

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2022 (UNAUDITED)

RSM Albazie & Co.

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

T: +965 22961000
F: +965 22412761

www.rsm.global/kuwait

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Projects Company Holding K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, “the Group”) as at 30 June 2022 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated cash flow statement and interim condensed consolidated statement of changes in equity for the six months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

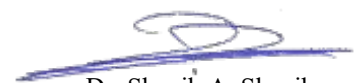
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended or by the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2022 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 review, to the best of our knowledge and belief, we have not become aware of any violations of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended 30 June 2022, that might have had a material effect on the business of the Parent Company or on its financial position.

State of Kuwait
14 August 2022



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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 30 June 2022

		<i>30 June</i> <i>2022</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD 000's</i>	<i>30 June</i> <i>2021</i> <i>KD 000's</i>
	<i>Notes</i>			
ASSETS				
Cash in hand and at banks	3	1,454,587	1,296,911	1,165,501
Treasury bills, bonds and other debt securities		749,734	584,227	534,064
Loans and advances		4,867,540	4,791,444	4,797,121
Financial assets at fair value through profit or loss		267,704	266,945	274,780
Financial assets at fair value through other comprehensive income ("FVOCI")		367,150	420,547	403,291
Other assets	2	960,754	930,774	904,816
Properties held for trading		94,043	120,817	124,225
Investment in associates		351,604	345,843	346,361
Investment properties		508,294	487,722	509,793
Property, plant and equipment		384,859	378,193	378,991
Intangible assets		556,690	556,346	598,460
TOTAL ASSETS		10,562,959	10,179,769	10,037,403
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		1,389,209	1,230,089	894,202
Deposits from customers		5,318,321	5,198,902	5,384,549
Loans payable	5	1,000,821	922,103	756,868
Bonds	6	435,984	433,826	532,785
Medium term notes	7	456,604	450,113	597,288
Other liabilities	2	949,260	920,635	971,275
Total liabilities		9,550,199	9,155,668	9,136,967
Equity				
Equity attributable to equity holders of the Parent Company	8	309,415	315,533	207,115
Perpetual capital securities		153,332	153,332	153,332
Non controlling interest		550,013	555,236	539,989
Total equity		1,012,760	1,024,101	900,436
TOTAL LIABILITIES AND EQUITY		10,562,959	10,179,769	10,037,403

Sheikha Dana Nasser Sabah Al Ahmad Al Sabah
Group Chief Executive Officer and Board Member

The attached notes 1 to 18 form part of these interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the period ended 30 June 2022

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Continuing operations:					
Income:					
Interest income		85,785	77,370	159,656	146,535
Investment income	9	7,626	38,107	14,595	47,411
Fee and commission income		17,285	15,235	32,949	29,780
Share of results of associates		5,126	5,315	17,488	10,930
Media and digital satellite network services income		20,251	24,342	41,541	50,058
Hospitality and real estate income		22,949	21,451	42,368	45,727
Manufacturing and distribution income		2,533	2,029	4,616	4,318
Other income		10,219	10,254	17,437	16,799
Foreign exchange gain		2,959	4,551	6,145	9,345
		174,733	198,654	336,795	360,903
Expenses:					
Interest expense		60,197	51,893	111,400	104,803
Media and digital satellite network services expense		21,802	24,933	45,249	55,537
Hospitality and real estate expenses		13,822	15,756	27,547	33,819
Manufacturing and distribution expenses		2,084	1,586	3,708	3,448
General and administrative expenses		49,289	46,345	89,714	84,452
Depreciation and amortisation		6,956	6,341	14,358	12,656
		154,150	146,854	291,976	294,715
Operating profit from continuing operations before provisions					
		20,583	51,800	44,819	66,188
Release of (charge for) provision for credit losses	4	3,307	(20,028)	(11,675)	(40,647)
Provision for impairment of investment		-	(15,780)	-	(15,780)
Net monetary loss	2.5	(11,054)	-	(11,054)	-
Profit from continuing operations before taxation					
		12,836	15,992	22,090	9,761
Taxation		(7,941)	(2,232)	(11,423)	(4,446)
Profit for the period from continuing operations					
		4,895	13,760	10,667	5,315
Discontinued operation:					
Profit from discontinued operation	11	-	1,162	-	2,191
Profit for the period					
		4,895	14,922	10,667	7,506
Attributable to:					
Equity holders of the Parent Company		2,249	11,634	5,374	3,197
Non-controlling interest		2,646	3,288	5,293	4,309
		4,895	14,922	10,667	7,506
		<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
(LOSS) EARNINGS PER SHARE:					
Basic and diluted- attributable to the equity holders of the Parent Company	10	(0.5)	4.7	0.8	0.2
(LOSS) EARNINGS PER SHARE FROM CONTINUING OPERATIONS:					
Basic and diluted- attributable to the equity holders of the Parent Company	10	(0.5)	4.3	0.8	(0.5)

The attached notes 1 to 18 form part of these interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 June 2022

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2022</i> <i>KD 000's</i>	<i>2021</i> <i>KD 000's</i>	<i>2022</i> <i>KD 000's</i>	<i>2021</i> <i>KD 000's</i>
Profit for the period	4,895	14,922	10,667	7,506
Other comprehensive loss:				
<i>Items that will not be reclassified to interim condensed consolidated income statement in subsequent periods:</i>				
Net change in fair value of equity instruments at fair value through other comprehensive income	(603)	813	(829)	1,536
Share of other comprehensive loss from associates	(3,000)	(494)	(3,796)	(1,630)
	(3,603)	319	(4,625)	(94)
<i>Items that are or may be reclassified to interim condensed consolidated income statement in subsequent periods:</i>				
Debt instruments at fair value through other comprehensive income:				
- Net transfer to interim condensed consolidated income statement	(350)	(79)	10	(418)
- Net change in fair value during the period	(5,505)	1,513	(17,189)	(3,963)
- Changes in allowance for expected credit losses	(3)	(108)	(17)	(109)
Change in fair value of cash flow hedge	7,890	1,964	15,225	4,091
Foreign currency translation adjustment	(3,662)	(5,726)	(16,621)	(13,984)
	(1,630)	(2,436)	(18,592)	(14,383)
Other comprehensive loss for the period	(5,233)	(2,117)	(23,217)	(14,477)
Total comprehensive (loss) income for the period	(338)	12,805	(12,550)	(6,971)
Attributable to:				
Equity holders of the Parent Company	(1,887)	11,921	(8,336)	104
Non-controlling interest	1,549	884	(4,214)	(7,075)
	(338)	12,805	(12,550)	(6,971)

The attached notes 1 to 18 form part of these interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED CASHFLOW STATEMENT (UNAUDITED)

For the period ended 30 June 2022

		<i>Six months ended</i> <i>30 June</i>	
	Notes	<i>2022</i> <i>KD 000's</i>	<i>2021</i> <i>KD 000's</i>
OPERATING ACTIVITIES			
Profit before taxation from continuing operations		22,090	9,761
Profit from discontinued operation		-	2,191
Profit before taxation		22,090	11,952
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>			
Interest income		(159,656)	(146,535)
Investment income	9	(14,595)	(47,411)
Share of results of associates		(17,488)	(10,930)
Interest expense		111,400	104,803
Depreciation and amortisation		14,358	12,656
Non-cash items from discontinued operation		-	1,562
Provision for credit losses	4	11,675	40,647
Provision for impairment of investment		-	15,780
Net monetary loss	2.5	11,054	-
Foreign exchange loss (income) on loans payable and medium-term notes		5,084	(1,637)
(Reversal of) provision for employee share based payments		(545)	112
		(16,623)	(19,001)
Changes in operating assets and liabilities:			
Deposits with original maturities exceeding three months		(12,468)	25,343
Treasury bills, bonds and other debt securities		(123,584)	(25,938)
Loans and advances		(72,739)	115,751
Financial assets at fair value through profit or loss		9,916	396
Financial assets at fair value through other comprehensive income		(13,960)	(14,493)
Other assets		(16,465)	(49,459)
Properties held for trading		3,931	(5,871)
Due to banks and other financial institutions		158,882	(377,818)
Deposits from customers		140,304	265,037
Other liabilities		(5,836)	(67,904)
Dividends received	9	2,858	1,165
Interest received		167,184	129,537
Interest paid		(106,922)	(113,241)
Net cash flow from (used in) operating activities		114,478	(136,496)
INVESTING ACTIVITIES			
Net movement in investment properties		2,656	241
Net movement in investment in associates		3,974	(4,845)
Net cashflow from disposal of a subsidiary		-	(2,117)
Dividends received from associates		4,924	714
Net cash flows from (used in) investing activities		11,554	(6,007)
FINANCING ACTIVITIES			
Proceeds from loans payable, net		77,103	102,542
Repayment of bonds, net		-	(99,382)
Dividends paid to equity holders of the Parent Company		(12,560)	(8,982)
Interest payment on perpetual capital securities		(5,140)	(4,456)
Proceeds from sale of treasury shares		3,934	-
Dividends paid to non-controlling interest		(9,804)	(5,023)
Movement in non-controlling interest		2,908	50,797
Net cash flows from financing activities		56,441	35,496
Net foreign exchange differences		(21,450)	(13,875)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		1,405,450	1,456,005
CASH AND CASH EQUIVALENTS AT 30 JUNE	3	1,566,473	1,335,123

The attached notes 1 to 18 form part of these interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2022

	<i>Attributable to equity holders of the Parent Company</i>														
	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Cumulative changes in fair values</i>	<i>Revaluation surplus</i>	<i>Foreign currency translation reserve</i>	<i>ESOP reserve</i>	<i>Other reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Perpetual capital securities</i>	<i>Non controlling interest</i>	<i>Total equity</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
As at 1 January 2022	264,000	68,913	(95,258)	107,562	76,546	(10,544)	24,526	(140,955)	1,367	(18,254)	37,630	315,533	153,332	555,236	1,024,101
Profit for the period	-	-	-	-	-	-	-	-	-	-	5,374	5,374	-	5,293	10,667
Other comprehensive loss	-	-	-	-	-	(2,340)	-	(11,370)	-	-	-	(13,710)	-	(9,507)	(23,217)
Total comprehensive (loss) income	-	-	-	-	-	(2,340)	-	(11,370)	-	-	5,374	(8,336)	-	(4,214)	(12,550)
Dividends for 2021 at 5 fils per share (Note 8)	-	-	-	-	-	-	-	-	-	-	(12,225)	(12,225)	-	-	(12,225)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,804)	(9,804)
Sale of treasury shares	-	-	9,161	-	-	-	-	-	-	-	(4,448)	4,713	-	(779)	3,934
Employees' share-based payment	-	-	-	-	-	-	-	-	(545)	-	-	(545)	-	-	(545)
Transfer related to disposal group held for sale (Note 2)	-	-	-	-	-	2	-	(315)	-	313	-	-	-	-	-
Transfer of depreciation related to property plant and equipment carried at revaluation	-	-	-	-	-	-	(202)	-	-	-	202	-	-	-	-
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	2,377	-	-	-	-	(2,377)	-	-	-	-
Interest on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(3,441)	(3,441)	-	(1,699)	(5,140)
Impact of initial application of IAS 29 (Note 2.5)	-	-	-	-	-	-	-	9,140	-	-	4,442	13,582	-	8,499	22,081
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	-	134	-	134	-	2,774	2,908
As at 30 June 2022	264,000	68,913	(86,097)	107,562	76,546	(10,505)	24,324	(143,500)	822	(17,807)	25,157	309,415	153,332	550,013	1,012,760

The attached notes 1 to 18 form part of these interim condensed consolidated financial information

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

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

For the period ended 30 June 2022

Attributable to equity holders of the Parent Company

	<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 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	-	-	-	-	-	-	-	-	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 period	-	-	-	-	-	-	-	-	-	3,197	3,197	-	4,309	7,506
Other comprehensive income (loss)	-	-	-	-	-	2,046	(5,139)	-	-	-	(3,093)	-	(11,384)	(14,477)
Total comprehensive income (loss)	-	-	-	-	-	2,046	(5,139)	-	-	3,197	104	-	(7,075)	(6,971)
Dividends for 2020 at 5 fils per share	-	-	-	-	-	-	-	-	-	(9,063)	(9,063)	-	-	(9,063)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(5,023)	(5,023)
Employees' share-based payment	-	-	-	-	-	-	-	112	-	-	112	-	-	112
Transfer related to disposal group held for sale	-	-	-	-	-	190	126	-	(316)	-	-	-	-	-
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	751	-	-	-	(751)	-	-	-	-
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(2,838)	(2,838)	-	(1,618)	(4,456)
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	(792)	23,687	22,895	-	9,549	32,444
As at 30 June 2021	200,000	52,913	(93,151)	106,821	76,546	(16,300)	(136,151)	2,179	(21,816)	36,074	207,115	153,332	539,989	900,436

The attached notes 1 to 18 form part of these interim condensed consolidated financial information

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2022

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 interim condensed consolidated financial information of the Parent Company and its subsidiaries (collectively the “Group”) for the six months period ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 14 August 2022.

The principal activities of the Parent Company comprise the following:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

The Group’s subsidiary Burgan Bank classified its investment in Bank of Baghdad as disposal group held for sale. The Group has classified the related components under other assets, other liabilities and other reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of Estimates and Judgments

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial information, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2021.

2.3 AMENDMENTS ON THE APPLIED STANDARDS

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

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

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 consolidated profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 AMENDMENTS ON THE APPLIED STANDARDS (continued)

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

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

2.4 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

IFRS 17 – Insurance Contracts and its amendments

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 (initially effective 1 January 2021), 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 17 – Insurance Contracts and its amendments (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 information 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 interim condensed consolidated financial information.

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 interim condensed consolidated financial information.

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As at 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)***Amendments to IAS 1 – Classification of Liabilities as Current or Non-current*

In January 2021, 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.

2.5 HYPERINFLATION

The Group, through one of its banking subsidiaries, Burgan Bank A.S. (“BBT”), has operations in Turkey. The Turkish economy has been assessed as a hyperinflationary economy based on the cumulative inflation rates over the previous three years, effective for reporting period on or after 30 April 2022. Accordingly, the interim condensed consolidated financial information includes the effects of hyperinflation in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies” stemming from its Turkish operations. IAS 29 has been applied from 1 January 2022 i.e. the beginning of the reporting period in which the Group identified hyperinflation.

Upon initial application of IAS 29, the Group recorded a net prior period gain of KD 22,081 thousand in interim condensed consolidated statement of changes in equity. The inflated value of assets on initial application resulted in net asset value of BBT exceeding its estimated recoverable amount. Accordingly, the initial inflation adjustment was capped at recoverable amount and the difference was directly recorded in retained earnings. The Group has determined the Consumer Price Index (“CPI”) as the appropriate general price index to be used in the inflation accounting and it was measured at 931.76 as at 30 June 2022 (31 December 2021: 686.95 and 30 June 2021: 547.48). The inflation accounting was applied to the books of BBT from the date of acquisition i.e. December 2012.

The Group has recorded net monetary loss of KD 11,054 thousand in the interim condensed consolidated statement of income for the six months period ended 30 June 2022.

3. CASH IN HAND AND AT BANKS

	<i>(Audited)</i>		
	<i>30 June 2022 KD 000's</i>	<i>31 December 2021 KD 000's</i>	<i>30 June 2021 KD 000's</i>
Cash and bank balances	834,915	830,965	642,791
Deposits with original maturities up to three months	568,465	427,089	514,885
Expected credit losses	(2,808)	(2,690)	(2,778)
	1,400,572	1,255,364	1,154,898
Cash and cash equivalents			
Add: deposits with original maturities exceeding three months	54,015	41,547	10,603
Cash in hand and at banks as per interim condensed consolidated statement of financial position	1,454,587	1,296,911	1,165,501
Cash and cash equivalents attributable to disposal group held for sale (Note 2)	165,901	150,086	180,225
Less: deposits with original maturities exceeding three months	(54,015)	(41,547)	(10,603)
Cash and cash equivalents as per interim condensed consolidated cash flow statement	1,566,473	1,405,450	1,335,123

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2022

4. PROVISION FOR CREDIT LOSSES

An analysis of changes in the expected credit losses “ECL” allowance in relation to loans and advances 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>
<i>ECL allowance</i>				
Balance as at 1 January 2022	27,693	35,750	127,909	191,352
(Recovery) / Charge during the period	(63)	(1,469)	11,811	10,279
Amounts written off during the period	-	-	(3,408)	(3,408)
Foreign exchange	(567)	4,284	(947)	2,770
As at 30 June 2022	27,063	38,565	135,365	200,993
	<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>
<i>ECL allowance</i>				
Balance as at 1 January 2021	39,942	46,068	149,852	235,862
(Recovery) / Charge during the period	(11,737)	(13,508)	67,548	42,303
Amounts written off during the period	-	-	(38,830)	(38,830)
Foreign exchange	(322)	1,347	(3,008)	(1,983)
As at 30 June 2021	27,883	33,907	175,562	237,352

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

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Loans and advances	4,140,739	654,787	273,007	5,068,533
ECL allowance	(27,063)	(38,565)	(135,365)	(200,993)
As at 30 June 2022	4,113,676	616,222	137,642	4,867,540
	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Loans and advances	4,019,323	674,804	340,346	5,034,473
ECL allowance	(27,883)	(33,907)	(175,562)	(237,352)
As at 30 June 2021	3,991,440	640,897	164,784	4,797,121

Provision for credit losses recognised in the interim condensed consolidated income statement also includes “ECL” charge on cash in hand and at banks of KD 118 thousand (30 June 2021: “ECL” recovery of KD 298 thousand), “ECL” charge on other debt securities of KD 1,380 thousand (30 June 2021: “ECL” recovery of KD 28 thousand), and “ECL” charge on other assets of KD 123 thousand (30 June 2021: “ECL” charge of KD 2,483 thousand). “ECL” recovery on non-cash facilities of KD 225 thousand (30 June 2021: “ECL” recovery of KD 3,813 thousand).

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5. LOANS PAYABLE

	<i>30 June</i> <i>2022</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD 000's</i>	<i>30 June</i> <i>2021</i> <i>KD 000's</i>
<i>By the Parent Company:</i>			
Loans with maturity within 1 year	-	-	20,000
Loans with maturity above 1 year	20,000	-	-
<i>By the subsidiaries:</i>			
Loans with maturity within 1 year	74,970	91,207	83,739
Loans with maturity above 1 year	905,851	830,896	653,129
	1,000,821	922,103	756,868

6. BONDS

	<i>30 June</i> <i>2022</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD 000's</i>	<i>30 June</i> <i>2021</i> <i>KD 000's</i>
<i>Issued by the Parent Company:</i>			
Fixed interest of 5.25% per annum and maturing on 28 December 2024	35,827	35,795	35,765
Floating interest of 2.25% per annum above the CBK discount rate and maturing on 28 December 2024	63,693	63,636	63,581
Fixed rate bond at 5.50% per annum and maturing on 8 November 2023	13,969	13,957	13,947
Floating rate bonds at 2.25% per annum above CBK discount rate (Capped at 6.5% per annum) and maturing on 8 November 2023	85,807	85,740	85,672
<i>Issued by subsidiaries:</i>			
Fixed interest of 5.75% per annum and maturing on 19 April 2023	32,150	32,150	32,150
Floating interest of 2.5% per annum above the CBK discount rate and maturing on 19 April 2023	27,850	27,850	27,850
Fixed interest of 4.125% per annum matured and repaid on 30 December 2021	-	-	99,931
Fixed interest of 6% per annum and maturing on 26 July 2023	14,900	14,900	14,900
Floating interest of 2.75% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 26 July 2023	25,100	25,100	25,100
Fixed rate of 5% per annum and maturing on 15 October 2023	4,765	4,700	4,677
Fixed rate of 2.75% per annum and maturing on 15 December 2031	152,664	150,498	149,711
	456,725	454,326	553,284
Less: inter-group eliminations	(20,741)	(20,500)	(20,499)
	435,984	433,826	532,785

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7. MEDIUM TERM NOTES

	30 June 2022	<i>(Audited)</i> 31 December 2021	30 June 2021
	KD 000's	KD 000's	KD 000's
<i>Euro medium term notes (EMTN) issued by the Parent Company through a SPE:</i>			
Fixed rate notes amounting to US\$ 500 million having a term of 10 years maturing on 23 February 2027 and carrying a coupon interest rate of 4.5% per annum payable on a semi-annual basis. These notes are listed on the London Stock Exchange.	151,042	148,758	147,834
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.	153,350	151,250	150,525
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.	153,126	151,007	150,261
<i>Issued by subsidiaries through SPEs:</i>			
Fixed rate notes amounting to US\$ 500 million having a term of 5 years maturing on 14 September 2021 and carrying a coupon interest rate of 3.125% per annum. These notes are listed on the Irish Stock Exchange. These notes were repaid on 14 September 2021.	-	-	150,463
	457,518	451,015	599,083
Less: inter-group eliminations	(914)	(902)	(1,795)
	456,604	450,113	597,288

8. SHAREHOLDER'S CAPITAL, SHARE PREMIUM, TREASURY SHARES AND APPROPRIATIONS

a) Share capital

	30 June 2022	<i>(Audited)</i> 31 December 2021	30 June 2021
	KD 000's	KD 000's	KD 000's
Authorised share capital (shares of 100 fils each)	300,000	300,000	200,000
Issued and fully paid-up capital (shares of 100 fils each) *	264,000	264,000	200,000

* This comprises 2,142,369,362 shares (31 December 2021: 2,142,369,362 shares and 30 June 2021: 1,502,369,362 shares) which are fully paid up in cash, whereas 497,630,638 shares (31 December 2021: 497,630,638 shares and 30 June 2021: 497,630,638 shares) were issued as bonus shares.

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

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8. SHAREHOLDER'S CAPITAL, SHARE PREMIUM, TREASURY SHARES AND APPROPRIATIONS (continued)

b) Share premium

The share premium is not available for distribution.

c) Treasury shares

	30 June	<i>(Audited)</i> 31 December	30 June
	2022	2021	2021
Number of treasury shares	195,034,207	215,786,142	187,371,442
Percentage of capital	7.39%	8.17%	9.37%
Market value (KD 000's)	28,670	30,642	30,167

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

d) Dividend

On 25 April 2022, the shareholders Annual General Assembly approved the distribution of cash dividend of 5 fils per share for the year ended 31 December 2021 (for the year ended 31 December 2020: 5 fils per share) to the Parent Company's shareholders on record as at the record date.

e) 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 was fully subscribed resulting in an increase in share capital of KD 64,000 thousand and share premium of KD 16,000 thousand.

9. INVESTMENT INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	30 June		30 June	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	KD 000's	KD 000's	KD 000's	KD 000's
Gain on sale of financial assets at fair value through profit or loss	5,356	1,874	6,857	2,643
Unrealised (loss) gain on financial assets at fair value through profit or loss	(654)	8,090	3,818	15,668
Gain (loss) on sale of debt instruments at fair value through other comprehensive income	210	17	(135)	513
Dividend income	1,517	735	2,858	1,165
Gain on sale of investment properties	67	-	67	31
Gain on sale of investment in associates	1,130	-	1,130	-
Gain on derecognition of a subsidiary	-	27,391	-	27,391
	7,626	38,107	14,595	47,411

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As at 30 June 2022

10. (LOSS) EARNINGS PER SHARE

Basic:

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Basic (loss) earnings per share:				
Profit for the period attributable to the equity holders of the Parent Company from continuing operations	2,249	10,973	5,374	1,954
Profit for the period attributable to the equity holders of the Parent Company from a discontinued operation (Note 11)	-	661	-	1,243
Profit for the period attributable to the equity holders of the Parent Company	2,249	11,634	5,374	3,197
Less: interest payments on perpetual capital securities attributable to the equity holders of the Parent Company	(3,441)	(2,838)	(3,441)	(2,838)
(Loss) profit for the period attributable to the equity holders of the Parent Company after interest payments on perpetual capital securities	(1,192)	8,796	1,933	359
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Number of shares outstanding:				
Issued and fully paid-up capital	2,640,000,000	2,062,950,820	2,640,000,000	2,062,950,820
Weighted average number of treasury shares	(196,406,050)	(193,269,035)	(203,443,257)	(193,269,035)
Weighted average number of outstanding shares	2,443,593,950	1,869,681,785	2,436,556,743	1,869,681,785
	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
Basic (loss) earnings per share	(0.5)	4.7	0.8	0.2
Basic (loss) earnings per share from continuing operations	(0.5)	4.3	0.8	(0.5)
Basic earnings per share from discontinued operation	-	0.4	-	0.7

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10. (LOSS) EARNINGS PER SHARE (continued)

Diluted:

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<i>Diluted (loss) earnings per share:</i>				
Profit for the period attributable to the equity holders of the Parent Company	2,249	10,973	5,374	1,954
Profit for the period attributable to the equity holders of the Parent Company from a discontinued operation (Note 11)	-	661	-	1,243
Profit for the period attributable to the equity holders of the Parent Company	2,249	11,634	5,374	3,197
Less: interest payments on perpetual capital securities attributable to the equity holders of the Parent Company	(3,441)	(2,838)	(3,441)	(2,838)
(Loss) profit for the period attributable to the equity holders of the Parent Company after interest payments on perpetual capital securities	(1,192)	8,796	1,933	359
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares	2,443,593,950	1,869,681,785	2,436,556,743	1,869,681,785
	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
Diluted (loss) earnings per share	(0.5)	4.7	0.8	0.2
Diluted (loss) earnings per share from continuing operations	(0.5)	4.3	0.8	(0.5)
Diluted earnings per share from discontinued operation	-	0.4	-	0.7

* Basic and diluted earnings per share for the period ended 30 June 2021 has been restated to reflect the rights issue (Note 8e).

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11. DISCONTINUED OPERATION

On 04 October 2021, one of the subsidiaries of the Group Overland Real Estate Company W.L.L sold its 63.89% equity interest in United Education Company K.S.C.(Closed) to a related party for a net cash consideration of KD 40,996 thousand.

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 comparative period has been reclassified to discontinued operation in the interim condensed consolidated income statement.

	<i>Three months ended</i> <i>30 June 2021</i> <i>KD 000's</i>	<i>Six months ended</i> <i>30 June 2021</i> <i>KD 000's</i>
Revenue	7,457	14,928
Expenses	(6,295)	(12,737)
Profit from discontinued operation	<u>1,162</u>	<u>2,191</u>
Attributable to:		
Equity holders of the Parent Company	661	1,243
Non-controlling interest	501	948
	<u>1,162</u>	<u>2,191</u>

12. HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The Group designated its investments in foreign operations (i.e. investment in Panther Media Group limited, United Gulf Holding Company B.S.C. and Pulsar Knowledge Centre) and EMTN as a hedge of a net investment in foreign operations. EMTN is being used to hedge the Group's exposure to the US\$ foreign exchange risk on these investments. During the period, gains or losses amounting to KD 1,874 thousand on the retranslation of this borrowing are transferred to interim condensed 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 interim condensed consolidated income statement during the period ended 30 June 2022.

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 interim condensed consolidated income statement during the period ended 30 June 2022.

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13. RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholder, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Related party balances and transactions consist of the following:

	<i>Major shareholder</i>	<i>Associates</i>	<i>Others</i>	Total 30 June 2022 KD 000's	<i>(Audited) 31 December 2021 KD 000's</i>	<i>30 June 2021 KD 000's</i>
Interim condensed consolidated statement of financial position:						
Financial assets at fair value through profit or loss	-	100	-	100	250	-
Loans and advances	137,700	10,644	184,137	332,481	329,381	279,772
Other assets	55	1,686	308	2,049	6,603	3,172
Due to banks and other financial institutions	-	20,072	26	20,098	64,926	59,551
Deposits from customers	4,939	12,896	15,992	33,827	53,619	37,074
Medium term notes	-	3,067	-	3,067	3,025	3,011
Other liabilities	64,955	4	4,258	69,217	61,752	107,596
Perpetual capital securities	-	1,509	906	2,415	2,415	2,415
Commitments and contingent liabilities:						
Letter of credit	-	794	264	1,058	627	16,573
Guarantees & acceptances	35	65,683	1,454	67,172	46,260	58,770
Undrawn lines of credit	3,290	78,390	12,695	94,375	112,533	122,243
					Six months ended 30 June	
	<i>Major shareholder</i>	<i>Associates</i>	<i>Others</i>	2022	2021	
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	KD 000's	KD 000's	
Transactions:						
Interest income	2,665	230	1,635	4,530	4,172	
Fee and commission income	33	848	378	1,259	1,053	
Investment income	-	-	-	-	27,391	
Interest expense	376	209	10	595	3,499	

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14. 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.

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 interim condensed consolidated financial information.

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

	<i>Six months ended 30 June</i>			
	<i>2022</i>		<i>2021</i>	
	<i>Segment revenues</i>	<i>Segment results</i>	<i>Segment revenues</i>	<i>Segment results</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Commercial banking	226,923	48,874	215,864	35,285
Asset management and investment banking	21,746	(11,477)	29,012	(15,469)
Insurance	7,597	7,597	5,436	5,436
Media and satellite services	41,634	(28,118)	53,182	(21,843)
Industrial	11,783	4,661	7,684	(14,867)
Hospitality and real estate	47,098	6,768	73,147	26,867
Others	1,825	(1,498)	901	(1,580)
Inter-segmental eliminations	(21,811)	(4,717)	(24,323)	(4,068)
Segment revenues and results	336,795	22,090	360,903	9,761

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14. SEGMENT INFORMATION (continued)

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

	30 June	<i>(Audited)</i>	
	2022	<i>31 December</i>	30 June
	KD 000's	<i>2021</i>	2021
		<i>KD 000's</i>	<i>KD 000's</i>
Assets:			
Commercial banking	9,023,545	8,693,288	8,446,957
Asset management and investment banking	985,526	935,278	788,555
Insurance	116,243	119,222	90,441
Media and satellite services	406,437	404,889	432,878
Industrial	308,096	291,128	273,469
Hospitality and real estate	935,568	906,316	864,361
Others	222,064	226,182	291,796
Inter-segmental eliminations	(1,434,520)	(1,396,534)	(1,151,054)
Total assets	10,562,959	10,179,769	10,037,403
Liabilities:			
Commercial banking	8,004,025	7,679,691	7,511,729
Asset management and investment banking	1,431,179	1,401,948	1,437,656
Media and satellite services	345,548	312,877	303,718
Industrial	177,992	157,580	149,848
Hospitality and real estate	633,595	608,601	594,373
Others	181,627	181,378	205,992
Inter-segmental eliminations	(1,223,767)	(1,186,407)	(1,066,349)
Total liabilities	9,550,199	9,155,668	9,136,967

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

15. COMMITMENTS

The Group has the following commitments:

	30 June	<i>(Audited)</i>	
	2022	<i>31 December</i>	30 June
	KD 000's	<i>2021</i>	2021
		<i>KD 000's</i>	<i>KD 000's</i>
Credit related commitments and contingencies			
Letters of credit	358,748	234,927	295,904
Guarantees & Acceptances	962,951	959,809	978,334
	1,321,699	1,194,736	1,274,238
Undrawn lines of credit	753,484	812,228	836,894
Investment related commitments	10,108	17,995	45,299
	2,085,291	2,024,959	2,156,431

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As at 30 June 2022

16. DERIVATIVES

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

	30 June	<i>(Audited)</i> 31 December	30 June
	2022	2021	2021
	KD 000's	KD 000's	KD 000's
Derivatives held for trading:			
<i>(including non-qualifying hedges)</i>			
Forward foreign exchange contracts	1,526,049	1,670,883	1,224,933
Interest rate swaps	43,942	81,134	113,725
Options	61,545	52,556	68,643
	=====	=====	=====
Derivatives held for hedging:			
<i>Fair value hedges:</i>			
Forward foreign exchange contracts	263,270	271,485	265,455
	=====	=====	=====
<i>Cash flow hedges:</i>			
Interest rate swaps	341,918	309,880	280,312
	=====	=====	=====

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Fair value of financial instruments is not materially different from their carrying values except for medium term notes whose fair value amounts to KD 400,001 thousand (31 December 2021: KD 434,639 thousand). For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

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

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which the lowest level input that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	<i>Level 1</i> <i>KD 000's</i>	<i>Level 2</i> <i>KD 000's</i>	<i>Level 3</i> <i>KD 000's</i>	<i>Total fair value</i> <i>KD 000's</i>
30 June 2022				
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	15,926	16	3,496	19,438
Debt securities	4,575	-	100	4,675
Managed funds	1,368	13,755	96,581	111,704
Forfeiting assets	-	-	131,887	131,887
<i>Financial assets at fair value through other comprehensive income:</i>				
Equities	16,346	11,417	65,136	92,899
Debt securities	272,072	2,166	-	274,238
Managed funds	-	-	13	13
	<i>Level 1</i> <i>KD 000's</i>	<i>Level 2</i> <i>KD 000's</i>	<i>Level 3</i> <i>KD 000's</i>	<i>Total fair value</i> <i>KD 000's</i>
31 December 2021 (Audited)				
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	13,636	-	2,336	15,972
Debt securities	6,338	-	250	6,588
Managed funds	1,669	13,060	96,560	111,289
Forfeiting assets	-	-	133,096	133,096
<i>Financial assets at fair value through other comprehensive income:</i>				
Equities	16,412	3,605	67,229	87,246
Debt securities	331,153	2,136	-	333,289
Managed funds	-	-	12	12

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

30 June 2021	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total fair value KD 000's
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	18,165	-	8,546	26,711
Debt securities	3,885	-	-	3,885
Managed funds	1,690	12,836	85,562	100,088
Forfeiting assets	-	-	144,096	144,096
<i>Financial assets at fair value through other comprehensive income:</i>				
Equities	13,087	5,203	59,585	77,875
Debt securities	311,355	6,029	8,000	325,384
Managed funds	-	-	32	32

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

18. SIGNIFICANT EVENTS

During the period, on 14 March 2022, the management of the Parent Company reached an initial agreement to merge by amalgamation with Qurain Petrochemical Industries Company ("QPIC"), an associate of the Group. 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 has commenced the required procedures to obtain the regulatory authorities' approvals.

Furthermore, United Real Estate Company ("URC") a subsidiary of the Group, reached an initial agreement to merge by amalgamation with United Tower Holding Company ("UTHC") and Al Dhiyafa Holding Company ("DHC"), also subsidiaries of the Group. These companies signed an 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 entities. URC has commenced the required procedures to obtain the regulatory authorities' approvals.