effective interest as at	
			31 December *	
			2021	2020
<b>Held through NAH (continued)</b>				
		Investment Holding		
Kivalina Investments Ltd	Cyprus	company	<b>100.00%</b>	100.00%
North Africa Holding Real Estate	Morocco	Real Estate	<b>100.00%</b>	100.00%
		Real Estate		
Pacato SARL	Morocco	Development	<b>100.00%</b>	100.00%
	British Virgin Islands	Investment Holding		
Niteshade Limited		company	<b>100.00%</b>	100.00%
		Real Estate		
Tiglio SARL	Morocco	Development	<b>100.00%</b>	100.00%
	British Virgin Islands	Investment Holding		
Tolland Limited		company	<b>100.00%</b>	100.00%
<b>Held through JKB</b>				
Ejarah for Finance Leasing Company	Jordan	Leasing	<b>100.00%</b>	100.00%
United Financial Investments Company (f)	Jordan	Brokerage	<b>95.60%</b>	95.60%
Specialized Managerial Company for Investment and Financial Consultation (f)	Jordan	Financial Services	<b>100.00%</b>	100.00%
<b>Held through PMGL</b>				
Panther Media Holding Limited	UAE	Intermediate holding company	<b>100.00%</b>	100.00%
		Broadcasting TV		
Gulf DTH FZ L.L.C.	UAE	and IP streaming	<b>100.00%</b>	100.00%
Premier Solutions Media FZ L.L.C.	UAE	Advertising	<b>85.00%</b>	85.00%
		General Trading		
Digital Satellite L.L.C	UAE	and Contracting	<b>100.00%</b>	100.00%
		Trading in satellite receiving equipment		
Pehla Media Entertainment FZ L.L.C (a)	UAE		-	100.00%
		Intermediate holding company		
Gulf DTH L.D.C.	Cayman Islands		<b>100.00%</b>	100.00%
		Intermediate holding company		
Gulf DTH Entertainment L.D.C.	Cayman Islands		<b>100.00%</b>	100.00%
		Intermediate holding company		
Gulf DTH Holdings Co L.D.C.	Cayman Islands		<b>100.00%</b>	100.00%
	British Virgin Islands	Intermediate holding company		
Entertainment Distribution Company Limited (a)			-	100.00%
	British Virgin Islands	Intermediate holding company		
Digital Media Distribution Systems Limited			<b>100.00%</b>	100.00%
	British Virgin Islands	Intermediate holding company		
Digital Trading Systems Ltd.			<b>100.00%</b>	100.00%
	British Virgin Islands	Intermediate holding company		
Walston Investments Inc.			<b>100.00%</b>	100.00%
	British Virgin Islands	Intermediate holding company		
Panther Media FINCO Ltd.	Cayman Islands		<b>100.00%</b>	100.00%
		Trading in electronic equipment		
Al Shasha Entertainment Distribution Company	Saudi Arabia		<b>100.00%</b>	100.00%
		Trading in electronic equipment		
Electronic Preparations International Company Limited	Saudi Arabia		<b>100.00%</b>	100.00%
Global Direct Televisions General Trading and Contracting Company W.L.L.		General Trading and Contracting		
	Kuwait		<b>100.00%</b>	100.00%
		Trading in electronic equipment		
Digital Systems Company for Electrical and Electronic Equipment W.L.L.	Kuwait		<b>100.00%</b>	100.00%



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 2.4 BASIS OF CONSOLIDATION (continued)

<i>Name of company Held through PMGL (continued)</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Effective interest as at 31 December *</i>	
			<i>2021</i>	<i>2020</i>
Global Direct TV Company Ltd.	Egypt	Trading in electronic equipment	<b>100.00%</b>	100.00%
Nile Communications Network S.A.E.	Egypt	Managing and operating	<b>53.00%</b>	53.00%
Digital for Technology Systems W.L.L.	Egypt	General Trading and Contracting	<b>100.00%</b>	100.00%
Orbit Communications Company W.L.L.	Bahrain	Broadcasting TV and IP streaming	<b>100.00%</b>	100.00%
Digital Media Systems W.L.L.	Bahrain	Trading in satellite receiving equipment	<b>100.00%</b>	100.00%
Global Direct Television for Satellite Services L.L.C.(a)	Jordan	Installation and maintenance	-	100.00%
Digital System Company for Trading	Jordan	Trading in satellite receiving equipment	<b>100.00%</b>	100.00%
Digital Media Satellite Company	Qatar	Trading in satellite receiving equipment	<b>100.00%</b>	100.00%
Digital Media System SARL	Lebanon	Trading in satellite receiving equipment	<b>100.00%</b>	100.00%
Entertainment Distribution Company SARL (a)	Morocco	Trading in electronic equipment	-	100.00%

\* For directly held subsidiaries effective interest represents effective ownership of the Group. For indirectly held subsidiaries, effective interest represents effective ownership of the respective Group subsidiaries.

During the year ended 31 December 2021, the Group entered into the following:

- These entities were disposed of, liquidated during the year.
- The Group entered into an agreement to sell its equity interest in Al Ansar United Real Estate Company S.P.C, one of the subsidiaries of the Group to a related party (Note 24).
- These entities have been classified as disposal group held for sale under other assets and other liabilities.
- These entities were formed during the year.
- One of the subsidiaries of the Group "Overland" sold its entire interest owned in United Education Company K.S.C. (closed) by 63.89% to a related party (Note 25).
- JKB ceased to classify these entities as disposal group held for sale .

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Business combinations and goodwill (continued)**

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### **Financial Instruments**

#### ***Recognition***

Financial assets and liabilities are initially recognised on the settlement date, i.e. the date the asset is received from or delivered to the counterparty. Changes in fair value between the trade date and settlement date are recognised in the consolidated income statement or in consolidated statement of comprehensive income through cumulative changes in fair values in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the marketplace.

#### ***Classification and measurement of financial instruments***

##### ***Initial classification and 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 the Day 1 profit or loss, as described below.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Classification and measurement of financial instruments (continued)*

##### *Initial classification and measurement of financial instruments (continued)*

##### **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.

##### *Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)*

The Group also assesses the characteristics of the contractual cashflow of the financial asset to identify whether the contractual cashflow is Solely for purpose of Payment of Principal and Interest ('SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. The Group also considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set during its assessment of the SPPI test.

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Measurement categories of financial assets and liabilities*

##### *Subsequent classification and measurement categories of financial instruments*

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ Financial asset carried at amortised cost;
- ▶ Financial asset carried at fair Value through Profit and Loss (FVTPL);
- ▶ Financial asset carried at fair value through other comprehensive income (FVOCI).

Financial liabilities, other than financing commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

#### *Financial instruments at amortised cost*

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.

Financial instruments categorised at amortised cost are subsequently measured at amortized cost and are subject to impairment. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest method (EIR). Gains and losses are recognised in consolidated income statement when the asset is derecognised, modified or impaired.

Cash in hand and at banks, Treasury bills, bonds and other debt securities, loans and advances, certain investment securities and certain other assets are classified as financial asset carried at amortised cost.

Due to banks and other financial institutions, deposits from customers, loans payable, bonds, medium term notes and other liabilities are classified as financial liabilities carried at amortised cost.

#### *Financial instruments at FVTPL*

Financial assets carried at FVTPL is initially recorded in the consolidated statement of financial position at fair value. The financial assets classified under this category are either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as financial asset carried at FVTPL where even though it meets the classification criteria of financial asset carried at amortised cost or financial asset carried at FVOCI, this designation eliminates, or significantly reduces, the inconsistent accounting treatment that would otherwise arise. Such designation is determined on an instrument-by-instrument basis.

#### *Subsequent classification and measurement categories of financial instruments at FVTPL*

Financial assets carried at FVTPL are subsequently measured at fair value. The changes in fair value are recorded in the consolidated statement of income. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income using the effective. interest rate method, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in the consolidated statement of income as other operating income when the right to the payment has been established. Certain debt securities, equities and derivatives that are not designated as hedging instruments are classified as Financial assets carried at FVTPL.

Financial liabilities, other than financial guarantees and loan commitments, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

The Group does not have any financial liability classified as FVTPL.



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Financial instruments at FVTPL (continued)*

##### *Financial guarantees, letters of credit and undrawn loan commitments*

The Group issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated income statement, and an expected credit loss (ECL) provision.

The premium received is recognised in the consolidated income statement in Fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 27.

##### *Fair value through other comprehensive income (FVOCI)*

###### *Debt instruments at FVOCI*

The Group classifies debt instruments at FVOCI if it meets both of the following conditions: -

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

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in consolidated income statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the consolidated income statement.

###### *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.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI and presented in cumulative change in fair value as part of equity. Dividends are recognised in consolidated income statement 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. On derecognition cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity. Further, equity instruments whose value is fully provided for will be treated in line with derecognition.

##### *Derivative financial instruments*

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks including exposures arising from forecast transactions and firm commitments.

Derivatives are recorded at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for held for trading derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated income statement.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Derivative financial instruments (continued)*

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial liability or a non-financial host are separated from the host and accounted for as separate derivatives if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (as defined above); and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

#### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

#### *Derecognition due to substantial modification of terms and conditions*

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- ▶ Change in currency of the loan
- ▶ Introduction of an equity feature
- ▶ Change in counterparty
- ▶ If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

#### *Derecognition other than for substantial modification*

##### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Group has transferred the financial asset if, and only if, either:

- ▶ The Group has transferred its contractual rights to receive cash flows from the financial asset; Or
- ▶ It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Derecognition other than for substantial modification (continued)*

##### *Financial assets (continued)*

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- ▶ The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- ▶ The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- ▶ The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- ▶ The Group has transferred substantially all the risks and rewards of the asset; Or
- ▶ The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in consolidated income statement.

#### *Impairment of financial assets*

##### *Overview of the ECL principles*

The Group records an allowance for expected credit loss for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments (continued)**

***Impairment of financial assets (continued)***

*Overview of the ECL principles (continued)*

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

**Stage 1: 12 months ECL**

When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

**Stage 2: Lifetime ECL – not credit impaired**

When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

**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. The Group records an allowance for the LTECLs.

**POCI:**

Purchased or originated credit impaired (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 a 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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial Instruments (continued)*****Impairment of financial assets (continued)****Overview of the ECL principles (continued)**The calculation of ECL*

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- ▶ **PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- ▶ **EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- ▶ **LGD** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarised below:

- ▶ **Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- ▶ **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- ▶ **Stage 3:** For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- ▶ **Loan commitments and letter of credits** When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
- ▶ **Financial guarantee contracts** For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan.  
The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated income statement, 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.



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Impairment of financial assets (continued)*

##### *Debt instruments measured at fair value through OCI*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to consolidated income statement. The accumulated loss recognised in OCI is recycled to the consolidated income statement upon derecognition of the assets.

##### *Forward looking information*

The Group incorporates forward-looking economic inputs that are relevant to the region in which the Group is located, for both its assessment of significant increase in credit risk and its measurement of ECL. Qualitative overlays are made as and when necessary to correctly reflect the impact of the movement in the relevant economy on the Group. Incorporating forward-looking information increases the degree of judgement required. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

##### *Collateral valuation*

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

##### *Write-offs*

Assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

#### *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

### **Hedge Accounting**

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and (b) cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or a foreign currency risk in an unrecognised firm commitment.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments (continued)**

**Hedge Accounting (continued)**

The Group discontinues hedge accounting when the following criteria are met:

- a) it is determined that the hedging instrument is not, or has ceased to be, highly effective as a hedge;
- b) the hedging instrument expires, or is sold, terminated, or exercised;
- c) the hedged item matures or is sold or repaid; or
- d) a forecast transaction is no longer deemed highly probable.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

*Fair value hedges*

The change in the fair value of hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. The Group uses forward foreign exchange contracts to hedge against changes in fair value of its foreign currency exposures.

*Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts recognised as other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. The Group uses interest rate swaps to hedge its cash flows on variable rate loans.

*Hedge of net investments in foreign operations*

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income as part of 'foreign currency translation adjustment', while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated income statement.

The Group uses forward currency contracts to hedge its exposure to foreign exchange risk on its investments in foreign subsidiaries. Gains or losses on the fair valuation of this forward currency contract are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents includes cash and bank balances, deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

#### Fair value measurement

The Group measures financial instruments, such as, derivatives, investment securities and non-financial assets such as investment properties and freehold land and buildings classified under “property, plant and equipment”, at fair value at each balance sheet date. Also, fair values of financial instruments measured at fair value are disclosed in Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on the weighted average basis. Net realisable value is based on estimated selling price in the ordinary course of the business, less any further costs expected to be incurred on completion and disposal. Inventories are included as part of other assets.

### **Properties held for trading**

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost and net realisable value.

Cost includes free hold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognised in consolidated income statement on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading are charged to other operating expenses.

### **Investment in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment in associates and joint ventures (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'impairment of investments' in the consolidated income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement.

### Investment properties

Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment properties when the definition of investment properties is met, and it is accounted for as a finance lease.

Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated income statement in the year in which they arise. For the purposes of these consolidated financial statements the assessed fair value is:

- ▶ Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- ▶ Increased by the carrying amount of any liability to the holder of leasehold or freehold property included in the consolidated statement of financial position as a finance lease obligation.

Investment properties are derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the consolidated income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period consolidated financial statements.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value except for properties under hotels class that are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation.

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated income statement in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

In respect to hotels class, valuations are performed annually to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

With respect to hotels class, any revaluation changes are recorded to the revaluation surplus in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement. A revaluation deficit is recognised in the consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated income statement.

Depreciation is computed on a straight-line basis to their residual values over the estimated useful lives of other property, plant and equipment as follows:

Buildings	10 to 50 years
Hotels	20 to 50 years
Furniture and fixtures	3 to 10 years
Motor vehicles	3 to 5 years
Plant and equipment	3 to 20 years
Aircraft	15 years

Leasehold improvements are depreciated over the period of lease.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### 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. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Group presents right-of-use assets in 'Other assets' & 'Property plant and equipment'

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

*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 (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 the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

*Group as a lessor*

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery 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 to be 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.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets are as follows:

Licenses and softwares	10 years to indefinite
Brand name	Indefinite
Customer contracts, customer relationship, core deposits	Up to 10 years

Licenses renewable at the end of the expiry period at little or no cost to the Group are assumed to have indefinite useful life.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Intangible assets (continued)**

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

### **Provisions**

#### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

#### *Contingent liabilities recognised in a business combination*

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of: the amount that would be recognised in accordance with the general guidance for provisions above in accordance with 'IAS 37: Provisions, Contingent Liabilities and Contingent Assets', or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition in accordance with 'IFRS 15: Revenue recognition'.

### **End of service indemnity**

Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

### **Treasury shares**

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, the treasury shares reserve, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

### **Share based payment transactions**

The Group operates an equity-settled, share-based Employee Stock Option Plan. Under the terms of the plan, stock options are granted to permanent employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the stock options is determined using Black-Scholes option pricing model further details of which are given in Note 17. The fair value of the stock options is recognised as an expense over the vesting period with corresponding effect to equity.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated income statement expense or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Share based payment transactions (Continued)**

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and / or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of diluted earnings per share (Note 23).

**Foreign currency translation**

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated income statement, all differences are recognised in the consolidated income statement.

*Group companies upon consolidation*

As at the reporting date, the assets and liabilities of subsidiaries are translated into the Parent Company's presentation currency (i.e. "KD") at the rate of exchange ruling on the reporting date, and their consolidated income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to OCI. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in OCI relating to that particular subsidiary is recognised in the consolidated income statement.

Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the respective subsidiaries and translated at the rate of exchange ruling on the reporting date.

**Other reserve**

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

**Segment information**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Income recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

#### *Fees and commission*

Fees and commission income is recognised when the Group satisfies the performance obligation by transferring the promised service to customers. At inception of the contract, the Group determines whether it satisfies the performance obligation over a period of time or at a point in time. Fees income earned from services provided over a period of time is recognised over the period of service. Fees and commissions arising from providing a transaction service are recognised at a point in time on completion of the underlying transaction.

#### *Interest income and expense*

Interest income and expense are recognised in the consolidated income statement for all interest bearing instruments on EIR basis. The calculation includes all contractual terms of the financial instrument and includes any fee or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once a financial instrument categorised, as financial assets at fair value through other comprehensive income, financial assets held at amortized cost, and loans and advances is impaired, interest is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### *Media and digital satellite network services income*

Media and digital satellite network services represent revenue from direct-to-home subscription, Pay TV channels ,OTT subscription, cable subscription, advertising activities, receiving and broadcasting of space channels against periodic subscriptions, and are recognised as and when the services are provided or rendered.

#### *Hospitality and real estate income*

Hospitality and real estate income include hotel and rental income. Rental income is recognised on a straight-line basis over the lease term. Hotel income represents the invoiced value of goods and services provided.

#### *Manufacturing and distribution income*

Manufacturing industries income is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer usually on delivery of the goods and the amount of revenue can be measured reliably.

### **Non-current assets held for sale and discontinued operations**

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

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

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

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



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Non-current assets held for sale and discontinued operations (continued)

The fair value measurement for the disposal group is categorised as a Level 3 fair value hierarchy. The valuation technique used in measuring the fair value of the disposal group is estimated by applying market approach techniques comprising of comparable company valuation multiples derived from quoted prices (trading multiples) and from prices paid in such as acquisition transactions (transaction multiples). The fair value estimates are based on:

- (a) assumed revenue multiples of companies deemed to be similar to disposal group
- (b) assumed adjustments because of control that market participants would consider when estimating the fair value of the disposal group

### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

### Taxation

#### *National Labour Support Tax (NLST)*

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the period. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

#### *Kuwait Foundation for the Advancement of Sciences (KFAS)*

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

#### *Zakat*

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance Resolution No. 58/2007.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Taxation (continued)**

#### *Taxation on overseas subsidiaries*

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

### **Dividends on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

Dividends for the year that are approved after the consolidated statement of financial position date are disclosed as an event after the consolidated statement of financial position date.

### **Fiduciary assets**

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

### **Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed and is included in the same line item in the consolidated income statement.

### **Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

## 2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

### *Judgements*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### *Determining the lease term of contracts with renewal and termination options – Group as lessee*

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 several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

#### *Property lease classification – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

#### *Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

**2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

***Judgements (Judgment)***

*Control assessment*

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgment.

*Deferred tax assets*

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

*Hedge of net investment in foreign operations*

The management exercises judgement to determine the amount of net assets of the subsidiary to be hedged (also called as hedge ratio) based on the future expected changes in the functional currency exchange rate movements of the subsidiary, hedge cost and forward exchange rate and its impact on the group's net assets.

*Business combinations*

At the time of Group's acquisition to subsidiaries, the Group Company considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.

*Classification of financial assets*

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets.

***Estimation uncertainty and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Impairment of goodwill and other intangibles with indefinite useful lives*

The Group determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use or fair value less cost to sell of the cash-generating units to which the goodwill and other intangibles with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

*Expected Credit Losses on financial assets*

The measurement of impairment losses under IFRS 9 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 the 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 outputs 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 and estimates include:

**2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Estimation uncertainty and assumptions (continued)*

*Expected Credit Losses on financial assets (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 LTECL 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 levels and collateral values, and the effect on PDs, EADs and LGDs; and/or
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

*Fair values of assets and liabilities including intangibles*

Considerable judgement by management is required in the estimation of the fair value of the assets including intangibles with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

*Fair value measurement of financial instruments*

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

The determination of the cash flows and discount factors for unquoted equity financial assets requires significant estimation.

*Valuation of investment properties*

Fair value of investment properties are assessed by independent real estate appraisers. Two main methods used to determine the fair value of property interests in investment properties are; (a) formula based discounted cash flow analysis and (b) comparative analysis, as follows:

- a) Formula based discounted cash flow, is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser.

In arriving at the estimates of market values as at 31 December 2021, valuers used their market knowledge and professional judgment and did not rely solely on historical transactional comparable. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment properties than would exist in a more active market.

The significant methods and assumptions used by valuers in estimating fair value of investment property are stated in Note 10.

## 2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### *Estimation uncertainty and assumptions (continued)*

#### *Techniques used for valuing investment properties*

The discounted cash flow method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the property.

The Residual Method (or Hypothetical Development Approach) to estimating fair value is a combination of the Capitalisation (income) approach and a Cost approach (summation). The Residual Method is defined as: "A method of determining the value of a property which has potential for development, redevelopment or refurbishment. The estimated total cost of the work, including fees and other associated expenditures, plus allowance for interest, developer's risk and profit, is deducted from the gross value of the completed project. The resultant figure is then adjusted back to the date of valuation to give the residual value."

#### *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

#### *Employee stock option plan*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock option plan transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

## 3 BUSINESS COMBINATION

As at 31 December 2019, Panther Media Group Limited 'PMGL' was classified as "Assets held for sale" in accordance with IFRS 5 "Non-Current assets held for sale and discontinued operations". During the year 2019, a dispute arose between PMGL partners over ownership of certain shares issued in connection with capital calls made by the board of PMGL in which the Group has contributed. This dispute was finally resolved in March 2020 by an arbitration panel. As a result of this and contributions to further capital calls, the Group's effective ownership in PMGL increased from 60.5% to 87.6%. In view of these developments, the management of Parent Company concluded that it was able to exercise control over the PMGL and therefore, it became a subsidiary of the Group in March 2020.

The Group also discussed the above developments and prevailing circumstances with the investment banker and decided to update PMGL sale process timelines. As a result, the board of directors of the Group determined that the Group's investment in PMGL no longer meets the criteria of IFRS 5. Accordingly, in accordance with IAS 28: "Investment in Associates and Joint Ventures", the investment in PMGL has been retrospectively accounted using the equity method from the date of its classification as "Assets held for sale" (8 August 2018).

On PMGL becoming a subsidiary, it was accounted for in accordance with IFRS 3: "Business combinations" Since the business combination was achieved in stages, the Group remeasured its previously held equity interest in PMGL at the acquisition date and recognized a gain of KD 75,893 thousand during the year ended 31 December 2020 (Note 19).



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 3 BUSINESS COMBINATION (continued)

PMGL was consolidated based on the provisional values assigned to the identifiable assets and liabilities as on the acquisition date, since management was in the process of determining the fair values of assets acquired and liabilities assumed. During the year ended 31 December 2021, the Group finalized the Purchase Price Allocation (“PPA”) exercise of PMGL, and adjusted the provisional values of assets acquired and liabilities assumed, as well as the non-controlling interest (at the proportionate share of the acquiree’s identifiable net liabilities assumed) as following:

	<i>Previously reported provisional value KD 000's</i>	<i>Fair value recognized on acquisition date KD 000's</i>
<b>Assets</b>		
Cash in hand and at banks	13,806	<b>13,806</b>
Property and equipment	16,564	<b>16,564</b>
Programme rights and contract assets (included in other assets)	35,908	<b>35,908</b>
Right-of-use assets (included in other assets)	27,002	<b>27,002</b>
Intangible assets (a)	-	<b>56,606</b>
Other assets	23,651	<b>23,651</b>
	<b>116,931</b>	<b>173,537</b>
<b>Liabilities</b>		
Loans payable	111,191	<b>111,191</b>
Accounts payable, deferred income and accruals (included in other liabilities)	70,047	<b>70,047</b>
Lease liability (included in other liabilities)	37,233	<b>37,233</b>
Other liabilities	28,679	<b>28,679</b>
	<b>247,150</b>	<b>247,150</b>
<b>Net liabilities assumed</b>	<b>(130,219)</b>	<b>(73,613)</b>
Fair value of previously held equity interest	232,120	<b>232,120</b>
Non-controlling interests in acquiree	(16,146)	<b>(9,125)</b>
<b>Goodwill (included in intangible assets) (b)</b>	<b>346,193</b>	<b>296,608</b>

(a) PPA adjustments amounting to KD 56,606 thousand represent the following additional intangible assets identified as part of business combination:

- Customer relationship with a fair value of KD 24,588 thousand and an average estimated useful life of 3 years; and
- Trade name with a fair value of KD 32,018 thousand and an indefinite useful life.

(b) The residual value was accounted for as Goodwill amounting to KD 296,608 thousand which was allocated to PMGL as one single Cash-Generating Unit (“CGU”). The goodwill represents the value of expected synergies and future inflow of resources from the acquisition.

The effect of the restatement is as follows:

Consolidated statement of financial position:

<i>Category</i>	<i>As previously reported KD 000's</i>	<i>PPA Adjustments KD 000's</i>	<i>Restated KD 000's</i>
<b>2020</b>			
<b>Assets:</b>			
Intangible assets	606,465	874	607,339
<b>Equity:</b>			
Other reserve	(21,398)	690	(20,708)
Retained earnings	27,255	(5,413)	21,842
Non-controlling interest	538,559	5,597	544,156

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 3 BUSINESS COMBINATION (continued)

Consolidated income statement:

<i>Category</i>	<i>As previously reported KD 000's</i>	<i>PPA Adjustments KD 000's</i>	<i>Restated KD 000's</i>
Depreciation and amortisation	23,285	6,147	29,432
Non-controlling interest	2,150	(734)	1,416

### 4 CASH IN HAND AND AT BANKS

	<i>2021 KD 000's</i>	<i>2020 KD 000's</i>
Cash and bank balances	<b>830,965</b>	902,394
Deposits with original maturities up to three months	<b>427,089</b>	411,378
Expected credit losses	<b>(2,690)</b>	(2,853)
Cash and cash equivalents	<b>1,255,364</b>	1,310,919
Add: deposits with original maturities exceeding three months	<b>41,547</b>	35,946
<b>Cash in hand and at banks as per consolidated statement of financial position</b>	<b>1,296,911</b>	1,346,865
Cash and cash equivalents attributable to disposal group held for sale	<b>150,086</b>	145,086
Less: deposits with original maturities exceeding three months	<b>(41,547)</b>	(35,946)
<b>Cash and cash equivalents as per consolidated statement of cash flows</b>	<b>1,405,450</b>	1,456,005

### 5 LOANS AND ADVANCES

The composition of loans and advances, classified by type of borrower, is as follows:

	<i>2021 KD 000's</i>	<i>2020 KD 000's</i>
Corporate	<b>4,156,553</b>	4,330,023
Banks and financial institutions	<b>346,011</b>	387,960
Retail	<b>480,232</b>	463,376
	<b>4,982,796</b>	5,181,359
Less: allowance for ECL	<b>(191,352)</b>	(235,862)
	<b>4,791,444</b>	4,945,497

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>2021 Total KD 000's</i>
<b>Internal rating grade</b>				
<b>Performing</b>				
High grade	<b>703,955</b>	<b>20,328</b>	-	<b>724,283</b>
Standard grade	<b>3,332,716</b>	<b>568,872</b>	-	<b>3,901,588</b>
Past due but not impaired	<b>11,099</b>	<b>103,882</b>	-	<b>114,981</b>
<b>Non – performing</b>				
Individually impaired	-	-	<b>241,944</b>	<b>241,944</b>
<b>Total</b>	<b>4,047,770</b>	<b>693,082</b>	<b>241,944</b>	<b>4,982,796</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 5 LOANS AND ADVANCES (continued)

	<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>2020</i> <i>Total</i> <i>KD 000's</i>
Internal rating grade				
Performing				
High grade	1,022,878	17,718	-	1,040,596
Standard grade	3,004,477	564,359	-	3,568,836
Past due but not impaired	53,619	183,437	-	237,056
Non – performing				
Individually impaired	-	-	334,871	334,871
<b>Total</b>	<b>4,080,974</b>	<b>765,514</b>	<b>334,871</b>	<b>5,181,359</b>

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

	<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>
<b>Loans and advances</b>	<b>4,047,770</b>	<b>693,082</b>	<b>241,944</b>	<b>4,982,796</b>
<b>ECL allowances</b>	<b>(27,693)</b>	<b>(35,750)</b>	<b>(127,909)</b>	<b>(191,352)</b>
<b>As at 31 December 2021</b>	<b>4,020,077</b>	<b>657,332</b>	<b>114,035</b>	<b>4,791,444</b>
Loans and advances	4,080,974	765,514	334,871	5,181,359
ECL allowances	(39,942)	(46,068)	(149,852)	(235,862)
<b>As at 31 December 2020</b>	<b>4,041,032</b>	<b>719,446</b>	<b>185,019</b>	<b>4,945,497</b>

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

	<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>
<b>ECL allowance</b>				
Balance as at 1 January 2021	39,942	46,068	149,852	235,862
Net transfers between stages	440	(3,054)	2,614	-
(Recovery) / Charge during the year	(11,673)	(4,901)	79,319	62,745
Amounts written off during the year	-	-	(96,789)	(96,789)
Foreign exchange	(1,016)	(2,363)	(7,087)	(10,466)
<b>As at 31 December 2021</b>	<b>27,693</b>	<b>35,750</b>	<b>127,909</b>	<b>191,352</b>

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

	<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>
<b>ECL allowance</b>				
Balance as at 1 January 2020	24,411	57,880	123,666	205,957
Net transfers between stages	(2,310)	(19,123)	21,433	-
Charge during the year	18,082	7,196	35,946	61,224
Amounts written off during the year	-	-	(24,383)	(24,383)
Transfer to disposal group held for sale (Note 8)	-	(114)	(7,817)	(7,931)
Foreign exchange	(241)	229	1,007	995
<b>As at 31 December 2020</b>	<b>39,942</b>	<b>46,068</b>	<b>149,852</b>	<b>235,862</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 5 LOANS AND ADVANCES (continued)

Provision for credit losses recognised in the consolidated income statement also includes expected credit losses “ECL” recovery on cash in hand and at banks amounting to KD 163 thousand (2020: ECL charge amounting to KD 2,654 thousand), ECL charge on other debt securities amounting to KD 1,108 thousand (2020: ECL charge amounting to KD 2,880 thousand) and ECL charge on other assets amounting to KD 6,849 thousand (2020: ECL charge amounting to KD 3,230 thousand). ECL charge on non-cash facilities amounting to KD 3,630 thousand (2020: recovery of ECL amounting to KD 4,603 thousand) (Note 27).

### 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 KD 000's	2020 KD 000's
Quoted equity securities	13,636	16,290
Unquoted equity securities	2,336	4,921
Quoted debt securities	6,338	6,087
Managed funds	111,289	87,742
Forfeiting assets	133,096	137,168
Unquoted debt securities	250	-
	<b>266,945</b>	<b>252,208</b>

Refer to Note 30.4.3 for geographical distribution of equity instruments and Note 31 for fair value measurement.

### 7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 KD 000's	2020 KD 000's
<b>Quoted financial assets</b>		
Equity securities	16,412	14,998
Debt securities	331,153	299,265
	<b>347,565</b>	<b>314,263</b>
<b>Unquoted financial assets</b>		
Equity securities	70,834	62,836
Debt securities	2,136	13,658
	<b>72,970</b>	<b>76,494</b>
Managed funds	12	1,170
	<b>420,547</b>	<b>391,927</b>

Refer Note 30.4.3 for geographical distribution of equity instruments and Note 31 for fair value measurement.

### 8 OTHER ASSETS

	2021 KD 000's	2020 KD 000's
Net accounts receivable	152,480	165,529
Accrued interest and other income receivable	126,145	96,292
Prepayments	49,444	55,705
Assets pending sale *	155,220	108,162
Others **	447,485	390,120
	<b>930,774</b>	<b>815,808</b>

\* The assets pending sale are arising from the operating activities of the commercial banking subsidiaries of the Group. These assets are carried at lower of cost or net realizable value. The net realizable value of real estate assets included in assets pending for sale are based on valuations performed by accredited independent valuers by using market comparable method. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. However, the impact on the consolidated income statement would be immaterial if the relevant risk variables used to fair value were altered by 5%.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 8 OTHER ASSETS (continued)

\*\*As at 31 December 2021 the Group's subsidiaries classified their investments in "BOB" and Egyptian International Medical Center S.A.E (2020: "BOB", Specialized Managerial Company for Investment and Financial Consultation and United Financial Investments Company) as disposal group held for sale. As at 31 December 2021, the Group has carried those investments at the lower of carrying value or fair value less cost to sale amounting to KD 294,470 thousand (2020: KD 227,138 thousand).

### 9 INVESTMENT IN ASSOCIATES

Name of company	Country of incorporation	Principal activities	Effective interest		Carrying value	
			2021	2020	2021 KD 000's	2020 KD 000's
Qurain Petrochemical Industries Company K.S.C.P. ("QPIC") (Note 33)	Kuwait	Petrochemical activities	31.71%	31.77%	172,669	172,410
Gulf Insurance Group K.S.C.P. ("GIG") (a)	Kuwait	Insurance	46.46%	46.20%	119,222	84,810
Advance Technology Company K.S.C.P. ("ATC") (b)	Kuwait	Trading	-	29.08%	-	45,285
Al-Fujeira Real Estate Limited	U.A. E	Real estate	50.00%	50.00%	6,227	6,844
Manafae Holding Company K.S.C.(Closed)	Kuwait	Investment	39.06%	39.06%	3,247	3,116
Kandil Glass S.A.E.	Egypt	Manufacturing	50.00%	50.00%	4,088	2,716
First Real Estate Investment Company K.S.C. (Closed)	Kuwait	Real estate	19.80%	19.80%	4,579	4,314
United Capital Transport Company K.S.C. (Closed)	Kuwait	Services	40.00%	40.00%	1,190	2,019
Kuwait Hotels Company K.S.C.P. ("KHC")	Kuwait	Hotels	35.54%	35.54%	1,982	1,722
SSH Dar International Engineering Consultancy	Bahrain	Engineering	29.03%	29.03%	-	-
N.S.88 SPC	Bahrain	Real Estate	30.02%	20.00%	4,668	3,028
Saidal Norah Manufacturing (b)	Algeria	Manufacturing	-	49.00%	-	-
Al Thaniya Real Estate Company P.S.C	Jordan	Real Estate	50.00%	50.00%	7	7
Insha'a Holding Company	Kuwait	Manufacturing	40.00%	40.00%	6,560	6,483
Kamco Investment fund	Kuwait	Fund	31.00%	26.85%	11,020	8,456
KAMCO Real Estate Yield Fund	Kuwait	Real Estate Fund	35.77%	35.77%	2,878	3,081
Fina Corporation	Tunisia	Financial Services	49.00%	49.00%	-	-
Syria Gulf Bank S.A. ("SGB")	Syria	Banking	31.00%	31.00%	3,105	3,113
Shams Ad-Dhahira Generating Company SAOC	Oman	Manufacturing	10.00%	10.00%	-	-
Gardens Real Estate Co. W.L.L.	Kuwait	Real estate	25.00%	25.00%	4,401	4,377
					<b>345,843</b>	<b>351,781</b>

(a) On 29 November 2020, "GIG" has entered into a sale and purchase agreement to acquire 100% equity interest of AXA Insurance B.S.C.C (a Closed Joint Stock Company located at Kingdom of Bahrain) (AXA Gulf). The Acquisition date has been determined to be 6 September 2021, when GIG has evidenced its control over AXA Gulf.

On 6 September 2021, AXA Insurance B.S.C.C (a Closed Joint Stock Company located at Kingdom of Bahrain) (AXA Gulf) had acquired additional 18% equity interest in AXA Cooperative Insurance Company (a Saudi Joint Stock Company) (AXA KSA) which was previously held as an investment in associate with an effective equity holding of 32%, resulting in total effective equity holding of 50% in AXA KSA. Upon acquisition of 18% equity interest and obtaining control, "GIG" fair valued its previously held interest which resulted in a gain. The Group has been recorded its share in the revaluation gain in the share of results of associates in the consolidated income statement.

**9 INVESTMENT IN ASSOCIATES (continued)**

(b) These entities were disposed of during the year.

Investment in associates include quoted associates with a carrying value of KD 293,873 thousand (2020: KD 304,227 thousand) having quoted market value of KD 255,229 thousand (represents QPIC: KD 112,619 thousand, GIG: KD 141,046 thousand, ATC: Nil and KHC: KD 1,564 thousand) (2020: KD 205,314 thousand (represents QPIC: KD 109,698 thousand, GIG: KD 69,424 thousand, ATC: KD 24,862 thousand and KHC: KD 1,330 thousand)). In accordance with IAS 36, 'Impairment of Assets', the Group's recoverable amount of the above associates (i.e. value in use) was in excess of their carrying values and accordingly KD 15,780 thousand (2020: nil) impairment was recognised against these investments during the year.

Summarized financial information of associates that are individually material to the Group before inter-company eliminations is as follows:

<b>31 December 2021</b>	<b>QPIC KD 000's</b>	<b>GIG KD 000's</b>
<b>Associates' statement of financial position:</b>		
Current assets	169,912	680,332
Non-current assets	610,019	676,189
Current liabilities	72,313	477,403
Non-current liabilities	130,027	561,822
Equity	577,591	317,296
Equity attributable to shareholders of associates	404,997	190,825
Group's ownership interest	31.71%	46.46%
Proportion of equity attributable to Group's ownership interest *	128,425	88,657
<b>Associates' revenue and results:</b>		
Income	236,776	310,651
Total profit for the year	29,988	54,495
Group's share of the profit attributable to the equity holders	3,783	23,304
Dividends received during the year	5,193	9,359
Group's share of contingent liabilities and commitments	11,290	31,599

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 9 INVESTMENT IN ASSOCIATES (continued)

<i>31 December 2020</i>	<i>QPIC KD 000's</i>	<i>GIG KD 000's</i>
Associates' statement of financial position:		
Current assets	174,565	325,887
Non-current assets	582,642	474,822
Current liabilities	68,340	256,535
Non-current liabilities	108,895	398,843
Equity	579,972	145,331
Equity attributable to shareholders of associates	403,186	117,403
Group's ownership interest	31.77%	46.20%
Proportion of equity attributable to Group's ownership interest *	128,092	54,240
Associates' revenue and results:		
Income	257,500	210,835
Total profit for the year	39,511	20,094
Group's share of the profit attributable to the equity holders	6,824	8,314
Dividends received during the year	5,193	3,269
Group's share of contingent liabilities and commitments	10,846	27,690

\*Difference between carrying value and proportion of equity attributable to Group's ownership interest materially represents goodwill.

Summarized financial information of all the individually immaterial associates before inter-company eliminations is as follows:

	<i>2021 KD 000's</i>	<i>2020 KD 000's</i>
<b>Associates' statement of financial position:</b>		
Total assets	274,461	221,321
Total liabilities	110,698	64,823
Equity	163,763	156,498
<b>Associates' revenue and results:</b>		
Income	54,923	31,486
Total profit(loss) for the year	22,589	(466)

### 10 INVESTMENT PROPERTIES

	<i>2021 KD 000's</i>	<i>2020 KD 000's</i>
Land for development	71,366	199,230
Projects under construction	93,668	92,794
Developed properties	322,688	332,234
	487,722	624,258



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 10 INVESTMENT PROPERTIES (continued)

The movement in investment properties during the year was as follows:

	2021 KD 000's	2020 KD 000's
As at 1 January	624,258	630,394
Additions	2,971	3,988
Disposals	(17,637)	(188)
Due to derecognition of a subsidiary (Note 24)	(125,900)	-
Change in fair value (Note 19)	(7,167)	(5,088)
Reclassification from investment properties to property, plant and equipment	-	(5,076)
Reclassification from property, plant and equipment to investment properties	10,720	-
Exchange adjustments	477	228
<b>As at 31 December</b>	<b>487,722</b>	<b>624,258</b>

Valuation of investment properties were conducted as at 31 December 2021 by independent appraisers with a recognized and relevant professional qualification and recent experience of the location and category of investment property being valued. The discounted future cash flow method or property market value method have been used as deemed appropriate considering the nature and usage of the property.

Profit related to developed properties carried at fair value are as follows:

	2021 KD 000's	2020 KD 000's
Rental income	26,799	22,443
Direct operating expenses	(9,354)	(6,397)
<b>Profit arising from investment properties carried at fair value</b>	<b>17,445</b>	<b>16,046</b>

Included under investment properties are buildings constructed on land leased from the Government of Kuwait amounting to KD 86,145 thousand (2020: KD 95,818 thousand). The lease periods for the plots of land leased from the Government of Kuwait and others range from 1 to 50 years.

#### Fair value hierarchy

The fair value measurement of investment properties has been categorized as level 3 fair value based on inputs to the valuation technique used.

The following main inputs have been used for valuations as at the reporting date:

	<i>Investment properties</i>			
	<i>Office properties</i>		<i>Retail properties</i>	
	2021 %	2020 %	2021 %	2020 %
Average net initial yield	9	8	11	10
Reversionary yield	9	9	12	11
Inflation rate	4	3	1	2
Long-term vacancy rate	10	15	15	13
Long-term growth in real rental rates	3	2	2	3

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 10 INVESTMENT PROPERTIES (continued)

#### Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties.

Significant unobservable inputs	Sensitivity	2021 Impact on fair value KD 000's	2020 Impact on fair value KD 000's
Average net initial yield	± 1%	+24,527 -18,274	+29,319 -28,612
Reversionary yield	± 1%	+25,837 -19,412	+23,212 -21,151
Inflation rate	± 25 basis points	+1,834 -1,311	+4,490 -5,324
Long-term vacancy rate	± 1%	-2,982 +2,939	-3,593 +3,722
Long-term growth in real rental rates	± 1%	+2,655 -2,861	+7,328 -7,358

### 11 INTANGIBLE ASSETS

	Goodwill KD 000's	Other intangibles KD 000's	Total KD 000's
<b>Gross carrying amount:</b>			
As at 1 January 2021 (Restated)	421,642	293,500	715,142
Derecognition due to discontinued operation (Note 25)	(23,062)	(3,594)	(26,656)
Additions	-	538	538
Impairment	(15,125)	-	(15,125)
Exchange adjustment	(902)	730	(172)
<b>As at 31 December 2021</b>	<b>382,553</b>	<b>291,174</b>	<b>673,727</b>
<b>Accumulated amortisation:</b>			
As at 1 January 2021 (Restated)	-	(107,803)	(107,803)
Derecognition due to discontinued operation (Note 25)	-	1,963	1,963
Charge for the year	-	(11,541)	(11,541)
<b>As at 31 December 2021</b>	<b>-</b>	<b>(117,381)</b>	<b>(117,381)</b>
<b>Net carrying amount:</b>			
<b>As at 31 December 2021</b>	<b>382,553</b>	<b>173,793</b>	<b>556,346</b>
			(Restated)
	Goodwill KD 000's	Other intangibles KD 000's	Total KD 000's
Gross carrying amount:			
As at 1 January 2020	177,958	237,653	415,611
Acquisition of a subsidiary (Note 3)	346,193	-	346,193
Effect of PPA (Note 3)	(49,585)	56,606	7,021
Impairment	(40,673)	-	(40,673)
Exchange adjustment	(12,251)	(759)	(13,010)
<b>As at 31 December 2020</b>	<b>421,642</b>	<b>293,500</b>	<b>715,142</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 11 INTANGIBLE ASSETS (continued)

	<i>Goodwill</i> <i>KD 000's</i>	<i>Other intangibles</i> <i>KD 000's</i>	<i>(Restated)</i> <i>Total</i> <i>KD 000's</i>
Accumulated amortisation:			
As at 1 January 2020	-	(97,679)	(97,679)
Effect of PPA (Note 3)	-	(6,147)	(6,147)
Charge for the year from continuing & discontinued operations	-	(3,977)	(3,977)
As at 31 December 2020	-	(107,803)	(107,803)
Net carrying amount:			
As at 31 December 2020	421,642	185,697	607,339

#### ***Goodwill and intangible assets with indefinite life***

The carrying value of goodwill and intangible assets with indefinite life are tested for impairment on an annual basis (or more frequently if evidence exists that goodwill and intangible assets with indefinite life might be impaired) by estimating the recoverable amount of the cash-generating unit ("CGU") to which these items are allocated using value-in-use calculations unless fair value based on active market price is higher than the carrying value of the CGU. The carrying amount of goodwill and intangible assets with indefinite life allocated to each cash-generating unit is disclosed under segment information (Note 29). The recoverable amount of each segment unit has been determined based on a value in use calculation or fair value less cost to sell approach. For value in use calculation cash flow projections used were approved by senior management covering a five-year period. The discount rates used range from 8.5% to 18% (2020: from 9% to 17%) applied to cash flow projections over a five-year period. Cash flows beyond the five-year period are extrapolated using a projected growth rate in a range of 3% to 5% (2020: from 3% to 5%). For fair value less cost to sell approach, the revenue multiples were used of recent comparable acquisition transactions (transaction multiples) and valuation multiples derived from quoted prices (trading multiples). To identify appropriate revenue multiples, Management identified a sample of Group peers based on business activities and markets served from the testing date. Where appropriate, Management has also applied a control premium of 30% to the observed multiples where a majority stake was not acquired. The recoverable amount of the CGU was determined by applying the adjusted revenue multiples to the actual 2021 consolidated revenue of the Group, less adjusted net debt at 31 December 2021.

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- ▶ Interest margins;
- ▶ Discount rates;
- ▶ Market share assumptions
- ▶ Projected growth rates used to extrapolate cash flows beyond the budget period; and
- ▶ Inflation rates.

#### ***Interest margins:***

Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

#### ***Discount rates:***

Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

#### ***Market share assumptions:***

These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

#### ***Projected growth rates:***

Assumptions are based on published industry research.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 11 INTANGIBLE ASSETS (continued)

#### *Goodwill and intangible assets with indefinite life (continued)*

##### *Inflation rates:*

Estimates are obtained from published indices for countries where the Group operates.

Management believes that the calculation of the fair value less costs to sell is most sensitive to the adjusted revenue multiple as adjusted for estimated costs to sell.

##### *Sensitivity to changes in assumptions*

Management has determined that the potential effect of using reasonably possible alternatives as inputs to the valuation model would materially affect the amount of goodwill and intangibles using less favorable assumptions.

The net carrying amount and remaining useful life of intangible assets is as follows:

	<b><i>Remaining useful life as at 31 December 2021</i></b>	<b><i>2021 KD 000's</i></b>	<b><i>(Restated) 2020 KD 000's</i></b>
<i>Intangibles with indefinite life:</i>			
Licenses and brand name	Indefinite	<b>128,995</b>	129,074
<i>Intangibles with definite life:</i>			
Licenses and software	1 to 16.5 years	<b>30,448</b>	31,562
Customer contracts, customer relationship, core deposits and student relationships	Up to 8 years	<b>14,350</b>	25,061
		<b>173,793</b>	185,697

### 12 LOANS PAYABLE

	<b><i>2021 KD 000's</i></b>	<b><i>2020 KD 000's</i></b>
<i>By the subsidiaries:</i>		
Loans with maturity within 1 year	<b>473,075</b>	481,574
Loans with maturity above 1 year	<b>1,350,559</b>	1,060,869
	<b>1,823,634</b>	1,542,443
Less: inter-group borrowings	<b>(901,531)</b>	(798,330)
	<b>922,103</b>	744,113

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 13 BONDS

	<i>2021</i> <i>KD 000's</i>	<i>2020</i> <i>KD 000's</i>
<b><i>Issued by the Parent Company:</i></b>		
Fixed interest of 5.25% per annum and maturing on 28 December 2024	<b>35,795</b>	35,734
Floating interest of 2.25% per annum above the CBK discount rate and maturing on 28 December 2024	<b>63,636</b>	63,527
Fixed rate bond at 5.50% per annum and maturing on 8 November 2023	<b>13,957</b>	13,936
Floating rate bonds at 2.25% per annum plus CBK discount rate (Capped at 6.5% per annum) and maturing on 8 November 2023	<b>85,740</b>	85,608
<b><i>Issued by subsidiaries:</i></b>		
Fixed interest of 5.75% per annum and maturing on 19 April 2023	<b>32,150</b>	32,150
Floating interest of 2.5% per annum above the CBK discount rate and maturing on 19 April 2023	<b>27,850</b>	27,850
Fixed interest of 6% per annum and maturing on 9 March 2026 *	-	29,913
Floating interest of 3.95% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 9 March 2026 *	-	69,467
Fixed interest of 4.125% per annum and matured and repaid on 30 December 2021	-	99,862
Fixed interest of 6% per annum and maturing on 26 July 2023	<b>14,900</b>	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	<b>25,100</b>	25,100
Fixed interest of 5% per annum and maturing on 15 October 2023	<b>4,700</b>	4,712
Fixed interest of 2.75% per annum and maturing on 15 December 2031	<b>150,498</b>	150,755
	<b>454,326</b>	653,514
Less: inter-group eliminations	<b>(20,500)</b>	(21,537)
	<b>433,826</b>	631,977

\* During the year ended 31 December 2021 one of the Group's subsidiaries, Burgan Bank has fully redeemed and repaid KD 100 million subordinated bonds issued on 9 March 2016, callable at the option of the bank after 5 years from the date of issuance. The bonds had a ten-year tenor and a call option for redemption on any interest payment date falling on or after the fifth anniversary of the issue date.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 14 MEDIUM TERM NOTES

	2021 KD 000's	2020 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 semiannual basis. These notes are listed on the London Stock Exchange.	148,758	148,709
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. These notes are listed on the London Stock Exchange.	151,250	151,625
Fixed rate notes amounting to 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. These notes are listed on the London Stock Exchange.	151,007	151,337
<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% per annum. These notes are listed on the Irish Stock Exchange. These notes were repaid on 14 September 2021.	-	151,416
	451,015	603,087
Less: inter-group eliminations	(902)	(1,830)
	<b>450,113</b>	<b>601,257</b>

### 15 OTHER LIABILITIES

	2021 KD 000's	2020 KD 000's
Accounts payable	332,046	481,458
Accrued interest and expenses	131,980	159,172
Taxation payable	9,357	3,081
Others*	447,252	404,698
	<b>920,635</b>	<b>1,048,409</b>

\* The Group's subsidiaries classified their investments in "BOB" and Egyptian International Medical Center S.A.E (2020: "BOB" ,Specialized Managerial Company for Investment and Financial Consultation and United Financial Investments Company) as disposal group held for sale. As at 31 December 2021, the Group had classified KD 258,825 thousand (2020: KD: 193,825 thousand) as liabilities associated with disposal group held for sale.

### 16 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, RESERVES, APPROPRIATIONS AND PERPETUAL CAPITAL SECURITIES

#### a) Share capital

	2021 KD 000's	2020 KD 000's
Authorised share capital (shares of 100 fils each)	300,000	200,000
Issued and fully paid up capital (shares of 100 fils each) *	264,000	200,000

**16 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, RESERVES, APPROPRIATIONS AND PERPETUAL CAPITAL SECURITIES (continued)****a) Share capital (continued)**

\* This comprises 2,142,369,362 shares (2020: 1,502,369,362 shares) which are fully paid up in cash, whereas 497,630,638 shares (2020: 497,630,638 shares) were issued as bonus shares.

**b) Share premium**

The share premium is not available for distribution.

**c) Treasury shares**

	2021	2020
Number of treasury shares	215,786,142	187,371,442
Percentage of capital	8.17%	9.37%
Market value – KD 000's	30,642	29,792

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

**d) Statutory reserve**

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers, when the reserve exceeds 50% of share capital. The statutory reserve is not available for distribution except in certain circumstances stipulated by Law and the Parent Company's Articles of Association. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

**e) Voluntary reserve**

In accordance with the Parent Company's Articles of Association, 10% of profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' Annual General Assembly upon a recommendation by the Board of Directors. There is no restriction on distribution of this reserve. As per the decision of the Board of Directors meeting held on 7 March 2017, the Board recommended to Shareholders' General Assembly to discontinue the transfer to voluntary reserve, which was approved by the General Assembly of the Parent Company held on 5 April 2017. During the year 2020, the Board of Directors approved to transfer an amount of KD 30,000 thousand to retained earnings. This transfer was approved in the Shareholder' Annual General Assembly held on 15 April 2021.

**f) Dividend**

The Board of Directors has recommended the distribution of cash dividend of 5 fils per share (2020: 5 fils per share) on outstanding shares (excluding treasury shares) in respect of the year ended 31 December 2021. Subject to being approved by the Shareholders' Annual General Assembly, the dividend shall be payable to the shareholders after obtaining necessary regulatory approvals registered in the Parent Company's records as of the record date. Dividends for 2020 were approved at the Annual General Assembly of the shareholders held on 15 April 2021.



**16 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, RESERVES, APPROPRIATIONS AND PERPETUAL CAPITAL SECURITIES (continued)****g) Perpetual capital securities issued by a subsidiary of the Group**

On 2 July 2019, one of the subsidiaries of the Group - Burgan Bank S.A.K. ("Burgan Bank" or "Bank") issued Perpetual Tier 1 Capital Securities (the "Tier 1 securities"), amounting to USD 500,000 thousand.

The Tier 1 securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 securities do not have a maturity date. They are redeemable by the Bank at its discretion after 9 July 2024 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 5.7492%. Thereafter the interest rate will be reset at five-year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 securities, on a scheduled interest payment date (for whatever reason), then the Bank must not make any other distribution or payment on or with respect to its other shares that rank equally with or junior to the Tier 1 securities (other than pro-rata distributions or payments on shares that rank equally with Tier 1 securities) unless and until it has paid two consecutive interest payments in full on the Tier 1 securities.

On 28 March 2016, one of the subsidiaries of the Group, United Gulf Bank B.S.C. ("UGB") issued perpetual capital securities amounting to USD 33,000 thousand (equivalent to KD 9,961 thousand). Certain other subsidiaries of the Group subscribed to these securities amounting to USD 25,000 thousand (equivalent to KD 7,546 thousand) which were eliminated on consolidation.

**h) Capital Increase**

On 15 April 2021, the Extra Ordinary General Assembly approved the Parent Company's capital Increase and authorize the Board of Directors of the Parent Company to proceed with the capital call. The Board of Directors of the Parent Company passed a resolution to increase the Parent Company's capital through the issuance of 640,000,000 shares at an offer price of 125 fils per share which includes a nominal value of 100 fils per share and a share premium of 25 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 64,000 thousand and share premium of KD 16,000 thousand.

**17 EMPLOYEE STOCK OPTION PLAN RESERVE**

The Parent Company granted equity-settled stock options to eligible employees. These shares vest over a period of three years from the grant date. The vesting of the stock options is dependent on eligible employees remaining in service till the end of the vesting period. The fair value of stock options granted is amortized over the vesting period.

The following table illustrates the number, weighted average exercise prices and the movement in the stock options during the year:

	2021		2020	
	<i>Number of shares</i>	<i>Weighted average exercise price KD</i>	<i>Number of shares</i>	<i>Weighted average exercise price KD</i>
Outstanding at 1 January	41,845,432	0.230	34,922,656	0.259
Granted during the year	-	-	10,911,990	0.216
Expired / forfeited during the year	(13,195,228)	0.393	(3,989,214)	0.449
Outstanding at 31 December	28,650,204	0.155	41,845,432	0.230
Stock options exercisable as at 31 December	25,629,437		20,027,636	

The Parent Company recognized an expense of KD 508 thousand (2020: KD 914 thousand) relating to equity-settled share-based payment transactions during the year.

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### 17 EMPLOYEE STOCK OPTION PLAN RESERVE (continued)

The weighted average remaining contractual life of the stock options outstanding as at 31 December 2021 is 1.36 years (2020: 1.75 years). The weighted average fair value of stock options granted during the year is KD Nil thousand (2020: KD 446 thousand). The range of exercise prices for options outstanding at the end of the year was KD 0.208 to KD 0.216 (2020: KD 0.335 to KD 0.216).

The following table lists the inputs to the Black-Scholes option pricing model for the stock options granted during 2021 and 2020:

	2021	2020
Dividend yield (%)	-	6.0
Expected volatility (%)	-	27.7
Risk free interest rate (%)	-	1.5
Expected life of option (years)	-	3
Stock price on the date of grant (fils)	-	216
Weighted average exercise price of stock options granted (fils)	-	216

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the stock options is indicative of future trends, which may not necessarily be the actual outcome.

### 18 MATERIAL PARTLY - OWNED SUBSIDIARIES

The Group has concluded that Burgan, URC and JKB (2020: Burgan, URC and JKB) are the only subsidiaries with non-controlling interests that are material to the Group. Financial information of subsidiaries that have material non-controlling interests are provided below:

#### Accumulated balances of material non-controlling interests:

	2021 KD 000's	2020 KD 000's
Burgan	350,824	327,628
URC	29,943	18,728
JKB	80,386	79,653

#### Profit/(loss) allocated to material non-controlling interests:

	2021 KD 000's	2020 KD 000's
Burgan	18,309	14,745
URC	(2,778)	(4,283)
JKB	295	(2,164)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

#### Summarised income statement for the year ended 31 December:

	2021			2020		
	Burgan* KD 000's	URC KD 000's	JKB KD 000's	Burgan* KD 000's	URC(Restated) KD 000's	JKB KD 000's
Income	360,677	78,517	66,102	343,013	88,113	68,066
Expenses	(305,380)	(85,388)	(60,944)	(304,625)	(105,131)	(70,686)
Taxation	(6,708)	369	(1,866)	(4,302)	(42)	688
<b>Profit (loss) for the year</b>	<b>48,589</b>	<b>(6,502)</b>	<b>3,292</b>	<b>34,086</b>	<b>(17,060)</b>	<b>(1,932)</b>
<b>Total comprehensive income (loss)</b>	<b>3,259</b>	<b>(8,061)</b>	<b>4,803</b>	<b>(22,696)</b>	<b>(14,665)</b>	<b>(1,198)</b>
Attributable to non-controlling interests	2,197	(4,827)	119	(7,653)	(3,464)	-
Dividends paid to non-controlling interests	5,133	-	-	12,743	-	-

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 18 MATERIAL PARTLY - OWNED SUBSIDIARIES (continued)

#### Summarized statement of financial position for year ended 31 December:

	2021			2020		
	<i>Burgan*</i> KD 000's	<i>URC</i> KD 000's	<i>JKB</i> KD 000's	<i>Burgan*</i> KD 000's	<i>URC(Restated)</i> KD 000's	<i>JKB</i> KD 000's
Total assets	7,074,915	600,431	1,283,975	7,106,084	606,956	1,203,534
Total liabilities	6,142,990	415,728	1,084,156	6,226,320	414,087	1,008,035
<b>Equity</b>	<b>931,925</b>	<b>184,703</b>	<b>199,819</b>	<b>879,764</b>	<b>192,869</b>	<b>195,499</b>
<b>Attributable to:</b>						
Equity holders of material						
Subsidiaries	737,883	169,715	199,700	687,273	172,728	195,499
Perpetual capital securities	151,250	-	-	151,625	-	-

\* The summarized financial information is presented as per published financial statements of Burgan bank based on IFRS as adopted by Central Bank of Kuwait (CBK) for use by the State of Kuwait.

#### Summarized cash flow information for year ended 31 December:

	2021			2020		
	<i>Burgan</i> KD 000's	<i>URC</i> KD 000's	<i>JKB</i> KD 000's	<i>Burgan</i> KD 000's	<i>URC</i> KD 000's	<i>JKB</i> KD 000's
Operating	90,396	15,790	(57,414)	172,786	11,514	31,271
Investing	(33,053)	(8,040)	(41,169)	(113,960)	(5,090)	(40,765)
Financing	(7,727)	(1,689)	46,520	181,719	5,206	14,749
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>49,616</b>	<b>6,061</b>	<b>(52,063)</b>	<b>240,545</b>	<b>11,630</b>	<b>5,255</b>

### 19 INVESTMENT INCOME

	2021 KD 000's	(Restated) 2020 KD 000's
<b>Financial assets at fair value through profit or loss</b>		
Gain on sale	9,210	1,897
Unrealised gain	31,836	5,242
	<b>41,046</b>	<b>7,139</b>
<b>Other investment income</b>		
Change in fair value of investment properties (Note 10)	(7,167)	(5,088)
Impairment of properties held for trading	(517)	(3,807)
Gain on sale of debt instruments at fair value through other comprehensive income	1,469	8,468
Dividend income	1,969	3,117
Gain on remeasurement of previously held equity interest (Note 3)	-	75,893
Gain on derecognition of a subsidiary (Note 24)	27,391	-
Gain on sale of investment in associates	-	435
Loss on sale of investment properties	(937)	(22)
	<b>22,208</b>	<b>78,996</b>
	<b>63,254</b>	<b>86,135</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 20 FEES AND COMMISSION INCOME

	<i>2021</i> <i>KD 000's</i>	<i>2020</i> <i>KD 000's</i>
Fees from fiduciary activities	11,777	10,528
Credit related fees and commission	25,297	21,094
Advisory fees	2,178	1,448
Other fees	23,733	23,338
	<u>62,985</u>	<u>56,408</u>

### 21 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include staff cost for the year ended 31 December 2021 amounting to 97,111 thousand (2020 (Restated): KD 93,421 thousand).

### 22 TAXATION

	<i>2021</i> <i>KD 000's</i>	<i>2020</i> <i>KD 000's</i>
Taxation arising from overseas subsidiaries	9,357	3,081
Components of taxation arising from overseas subsidiaries are as follows:		
	<i>2021</i> <i>KD 000's</i>	<i>2020</i> <i>KD 000's</i>
Current tax	13,530	5,308
Deferred tax	(4,173)	(2,227)
	<u>9,357</u>	<u>3,081</u>

The tax rate applicable to the taxable subsidiary companies is in the range of 15% to 35% (2020: 10% to 35%) whereas the effective income tax rate for the year ended 31 December 2021 is in the range of 27% to 28% (2020: 11% to 29%). For the purpose of determining the taxable results for the year, the accounting profit of the overseas subsidiary companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies' jurisdiction.

Deferred tax assets / liabilities are included as part of other assets / liabilities in the consolidated financial statements.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 23 EARNINGS (LOSS) PER SHARE

#### **Basic:**

Basic earnings (loss) per share is computed by dividing the profit (loss) for the year 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 year, as follows:

	<b>2021</b> <b>KD 000's</b>	<i>(Restated)*</i> <b>2020</b> <b>KD 000's</b>
<b>Basic earnings (loss) per share:</b>		
Profit (loss) for the year attributable to the equity holders of the Parent Company from continuing operations	<b>6,073</b>	(302)
Profit for the year attributable to the equity holders of the Parent Company from a discontinued operation (Note 25)	<b>1,122</b>	1,437
	<b>7,195</b>	1,135
Less: interest payment on perpetual capital securities attributable to the equity holders of the Parent Company	<b>(5,838)</b>	(5,777)
Profit (loss) for the year attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities	<b>1,357</b>	(4,642)
	<b>Shares</b>	<b>Shares</b>
<b>Number of shares outstanding:</b>		
Weighted average number of paid-up shares	<b>2,126,189,086</b>	2,062,950,820
Weighted average number of treasury shares	<b>(194,066,769)</b>	(193,433,841)
Weighted average number of outstanding shares	<b>1,932,122,317</b>	1,869,516,979
	<b>Fils</b>	<b>Fils</b>
Basic earnings (loss) per share	<b>0.7</b>	(2.5)
Basic earnings (loss) per share from continuing operations	<b>0.1</b>	(3.3)
Basic earnings per share from discontinued operation	<b>0.6</b>	0.8

#### **Diluted:**

Diluted earnings (loss) per share is calculated by dividing the profit (loss) for the year 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 year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees 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.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 23 EARNINGS (LOSS) PER SHARE (continued)

#### *Diluted (continued):*

	<b>2021</b>	<i>(Restated)*</i>
	<b>KD 000's</b>	<b>2020</b>
		<b>KD 000's</b>
<b><i>Diluted earnings (loss) per share:</i></b>		
Profit (loss) for the year attributable to the equity holders of the Parent Company from continuing operations	<b>6,073</b>	(302)
Profit for the year attributable to the equity holders of the Parent Company from a discontinued operation (Note 25)	<b>1,122</b>	1,437
Profit for the year attributable to the equity holders of the Parent Company	<b>7,195</b>	1,135
Less: interest payment on perpetual capital securities attributable to the equity holders of the Parent Company	<b>(5,838)</b>	(5,777)
Profit (loss) for the year attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities	<b>1,357</b>	(4,642)
	<b>Shares</b>	<b>Shares</b>
<b><i>Number of shares outstanding:</i></b>		
Weighted average number of outstanding shares	<b>1,932,122,317</b>	1,869,516,979
	<b>Fils</b>	<b>Fils</b>
Diluted earnings (loss) per share	<b>0.7</b>	(2.5)
Diluted earnings (loss) per share from continuing operations	<b>0.1</b>	(3.3)
Diluted earnings per share from discontinued operation	<b>0.6</b>	0.8

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

\*Basic and diluted earnings (loss) per share for the year ended 2020 has been adjusted to reflect the adjustments of the PPA allocation (Note 3) and right issue (Note 16h).

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 24 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 KD 000's</i>	<i>Associates KD 000's</i>	<i>Others KD 000's</i>	<i>Total KD 000's</i>
<b>2021</b>				
<b>Consolidated statement of financial position:</b>				
Loans and advances	130,600	12,443	186,338	<b>329,381</b>
Other assets	34	6,134	435	<b>6,603</b>
Due to banks and other financial institutions	-	33,789	31,137	<b>64,926</b>
Deposit from customers	3,928	13,567	36,124	<b>53,619</b>
Medium term notes	-	3,025	-	<b>3,025</b>
Other liabilities	61,088	431	233	<b>61,752</b>
Perpetual capital securities	-	1,509	906	<b>2,415</b>
<b>Transactions:</b>				
Interest income	4,314	655	3,078	<b>8,047</b>
Investment income (a)	33,461	-	-	<b>33,461</b>
Fees and commission income	69	2,055	455	<b>2,579</b>
Interest expense	4,830	344	119	<b>5,293</b>
General and administrative expenses	-	1,696	1,377	<b>3,073</b>
<b>Commitments and guarantees:</b>				
Letter of credit	-	366	261	<b>627</b>
Guarantees & acceptances	25	42,275	3,960	<b>46,260</b>
Undrawn lines of credit	10,400	94,836	7,297	<b>112,533</b>

- a) As of 30 June 2021, the Group entered into an agreement to sell 45.1% equity interest in Al Ansar United Real Estate Company S.P.C, one of the subsidiaries of the Group to a related party and accordingly recognised a gain of KD 27,391 thousand. Later during the year ended 31 December 2021, the Group sold its retained equity interest of 9.9% in Al Ansar United Real Estate Company S.P.C, classified as financial assets at fair value through profit or loss to a related party and recognised a gain on sale of KD 6,070 thousand. (Note 19).
- b) During the current year, one of the subsidiaries of the Group, Overland entered into an agreement to sell 63.89% equity interest in United Education Company K.S.C.(closed) to a related party (Note 25). The Group did not realise any material gain or loss from this transaction.

	<i>Major shareholder KD 000's</i>	<i>Associates KD 000's</i>	<i>Others KD 000's</i>	<i>Total KD 000's</i>
<b>2020</b>				
<b>Consolidated statement of financial position:</b>				
Loans and advances	135,100	39,781	234,280	409,161
Other assets	20	2,167	117	2,304
Due to banks and other financial institutions	-	11,373	22,598	33,971
Deposit from customers	4,179	15,604	21,358	41,141
Medium term notes	-	3,033	-	3,033
Other liabilities	211,806	2	590	212,398
Perpetual capital securities	-	1,509	906	2,415
<b>Transactions:</b>				
Interest income	4,545	2,929	8,016	15,490
Fees and commission income	183	942	431	1,556
Interest expense	7,062	665	176	7,903
<b>Commitments and guarantees:</b>				
Letter of credit	-	18,580	2,712	21,292
Guarantees & acceptances	25	53,288	5,232	58,545
Undrawn lines of credit	900	44,037	31,957	76,894



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 24 RELATED PARTY TRANSACTIONS (Continued)

#### Compensation of key management personnel in the Group

Remuneration paid or accrued in relation to key management (deemed for this purpose to comprise Directors in relation to their committee service, the Chief Executive Officer and other Senior Officers) was as follows:

	2021 KD 000's	2020 KD 000's
Short-term employee benefits	14,511	16,558
Termination benefits	2,299	2,416
Share based payment	812	1,127
<b>Total</b>	<b>17,622</b>	<b>20,101</b>

The Board of Directors of the Parent Company has proposed Directors' fees of KD 220 thousand (2020: KD 220 thousand). These are subject to the approval of the Shareholders' General Assembly.

### 25 DISCONTINUED OPERATION

On 04 October 2021, one of the subsidiaries of the Group Overland sold its 63.89% equity interest in United Education Company K.S.C.(Closed) to a related party (Note 24b) for a net cash consideration of KD 40,996 thousand. As a result of this sale, the Group recognized a loss from disposal of discontinued operation amounting to KD 37 thousand in the consolidated income statement.

	KD 000's
Net sale consideration	40,996
Carrying value of equity interest disposed	41,033
Net loss on disposal	(37)

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the disposal of United Education Company K.S.C.(Closed) is classified as a discontinued operation. The results of the discontinued operation as at the date of loss of control are presented below. The comparative year has been reclassified to discontinued operation in accordance with the current year presentation included in the consolidated income statement.

	2021 KD 000's	2020 KD 000's
Revenue	20,430	28,591
Expenses	(18,396)	(26,052)
Profit for the year	2,034	2,539
Loss on disposal of a discontinued operation	(37)	-
<b>Profit from discontinued operation</b>	<b>1,997</b>	<b>2,539</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	1,122	1,437
Non-controlling interest	875	1,102
	<b>1,997</b>	<b>2,539</b>

**25 DISCONTINUED OPERATION (continued)**

As United Education Company K.S.C.(Closed) was sold prior to 31 December 2021, related assets and liabilities are not included in the consolidated statement of financial position as at 31 December 2021.

	KD 000's
Net cash flow from disposal of the discontinued operation:	
Net consideration received	40,996
Less: net cash disposed off with the discontinued operation	(5,245)
	35,751
	35,751

**26 HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS**

The Group designated its investments in foreign operations (i.e. investment in PMGL, UGH, 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 year, gains or losses amounting to KD 684 thousand on the retranslation of this borrowing are transferred to consolidated statement of other comprehensive income to offset any gains or losses on translation of the net investments in the foreign operations. No ineffectiveness from hedges of net investments in foreign operations was recognized in the consolidated income statement during the year.

Burgan Bank has entered into 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. Gain or losses on the retranslation of the aforesaid contracts are transferred to equity 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 the consolidated income statement during the year.

**27 COMMITMENTS AND CONTINGENCIES*****Credit related commitments and contingencies***

Credit related commitments and contingencies include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of subsidiaries customers.

Letters of credit, guarantees (including standby letters of credit) commit the subsidiaries to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry the same credit risk as loans.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments and contingencies generally have fixed expiration dates, or other termination clauses. Since commitments and contingencies may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

***Investment related commitments***

Investment related commitments represent commitments for capital calls of fund structures. These commitments can be called during the investment period of the fund which normally is 1 to 5 years.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 27 COMMITMENTS AND CONTINGENCIES (continued)

The Group has the following Gross exposure on commitments and contingencies:

	2021 KD 000's	2020 KD 000's
<b>Credit related commitments and contingencies</b>		
Letters of credit	234,927	280,290
Guarantees & acceptances	959,809	981,708
	<b>1,194,736</b>	<b>1,261,998</b>
<b>Undrawn lines of credit</b>	<b>812,228</b>	<b>755,412</b>
<b>Investment related commitments</b>	<b>17,995</b>	<b>30,343</b>
	<b>2,024,959</b>	<b>2,047,753</b>

#### *Impairment losses on guarantees and other commitments*

An analysis of changes in the gross exposure and the corresponding expected credit loss in relation to guarantees and other commitments is, as follows:

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification.

	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	2021 Total KD 000's
<b>Internal rating grade</b>				
<b>Performing</b>				
High grade	950,777	20,346	-	971,123
Standard grade	913,234	107,644	-	1,020,878
Past due but not impaired	-	237	-	237
<b>Non – performing</b>				
Individually impaired	-	-	14,726	14,726
<b>Total</b>	<b>1,864,011</b>	<b>128,227</b>	<b>14,726</b>	<b>2,006,964</b>
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	2020 Total KD 000's
<b>Internal rating grade</b>				
<b>Performing</b>				
High grade	843,324	27,714	-	871,038
Standard grade	1,055,278	83,798	-	1,139,076
Past due but not impaired	-	248	-	248
<b>Non – performing</b>				
Individually impaired	-	-	7,048	7,048
<b>Total</b>	<b>1,898,602</b>	<b>111,760</b>	<b>7,048</b>	<b>2,017,410</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 27 COMMITMENTS AND CONTINGENCIES (continued)

#### *Impairment losses on guarantees and other commitments (continued)*

An analysis of changes in ECLs is, as follows:

	<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>
ECL at 1 January 2021	<b>6,634</b>	<b>3,371</b>	<b>6,151</b>	<b>16,156</b>
(Recovery)/Charge during the year	<b>(2,359)</b>	<b>(970)</b>	<b>6,959</b>	<b>3,630</b>
Written off during the year	-	-	<b>(472)</b>	<b>(472)</b>
Foreign exchange	<b>(37)</b>	<b>(94)</b>	<b>(268)</b>	<b>(399)</b>
<b>At 31 December 2021</b>	<b>4,238</b>	<b>2,307</b>	<b>12,370</b>	<b>18,915</b>

	<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>
ECL at 1 January 2020	4,238	10,615	6,431	21,284
Charge /(recovery) during the year	2,197	(6,253)	(547)	(4,603)
Transfer to liabilities directly associated with the disposal group held for sale (Note 15)	-	(1,143)	-	(1,143)
Foreign exchange	199	152	267	618
<b>At 31 December 2020</b>	<b>6,634</b>	<b>3,371</b>	<b>6,151</b>	<b>16,156</b>

#### **Operating lease – Group as a lessor**

The Group has entered into commercial leases for certain investment properties in the normal course of business. Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	<i>2021</i> <i>KD 000's</i>	<i>2020</i> <i>KD 000's</i>
Within one year	<b>28,696</b>	29,509
After one year but not more than three years	<b>36,285</b>	37,617
	<b>64,981</b>	67,126

#### **Operating lease commitments – Group as a lessee**

The Group has entered into commercial leases for certain investment properties and property plant and equipment in the normal course of business. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	<i>2021</i> <i>KD 000's</i>	<i>2020</i> <i>KD 000's</i>
Within one year	<b>1,997</b>	2,069
After one year but not more than three years	<b>1,089</b>	1,425
	<b>3,086</b>	3,494

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 28 DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. Derivatives are financial instruments that derive their value by referring interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

The Group deals in interest rate swaps to manage its interest rate risk on interest bearing asset and liabilities or to provide interest rate risk management solutions to customers. Similarly, the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts analyzed by the terms of maturity. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount KD 000's</i>	<i>Notional amounts by term to maturity</i>	
				<i>Within 1 year KD 000's</i>	<i>1 – 5 Years KD 000's</i>
<b>2021</b>					
<i>Derivatives held for trading: (including non-qualifying hedges)</i>					
Forward foreign exchange contracts	26,878	(16,459)	1,890,410	1,765,617	124,793
Interest rate swaps	1,903	(2,208)	81,134	34,652	46,482
Options	1,405	(1,979)	52,556	52,556	-
<i>Derivatives held for hedging:</i>					
<i>Fair value hedges:</i>					
Forward foreign exchange contracts	6,906	(482)	51,958	48,990	2,968
<i>Cash flow hedges:</i>					
Interest rate swaps	37,438	(2,112)	309,880	96,674	213,206
	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount KD 000's</i>	<i>Notional amounts by term to maturity</i>	
				<i>Within 1 year KD 000's</i>	<i>1 – 5 Years KD 000's</i>
<b>2020</b>					
<i>Derivatives held for trading: (including non-qualifying hedges)</i>					
Forward foreign exchange contracts	17,150	(8,061)	1,241,899	1,235,457	6,442
Interest rate swaps	3,211	(4,392)	147,122	30,688	116,434
Options	152	(38)	33,996	33,996	-
<i>Derivatives held for hedging:</i>					
<i>Fair value hedges:</i>					
Forward foreign exchange contracts	1,011	(4,942)	241,018	241,018	-
<i>Cash flow hedges:</i>					
Interest rate swaps	30,143	(6,664)	287,625	127,539	160,086

**28 DERIVATIVES (continued)**

The Group has positions in the following types of derivatives:

**Forward foreign exchange contracts**

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

**Options**

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with an opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

**Derivatives held for trading**

Derivatives held for trading include the Group's derivative positions held with the expectation of profiting from favorable movements in prices, rates or indices. Derivatives which do not meet hedging requirements are also included under derivatives held for trading.

**Fair value hedges**

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates. The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks.

**Cash flow hedges**

The Group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks.

The table below shows the contractual expiry by maturity of the Group's derivatives positions:

	<i>Up to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
<b>2021</b>				
Foreign exchange derivatives	163,768	1,650,839	127,761	1,942,368
Interest rate swaps	-	131,326	259,688	391,014
Options	-	52,556	-	52,556
	<u>163,768</u>	<u>1,834,721</u>	<u>387,449</u>	<u>2,385,938</u>

**28 DERIVATIVES (continued)****Cash flow hedges (continued)**

	<i>Up to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
2020				
Foreign exchange derivatives	166,784	1,309,691	6,442	1,482,917
Interest rate swaps	34,874	123,353	276,520	434,747
Options	-	33,996	-	33,996
	<u>201,658</u>	<u>1,467,040</u>	<u>282,962</u>	<u>1,951,660</u>

**29 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 Bank 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 & Satellite services – represents Group's activities in providing digital satellite services, Media Pay TV services via satellite, cable and streaming.

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.

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 29 SEGMENT INFORMATION (continued)

Management monitors the results of its segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

	<i>Commercial banking KD 000's</i>	<i>Asset management and investment banking KD 000's</i>	<i>Insurance* KD 000's</i>	<i>Media &amp; Satellite Services KD 000's</i>	<i>Industrial KD 000's</i>	<i>Hospitality and real estate KD 000's</i>	<i>Others*** KD 000's</i>	<i>Inter- segmental eliminations KD 000's</i>	<i>Total KD 000's</i>
<b>As at 31 December 2021</b>									
<b>Assets and liabilities:</b>									
Segment assets	8,693,288	935,278	119,222	404,889	291,128	906,316	226,182	(1,396,534)	<b>10,179,769</b>
Segment liabilities	7,679,691	1,401,948	-	312,877	157,580	608,601	181,378	(1,186,407)	<b>9,155,668</b>
<b>For the year ended 31 December 2021</b>									
Segment revenues	442,684	66,780	23,304	101,326	12,611	109,562	9,059	(54,257)	<b>711,069</b>
Profit (loss) for the year	81,468	(40,403)	23,304	(57,247)	(15,052)	20,171	4,836	(5,848)	<b>11,229</b>
<b>Other segmental information:</b>									
Investment in associates	7,684	20,125	119,222	-	183,317	15,495	-	-	<b>345,843</b>
Goodwill (Note 11)	114,898	15,813	-	251,842	-	-	-	-	<b>382,553</b>
Other intangibles (Note 11)	124,898	5,036	-	42,162	-	1,697	-	-	<b>173,793</b>
Interest income	303,915	2,359	-	-	48	213	21	-	<b>306,556</b>
Interest expense	150,626	42,425	-	6,091	300	10,674	-	-	<b>210,116</b>
Provision for (recovery of) credit losses	67,404	(143)	-	2,293	3,079	1,536	-	-	<b>74,169</b>
Share of results of associates	446	2,297	23,304	-	6,057	488	-	-	<b>32,592</b>
Provision for impairment of non-financial assets	-	-	-	15,125	15,780	-	-	-	<b>30,905</b>
Depreciation and amortization	15,724	1,983	-	9,814	286	503	15	-	<b>28,325</b>

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



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 29 SEGMENT INFORMATION (continued)

	<i>Commercial banking KD 000's</i>	<i>Asset management and investment banking KD 000's</i>	<i>Insurance* KD 000's</i>	<i>Media &amp; Satellite Services ** KD 000's</i>	<i>Industrial KD 000's</i>	<i>Hospitality and real estate KD 000's</i>	<i>Others*** KD 000's</i>	<i>Inter- segmental eliminations KD 000's</i>	<i>(Restated) Total KD 000's</i>
As at 31 December 2020									
Assets and liabilities:									
Segment assets	8,627,251	821,656	84,810	455,260	276,061	975,313	276,420	(1,165,523)	10,351,248
Segment liabilities	7,683,953	1,577,206	-	297,454	142,754	666,687	193,051	(1,103,250)	9,457,855
For the year ended 31 December 2020									
Segment revenues	417,816	37,454	8,314	156,474	17,519	94,409	9,660	(17,607)	724,039
Profit (loss) for the year	73,637	(54,135)	8,314	(11,911)	490	(18,665)	5,240	(419)	2,551
Other segmental information:									
Investment in associates	7,427	16,619	84,810	-	226,894	16,031	-	-	351,781
Goodwill (Note 11)	115,252	15,767	-	267,561	-	-	23,062	-	421,642
Other intangibles (Note 11)	126,866	4,938	-	50,459	-	1,803	1,631	-	185,697
Interest income	321,058	7,153	-	29	18	117	23	-	328,398
Interest expense	154,358	55,198	-	6,421	376	12,795	-	-	229,148
Provision for (recovery) of credit losses	65,529	(2,429)	-	1,315	-	970	-	-	65,385
Share of results of associates	2,576	(707)	8,314	-	7,981	(392)	-	-	17,772
Provision for impairment of non-financial assets	14,012	-	-	32,271	-	-	-	-	46,283
Depreciation and amortization	15,907	2,414	-	8,700	330	544	16	-	27,911

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

\* Represents interest in GIG, an associate of the Group, Insurance segment revenues (Note 9).

\*\* Media & Satellite Services segment revenues and results as at 31 December 2020 includes gain on remeasurement of previously held equity interest of KD 75,893 thousand (Note 3).

\*\*\* Others include profit for the year from discontinued operation (Note 25).

**29 SEGMENT INFORMATION (continued)****Geographic information**

<b>2021</b>	<b><i>Income</i> <i>KD 000's</i></b>	<b><i>Non-current</i> <i>assets</i> <i>KD 000's</i></b>
Kuwait	300,430	2,678,999
Rest of GCC	91,268	684,887
Rest of Middle East, Asia and North Africa	191,283	1,420,266
Europe	122,667	294,653
North America	5,421	41,200
	<b>711,069</b>	<b>5,120,005</b>
	<i>(Restated)</i>	<i>(Restated)</i>
<b>2020</b>	<b><i>Income</i> <i>KD 000's</i></b>	<b><i>Non-current</i> <i>assets</i> <i>KD 000's</i></b>
Kuwait	305,772	2,852,430
Rest of GCC	129,776	426,972
Rest of Middle East, Asia and North Africa	184,705	1,560,512
Europe	98,788	383,461
North America	4,998	52,233
	<b>724,039</b>	<b>5,275,608</b>

For breakup of non-current assets, refer to Note 30.3.

The geographic segmentation of the income information above is based on the region where the services are provided.

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES****30.1 INTRODUCTION**

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

Each subsidiary of the Group is responsible for managing its own risks and has its own Board Committees, including Audit and Executive Committees in addition to other management Committees such as Credit / Investment Committee and (in the case of major subsidiaries) Asset Liability Committee (ALCO), or equivalent, with responsibilities generally analogous to the Group's committees.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process. The Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected geographic and industrial sectors. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**30.1 INTRODUCTION (continued)**

The operations of certain Group subsidiaries are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy, general provision on loans and advances) to minimise the risk of default and insolvency on the part of the banking companies to meet unforeseen liabilities as these arise. Adequate adjustments to provisions for credit losses have been made at the Group level to comply with IFRS having a net positive effect of KD 83,271 thousand (2020: KD 86,336 thousand) on equity attributable to equity holders of the Parent Company.

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currency transactions.

The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group.

The Group classifies the risks faced as part of its monitoring and controlling activities into certain categories of risks and accordingly specific responsibilities have been given to various officers for the identification, measurement, control and reporting of these identified categories of risks. The categories of risks are:

- A. Risks arising from financial instruments:
  - i. Credit risk which includes default risk of clients and counterparties
  - ii. Liquidity risk
  - iii. Market risk which includes interest rate, foreign exchange and equity price risks
  - iv. Prepayment risk
- B. Other risks
  - i. Operational risk which includes risks due to operational failures
  - ii. Impact of COVID-19

Derivative transactions result, to varying degrees, in credit as well as market risks.

Market risk arises as interest rates, foreign exchange rates and equity prices fluctuate affecting the value of a contract. For risk management purposes and to control these activities, the Group has established appropriate procedures and limits approved by the Board of Directors.

**30.2 CREDIT RISK**

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industrial segments. Such risks are monitored on a regular basis and are subject to regular review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative.

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**30.2 CREDIT RISK (continued)**

**Credit related commitments risk**

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

**30.2.1 Assessment of expected credit losses**

**Definition of default and cure**

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- ▶ the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- ▶ the customer is past due more than 90 days on any material credit obligation to the Group; or
- ▶ customer is considered as credit impaired based on qualitative assessment for internal credit risk management purposes

Any credit impaired or stressed facility that has been restructured during the year would also be considered as in default. The Group considers externally-rated exposures with ratings 'D' for S&P and Fitch, and 'C' for Moody's as defaulted.

The Group considers a variety of indicators that may indicate unlikelihood to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- ▶ breaches of covenants
- ▶ customer having past due liabilities to public creditors or employees
- ▶ customer is deceased
- ▶ The borrower requesting emergency funding from the Group

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least twelve consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

**Significant increase in credit risk**

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria's do not indicate a significant increase in credit risk.

The Group also considers that events as mentioned below are indicators of significant increase in credit risk as opposed to a default.

- ▶ Significant deterioration of credit risk rating of the borrower with consideration to relative increase in Possibility of Default ("PD").
- ▶ Restructured accounts where there is principal haircut, or a standstill agreement is signed or where the restructured account carries specific provision.
- ▶ In the case of retail portfolio, qualitative indicators such as fraudulent customers, and death of customer.

The Group considers a financial instrument with an external rating of "investment grade" as at the reporting date to have low credit risk.

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**30.2 CREDIT RISK (continued)**

**30.2.1 Assessment of expected credit losses (continued)**

***Internal rating and PD estimation process***

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses industry standard rating tools for assessing ratings/scores that are leveraged for PD estimation process. The tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The Group assesses the PD for its retail portfolio through behavioral scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility. Term structure of PD is based on hazard rate concept. The survival distribution used is exponential distribution. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the behavioral scorecard.

***Incorporation of forward-looking information***

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

***Measurement of ECLs***

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument, including credit cards and other revolving facilities, unless the Group has the legal right to call it earlier, except for the maturity of all credit facilities (other than consumer/ installment facilities) in Stage 2 which is considered based on minimum period of 4 years.

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****30.2 CREDIT RISK (continued)****30.2.1 Assessment of expected credit losses (continued)*****Measurement of ECLs (continued)******Exposure at default***

Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, credit conversion factors, etc. EAD for retail loans incorporate prepayment assumptions whereas for credit cards portfolio, credit conversion factors are applied to estimate the future draw downs.

***Loss given default***

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

**30.2.2 Maximum exposure to credit risk:**

The table below shows the maximum exposure to credit risk across financial assets before taking into consideration the effect of any collateral and other credit enhancements i.e. credit risk mitigation.

	<b>2021</b>	<b>2020</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Cash at banks	<b>1,209,704</b>	1,199,870
Treasury bills, bonds and other debt securities	<b>584,227</b>	500,770
Loans and advances	<b>4,791,444</b>	4,945,497
Financial assets at fair value through profit or loss	<b>139,684</b>	143,255
Financial assets at fair value through other comprehensive income	<b>333,289</b>	312,923
Other assets including positive value of derivatives (excluding prepayments, assets pending for sale and others)	<b>278,625</b>	261,821
<b>Total</b>	<b>7,336,973</b>	7,364,136
<b>Credit related commitments</b>	<b>1,988,049</b>	2,001,254
<b>Total</b>	<b>9,325,022</b>	9,365,390

The exposures set above are based on net carrying amounts as reported in the consolidated statement of financial position.

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****30.2 CREDIT RISK (continued)****30.2.3 Collateral and other credit enhancements**

The amount, type and valuation of collateral is based on guidelines specified in the risk management framework. The main types of collateral accepted includes real estate, quoted shares, cash collateral and bank guarantees. The revaluation and custody of collaterals are performed independent of the business units.

Management monitors the market value of collaterals, requests additional collaterals in accordance with the underlying agreement, and monitors the market value of collaterals obtained on a regular basis. Fair value of assets held as collateral and other credit enhancements is KD 4,106,133 thousand (2020: KD 4,125,990 thousand).

**30.2.4 Credit risk concentration**

Concentrations of credit risk arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions.

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty. This risk is managed by diversification of the portfolio. The 10 largest loans outstanding as a percentage of gross loans as at 31 December 2021 are 23% (31 December 2020: 23%).

The Group's financial assets and commitments, before taking into account any collateral held or credit enhancements can be analysed by the following geographic regions:

<i>Region</i>	<i>Credit related</i>		<i>Credit related</i>	
	<i>Assets</i> <i>2021</i> <i>KD 000's</i>	<i>commitments</i> <i>2021</i> <i>KD 000's</i>	<i>Assets</i> <i>2020</i> <i>KD 000's</i>	<i>commitments</i> <i>2020</i> <i>KD 000's</i>
MENA	6,584,261	1,877,062	6,526,358	1,912,788
North America	175,550	15,793	94,477	54
Europe	385,018	58,447	590,227	58,348
Asia	130,553	5,956	103,605	-
Others	61,591	30,791	49,469	30,064
<b>Total</b>	<b>7,336,973</b>	<b>1,988,049</b>	<b>7,364,136</b>	<b>2,001,254</b>

The Group's financial assets and credit related commitments, before taking into account any collateral held or credit enhancements can be analysed by the following industry sector:

	<i>2021</i> <i>KD 000's</i>	<i>2020</i> <i>KD 000's</i>
Sovereign	1,173,684	1,042,219
Banking	1,245,310	1,495,296
Investment	424,815	335,867
Trade and commerce	960,643	954,101
Real estate	1,283,128	1,347,455
Personal	1,438,605	1,488,807
Manufacturing	898,343	913,419
Construction	669,837	683,631
Others	1,230,657	1,104,595
	<b>9,325,022</b>	<b>9,365,390</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

## 30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## 30.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below shows an analysis of financial liabilities based on the remaining undiscounted contractual maturities. Repayments which are subject to notice are treated as if notice were to be given immediately.

	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
<b>2021</b>				
<b>Financial liabilities</b>				
Due to banks and other financial institutions	886,658	291,545	114,181	<b>1,292,384</b>
Deposits from customers	4,001,351	1,209,907	149,913	<b>5,361,171</b>
Loans payable	4,910	125,545	823,406	<b>953,861</b>
Bonds	-	17,546	506,005	<b>523,551</b>
Medium term notes	7,184	20,765	507,607	<b>535,556</b>
Other liabilities *	202,138	165,773	293,899	<b>661,810</b>
	<b>5,102,241</b>	<b>1,831,081</b>	<b>2,395,011</b>	<b>9,328,333</b>
	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
<b>2020</b>				
<b>Financial liabilities</b>				
Due to banks and other financial institutions	862,842	393,733	48,563	1,305,138
Deposits from customers	4,163,916	978,423	156,592	5,298,931
Loans payable	22,312	61,648	756,418	840,378
Bonds	3,192	124,371	700,332	827,895
Medium term notes	7,571	170,578	531,893	710,042
Other liabilities *	158,711	465,337	230,536	854,584
	<b>5,218,544</b>	<b>2,194,090</b>	<b>2,424,334</b>	<b>9,836,968</b>

\* Other liabilities include negative fair value of derivative financial liabilities and excludes liabilities directly associated with the disposal group held for sale.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****30.3 LIQUIDITY RISK (continued)**

The table below shows the contractual expiry by maturity of the Group's gross exposure of contingent liabilities and commitments.

	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
<b>2021</b>				
Credit related commitments	681,077	823,905	501,982	<b>2,006,964</b>
Investment related commitments	-	1,191	16,804	<b>17,995</b>
	<b>681,077</b>	<b>825,096</b>	<b>518,786</b>	<b>2,024,959</b>
<b>2020</b>				
Credit related commitments	798,990	733,646	484,774	2,017,410
Investment related commitments	3,716	5,181	21,446	30,343
	<b>802,706</b>	<b>738,827</b>	<b>506,220</b>	<b>2,047,753</b>

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined based on management's estimate of liquidation of those financial assets. The actual maturities may differ from the maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
<b>2021</b>				
<b>ASSETS</b>				
Cash in hand and at banks	1,255,364	35,839	5,708	<b>1,296,911</b>
Treasury bills, bonds and other debt securities	151,233	158,348	274,646	<b>584,227</b>
Loans and advances	1,625,220	868,762	2,297,462	<b>4,791,444</b>
Financial assets at fair value through profit or loss	2,515	166,687	97,743	<b>266,945</b>
Financial assets at fair value through other comprehensive income	89,258	1,723	329,566	<b>420,547</b>
Other assets	438,508	145,490	346,776	<b>930,774</b>
Properties held for trading	-	120,817	-	<b>120,817</b>
Investment in associates	-	-	345,843	<b>345,843</b>
Investment properties	-	-	487,722	<b>487,722</b>
Property, plant and equipment	-	-	378,193	<b>378,193</b>
Intangible assets	-	-	556,346	<b>556,346</b>
<b>Total assets</b>	<b>3,562,098</b>	<b>1,497,666</b>	<b>5,120,005</b>	<b>10,179,769</b>
<b>LIABILITIES AND EQUITY</b>				
Due to banks and other financial institutions	892,311	223,426	114,352	<b>1,230,089</b>
Deposits from customers	3,879,379	1,178,530	140,993	<b>5,198,902</b>
Loans payable, Bonds, and Medium-term notes	8,345	82,862	1,714,835	<b>1,806,042</b>
Other liabilities	451,561	175,175	293,899	<b>920,635</b>
Equity	-	-	1,024,101	<b>1,024,101</b>
<b>Total liabilities and equity</b>	<b>5,231,596</b>	<b>1,659,993</b>	<b>3,288,180</b>	<b>10,179,769</b>

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****30.3 LIQUIDITY RISK (continued)**

	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>(Restated) Total KD 000's</i>
2020				
<b>ASSETS</b>				
Cash in hand and at banks	1,310,919	32,279	3,667	1,346,865
Treasury bills, bonds and other debt securities	167,816	103,676	229,278	500,770
Loans and advances	2,051,153	561,757	2,332,587	4,945,497
Financial assets at fair value through profit or loss	6,505	156,267	89,436	252,208
Financial assets at fair value through other comprehensive income	47,849	15,629	328,449	391,927
Other assets	340,840	162,597	312,371	815,808
Properties held for trading	-	118,353	-	118,353
Investment in associates	-	-	351,781	351,781
Investment properties	-	-	624,258	624,258
Property, plant and equipment	-	-	396,442	396,442
Intangible assets	-	-	607,339	607,339
<b>Total assets</b>	<b>3,925,082</b>	<b>1,150,558</b>	<b>5,275,608</b>	<b>10,351,248</b>
<b>LIABILITIES AND EQUITY</b>				
Due to banks and other financial institutions	865,766	276,860	129,315	1,271,941
Deposits from customers	3,756,909	787,688	615,561	5,160,158
Loans payable, Bonds, and Medium-term notes	5,925	391,438	1,579,984	1,977,347
Other liabilities	351,880	465,992	230,537	1,048,409
Equity	-	-	893,393	893,393
<b>Total liabilities and equity</b>	<b>4,980,480</b>	<b>1,921,978</b>	<b>3,448,790</b>	<b>10,351,248</b>

**30.4 MARKET RISK**

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industrial concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

**30.4.1 Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or cash flows of the financial instruments. Each subsidiary of the Group manages the internal rate risk at their entity level. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. This arises as a result of mismatches or gaps in the amounts of assets and liabilities and commitments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (treasury bills and bonds, loans and advances, due to banks and other financial institutions, deposits from customers, loans payable, bonds and medium term notes).

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****30.4 MARKET RISK (continued)****30.4.1 Interest rate risk (continued)**

The following table demonstrates the sensitivity of the profit before taxation to reasonably possible changes in interest rates after the effect of hedge accounting, with all other variables held constant.

Based on the Group's financial assets and liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact the Group's profit before taxation as follows:

Currency	<i><b>Increase of 25 basis points</b></i> <i>Increase (decrease) in profit before taxation</i>	
	<i><b>2021</b></i> <i><b>KD 000's</b></i>	<i><b>2020</b></i> <i><b>KD 000's</b></i>
KD	<b>4,770</b>	2,847
US\$	<b>(254)</b>	(156)
EURO	<b>(177)</b>	(124)
GBP	<b>12</b>	10

The decrease in the basis points will have an opposite impact on the Group's profit before taxation.

**30.4.2 Foreign currency risk**

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in the foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD. The Group also uses the hedging transactions to manage risks in other currencies (Note 26).

The table below analyses the effect on profit before taxation (due to change in the fair value of monetary assets and liabilities) and equity of an assumed 5% strengthening in the value of the currency rate against the KD from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, whereas a positive amount reflects a net potential increase.

Currency	<i><b>Change in currency rate by + 5%</b></i>			
	<i>Effect on equity</i>		<i>Effect on profit before taxation</i>	
	<i><b>2021</b></i> <i><b>KD 000's</b></i>	<i><b>2020</b></i> <i><b>KD 000's</b></i>	<i><b>2021</b></i> <i><b>KD 000's</b></i>	<i><b>2020</b></i> <i><b>KD 000's</b></i>
US\$	<b>(179)</b>	473	<b>(32,624)</b>	(24,463)
EURO	<b>1,627</b>	1,477	<b>(969)</b>	(1,533)
GBP	-	-	<b>216</b>	67

An equivalent weakening in each of the above-mentioned currencies against the KD would result in an equivalent but opposite impact.

**30.4.3 Equity price risk**

Equity price risk arises from changes in the fair values of equity investments. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration.

The Group conducts sensitivity analysis on regular intervals in order to assess the potential impact of any major changes in fair value of equity instruments. Based on the results of the analysis conducted there are no material implication over the Group's profit and equity for a 5% fluctuation in major stock exchanges.

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As at 31 December 2021

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****30.4 MARKET RISK (continued)****30.4.3 Equity price risk (continued)**

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in different industry sectors are as follows:

	<i>Financial assets at fair value through profit or loss KD 000's</i>	<i>Financial assets at fair value through other comprehensive income KD 000's</i>
<b>2021</b>		
Sovereigns	-	8
Banking	1,144	21,238
Investment	111,039	5,266
Trade and commerce	431	11,501
Real estate	3,883	33,243
Manufacturing	467	117
Others	10,297	15,885
	<b>127,261</b>	<b>87,258</b>
	<i>Financial assets at fair value through profit or loss KD 000's</i>	<i>Financial assets at fair value through other comprehensive income KD 000's</i>
<b>2020</b>		
Banking	1,213	26,086
Investment	86,033	7,573
Trade and commerce	309	4,311
Real estate	2,494	27,935
Manufacturing	122	43
Others	18,782	13,056
	<b>108,953</b>	<b>79,004</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

### 30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 30.4 MARKET RISK (continued)

##### 30.4.3 Equity price risk (continued)

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in different geographical regions are as follows:

	<i>MENA</i> <i>2021</i> <i>KD 000's</i>	<i>Europe</i> <i>2021</i> <i>KD 000's</i>	<i>North</i> <i>America</i> <i>2021</i> <i>KD 000's</i>	<i>Asia</i> <i>2021</i> <i>KD 000's</i>	<i>Total</i> <i>2021</i> <i>KD 000's</i>	<i>Total</i> <i>2020</i> <i>KD 000's</i>
<b>Financial assets at fair value through profit or loss</b>						
Equity securities	6,788	149	9,004	31	<b>15,972</b>	21,211
Managed funds	15,253	9,210	86,826	-	<b>111,289</b>	87,742
	<b>22,041</b>	<b>9,359</b>	<b>95,830</b>	<b>31</b>	<b>127,261</b>	108,953
<b>Financial assets at fair value through other comprehensive income</b>						
Quoted equity securities	15,748	-	664	-	<b>16,412</b>	14,998
Unquoted equity securities	58,349	6,910	5,575	-	<b>70,834</b>	62,836
Managed funds	12	-	-	-	<b>12</b>	1,170
	<b>74,109</b>	<b>6,910</b>	<b>6,239</b>	<b>-</b>	<b>87,258</b>	79,004

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**30.5 PREPAYMENT RISK**

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate mortgages when interest rate fall. The fixed rate assets of the Group are not significant compared to the total assets. Moreover, other market conditions causing prepayment is not significant in the markets in which the Group operates. Therefore, the Group considers the effect of prepayment on net interest income is not material after taking into account the effect of any prepayment penalties.

**30.6 OPERATIONAL RISK**

Operational risk is the risk of loss arising from the failures in operational process, people and system that supports operational processes. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by Risk management. Risk management ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall risk management.

**30.7 IMPACT OF COVID-19**

The recent spread of the coronavirus ("COVID-19") across various geographies globally, which was declared a pandemic by the World Health Organization during the year ended 31 December 2020, has caused disruption to business and economic activities. The fiscal and monetary authorities around the world, including Kuwait, have announced various support measures across the globe to counter the possible adverse implications of COVID-19. These support measures include lowering the discount rate by 1–2 % across the geographies in which the Group operates. This note describes the continuous impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 December 2021.

*(i) Credit risk management*

The management of the Group has taken several measures to manage its risk associated with the pandemic, including identification of the most vulnerable sectors primarily affected and placing added measures to ensure a high level of scrutiny.

The uncertainties caused by COVID-19, and the steep decline in oil prices have required the Group to consider the impact of higher volatility in the forward-looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2021. For its international operations, the Group updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate.

Further, the Group has assessed the impact of the pandemic on ECL by testing various stress scenarios, including downgrading the risk rating of customers operating in the most negatively impacted industry sectors such as hospitality, real estate, banking and oil and gas.

During the year ended 31 December 2021, One of the Group banking Subsidiaries, Burgan Bank, approved instalment deferral resulted in a provisional modification loss of KD 5,679 thousand to the Bank arising from modification of the contractual cash flows of consumer and housing loans, which is recognised in consolidated income statement.

During the year ended 31 December 2020, One of the Group banking Subsidiaries, Burgan Bank, approved a payment holiday to retail customers due to Covid-19. The accounting impact of this transaction has been assessed and has been treated as per the requirements of IFRS 9 for modification of terms of arrangement which resulted in modification loss amounting to KD 8,499 thousand being recognized in the consolidated income statement.

*(ii) Liquidity risk management*

In response to the COVID-19 outbreak, the Group is evaluating its liquidity and funding position. The Group will continue to assess its liquidity position by closely monitoring its cash flows and forecasts.

The Group's management of liquidity risk is disclosed in Note 30.3.

**30 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**30.7 IMPACT OF COVID-19 (continued)**

*(iii) Fair value measurement of financial instruments*

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID-19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represents the price that would be achieved for transactions between market participants in the current scenario.

*(iv) Investment properties and properties held for trading ("non-financial assets")*

As at the reporting date, the Group has considered potential impact on the carrying values of its non-financial assets as at 31 December 2021 taking into consideration the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2021. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial information.

**31 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS**

Fair value of financial instruments are not materially different from their carrying values except for medium term notes whose fair value amounts to KD 434,639 thousand (2020: KD 621,232 thousand) (Note 14). 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.

The fair value of the above investment securities is categorised as per the policy on fair value measurement in Note 2.5 Movement in level 3 is mainly on account of purchase, sale and change in fair value, which is not material to the Group's consolidated financial statements.

Debt securities included under level 3 consists of unquoted corporate bonds issued by banks and financial institutions. The fair values of these bonds are estimated using discounted cash flow methods. Equities and other securities included in these categories mainly include strategic equity investments and managed funds which are not traded in an active market. The fair values of these investments are estimated by using valuation techniques that are appropriate in the circumstances. Valuation techniques includes discounted cash flow models, observable market information of comparable companies, recent transactions information and net asset values. Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue, profit estimate and market multiples such as price to book and price to earnings. Given the diverse nature of these investments, it is not practical to disclose a range of significant unobservable inputs.

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### 31 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating certain assumptions such as credit spreads that are appropriate in the circumstances.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

#### Fair value measurement hierarchy as at 31 December 2021:

	<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>Assets measured at fair value</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	13,636	-	2,336	<b>15,972</b>
Debt securities	6,338	-	250	<b>6,588</b>
Managed funds	1,669	13,060	96,560	<b>111,289</b>
Forfeiting assets	-	-	133,096	<b>133,096</b>
<i>Financial assets fair value through other comprehensive income:</i>				
Equity securities	16,412	3,605	67,229	<b>87,246</b>
Debt securities	331,153	2,136	-	<b>333,289</b>
Managed funds	-	-	12	<b>12</b>
Derivatives (Note 28)	-	74,530	-	<b>74,530</b>
<b>Liabilities measured at fair value</b>				
Derivatives (Note 28)	-	(23,240)	-	<b>(23,240)</b>

#### Fair value measurement hierarchy as at 31 December 2020:

	<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>Assets measured at fair value</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	16,290	16	4,905	21,211
Debt securities	6,087	-	-	6,087
Managed funds	398	10,397	76,947	87,742
Forfeiting assets	-	-	137,168	137,168
<i>Financial assets fair value through other comprehensive income:</i>				
Equities	14,998	3,732	59,104	77,834
Debt securities	299,265	5,658	8,000	312,923
Managed funds	-	-	1,170	1,170
Derivatives (Note 28)	-	51,667	-	51,667
<b>Liabilities measured at fair value</b>				
Derivatives (Note 28)	-	(24,097)	-	(24,097)

There were no material transfers between the levels during the year.



### 31 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

### 32 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or purchase/sale of treasury shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital at the level of the Parent Company and at each of the subsidiaries.

The Parent Company monitors capital on the basis of the carrying amount of its equity attributable to the equity holders of the Parent Company (excluding treasury shares held by subsidiaries of the Group) plus its net debt comprising of loans payable, bonds, medium-term notes and accrued interest less its cash and cash equivalents. The Parent Company's goal is to maintain a capital-to-overall financing ratio of 1:2.5. Management assesses the Parent's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

Each subsidiary of the Group is responsible for its own capital management and maintains a level of capital that is adequate to support its business and financial exposures. Furthermore, regulated subsidiaries of the Group are governed by the capital adequacy and/or other regulatory requirements in the jurisdictions in which they operate. The compliance to such capital adequacy and/or other regulatory requirements is monitored by each of the regulated subsidiaries on a regular basis.

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the management; the Group does not have a defined share buy-back plan.

### 33 SUBSEQUENT EVENTS

Subsequent to the reporting date, on 14 March 2022, the management of the Parent Company reached an initial agreement to merge by amalgamation with Qurain Petrochemical Industries Company ("QPIC"). The two companies signed a Memorandum of Understanding (MoU) whereby they agreed to assess the merger proposition. As per the MoU agreement, KIPCO shall be the merging entity and QPIC shall be the merged entity. KIPCO is currently in the process of commencing the legal procedures required to obtain the approval of the regulatory authorities and other required approvals.

In addition to the above, one of the subsidiaries of the Group - United Real Estate Company ("URC") reached an initial agreement to merge by amalgamation with United Tower Company ("UTHC") and Al Dhiyafa Holding Company ("DHC"). These companies signed a Memorandum of Understanding (MoU) whereby they agreed to assess the merger proposition. As per the MoU agreement, URC shall be the merging entity and UTHC and DHC shall be the merged entity. URC is currently in the process of commencing the legal procedures required to obtain the approval of the regulatory authorities and other required approvals.