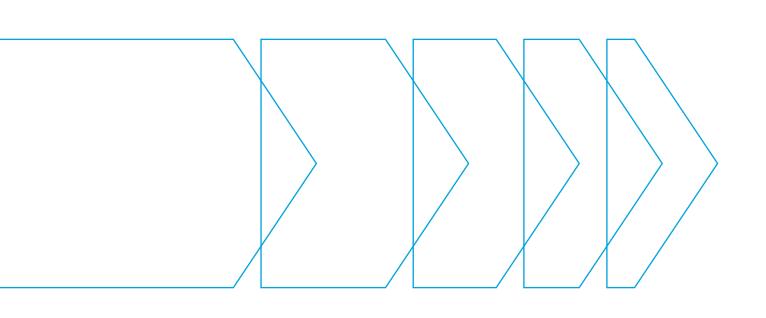


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H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah Amir of the State of Kuwait



H.H. Sheikh Mishal
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait







**Assets** 



11.4
KD billion (US\$ 37.2 billion)

12%

**Net profit** 



25.2 KD million (US\$ 82.3 million)

44%

**Total revenue** from operations



**1.06**KD billion (US\$ 3.5 billion)

47%

Shareholder's Equity



**590.5**KD million (US\$ 1.9 billion)





## Dear shareholder,

While the global economy has picked up since the pandemic-induced low in 2020 and 2021, global growth is still projected to continue to slow down in 2023. According to the World Bank, growth is expected to decline 1.7% in 2023 due to growing risk of recession, higher interest rates and elevated inflation. This is expected to negatively impact businesses. Growth in oil exporting countries is expected to slow from 6.1% in 2022 to 3.3% in 2023.

In Kuwait, the Central Bank of Kuwait raised interest rates several times in 2022 to 3.5%. Investment spending allocation by the Government is down 15.2% to KD 2.4 billion (US\$ 7.8 billion) for the fiscal year 2023-2024, despite this being the largest ever State budget to date.

At KIPCO, we remain cautious as we navigate through an environment that is impacted by high interest rates. And while many of our businesses have performed positively in 2022, we seek to protect the best interests of our shareholders by hedging to limit any future negative impact.

In 2022, KIPCO reported a net profit of KD 25.2 million (US\$ 82.3 million), an increase of 44% from the KD 17.5 million (US\$ 57.1 million) reported at the end of 2021. Total revenue from operations registered a 47% increase from KD 721 million (US\$ 2.35 billion) for 2021 to KD 1.06 billion (US\$ 3.5 billion) for 2022. Shareholder equity increased 81% from KD 325.8 million (US\$ 1.1 billion) to KD 590.5 million (US\$ 1.9 billion). Our consolidated assets increased 12% to KD 11.4 billion (US\$ 37.2 billion) at the end of 2022, compared to KD 10.2 billion (US\$ 33.3 billion) for the previous year.

To safeguard against the risks associated with interest hikes, KIPCO's Board of Director has not recommended the distribution of dividend for the year. The Board of Directors will not receive a renumeration for the year, while the Executive Management remuneration stands at KD 1,596 thousand. It is worthy to note that the regulatory authorities have registered no penalties against the company.

During this year, we successfully completed the merger by

amalgamation with Qurain Petrochemical Industries (QPIC). A capital increase of 91.2% was executed in order to complete the conversion of QPIC shares to KIPCO at a swap ratio of 2.24. KIPCO's total authorized, issued and paid-up capital now stands at KD 504.8 million (US\$ 1.64 billion). The merger has created a stronger investment holding company that has the ability to pursue opportunities in new sectors and continue to support the growth of its existing portfolio, thereby creating greater value for all of the shareholders.

As part of our strategy to proactively manage our liabilities, KIPCO signed a US\$ 375 million (KD 115 million) 18-month senior unsecured credit facility with a group of six international banks in June. At the end of the year, we issued KD 165 million (US\$ 539 million) six-year senior unsecured bonds, the largest KD-denominated issue to date, reflecting the confidence of investors in KIPCO's underlying credit strength.

In 2022, Burgan Bank's Board of Directors agreed to sell its majority stake in the Bank of Baghdad to Jordan Kuwait Bank. The sale of the 51.8% stake, which was completed in early 2023, resulted in a profit of KD 2 million (US\$ 6.5 million) and will enhance Burgan's CET1 by 70 basis points. Burgan also received a wealth management license and put in place a sustainable financing framework.

A highlight for Gulf Insurance Group (GIG) in 2022 was being awarded the Afiya 3 contract, worth KD 354.56 million (US\$ 1.15 billion) for two years. The contract came into effect in September and provides health insurance services to around 156,000 retirees.

Our food and dairy manufacturing company, SADAFCO, began the construction of a depot in Mecca, replacing the existing rented location. It is expected to provide long-term infrastructure solutions to both the distribution and logistics operations, resulting in future cost savings and growth opportunities.

United Real Estate (URC), our real estate arm, merged by amalgamation with United Towers Holding and Al Dhiyafa Holding, thus enhancing its portfolio of income-generating assets. It also sold its stake in Kuwait Hotels Company, in line with URC's strategy to focus on real estate development and investment. Construction is progressing in a timely manner in URC's projects in Hessah Al Mubarak District, and both Hessah Towers and Byout Hessah are expected to be completed in the latter half of 2023.

Kamco Invest, our investment arm, successfully attracted over US\$ 1.3 billion (KD 398 million) in investments for different products and transactions, and AUMs grew to US\$ 13.8 billion (KD 4.2 billion). Kamco Invest's equity funds and portfolios continued to outperform respective benchmarks and peers, and maintained their position among the top performing funds in Kuwait.

As for the National Petroleum Services Company (NAPESCO), it was awarded seven contracts totaling KD 28 million (US\$ 91.4 million) during the year. These include services to Kuwait Oil Company and the Kuwait National Petroleum Company for support, oil well cementing, maintenance, as well as HSE support systems.

Over the past year, we continued to make progress in turning around OSN's operations. Our streaming component has been rebranded OSN+ and the focus has been shifted to original content, Arabic productions and adaptations. The OSNtv box was launched late in the year, an all-in-one new product that brings together OSN exclusive and curated live tv channels, streaming and free-to-air entertainment across a single android device.

We launch into 2023 with a promising investment vision, having taken all the necessary measures to hedge against economic uncertainties of the global economic environment. In the meantime, our Group companies continue to strengthen their businesses and seek opportunities for sustainable growth.

We thank His Highness the Amir of the State of Kuwait, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Crown Prince, Sheikh Mishaal Al-Ahmad Al-Jaber Al-Sabah, for their continued support and guidance. We would like to thank you, our shareholders, for the support and trust you have placed in your Board of Directors and management during the past twelve months. We would also like to thank all the employees of KIPCO and its operating companies for the contribution they made during the year.

On behalf of our shareholders, we thank the management for the results they achieved during 2022. May God continue to grant us success and prosperity.





#### Dear shareholders,

The year 2022 was transformative for KIPCO. With the merger with Qurain Petrochemical Industries now complete, our portfolio has expanded to include new sectors, namely energy, foodstuff, healthcare and logistics. We have interest in seeking investment opportunities in high growth potential sectors such as foodstuff, healthcare and education, and our portfolio will serve as a launch pad for these efforts and pave the path towards our vision for the future.

During the year, our core companies continued to deliver exceptional performance, thus contributing to our efforts to build an investment holding company that is streamlined, operates efficiently and effectively, and is able to weather through challenges in an ever-changing economic landscape.

Moving into 2023, and as we seek to enhance the company's position, we must take strict measures and hedge against market volatilities and high interest rates. As such KIPCO's Board of Directors has recommended not to distribute dividends for the year to protect the best interests of our shareholders. This also ensures that we maintain our credit profile and rating positions and places us in a position of readiness to pursue new investment opportunities that create greater value for our shareholders.

While we look to the coming year with caution, we are confident that we have put in place the necessary grounds that will allow us to navigate with more efficiency towards a promising and sustainable future.

Best regards,

Dana Naser Sabah Al Ahmad Al Sabah

**Group Chief Executive Officer** 

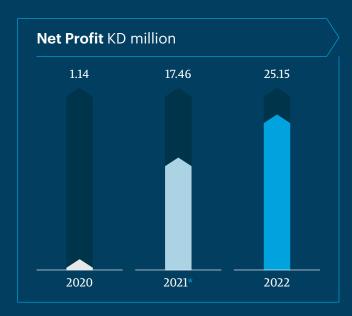


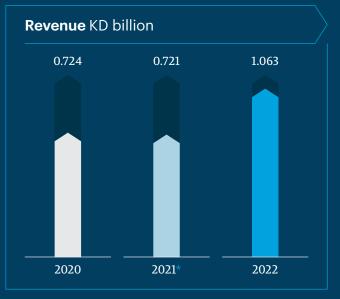


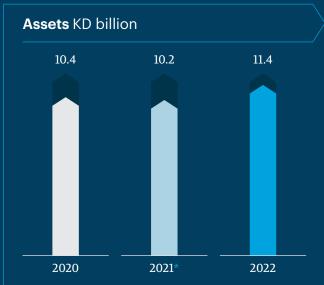


KIPCO 2022 credit ratings	

Rating agency	Short-term rating	Long-term rating	Outlook
Standard & Poor's	В	BB-	Credit Watch-Negative
Moody's	NP	Ba2	Negative
Fitch	-	BB	Stable















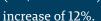


## 2022 results

At last year's General Assembly Meeting, we said that KIPCO looked to the year 2022 as the year of transformation. With the successful completion of the merger with Qurain Petrochemical Industries Company (QPIC), we are delighted to announce that the company achieved a net profit of KD 25.2 million (US\$ 82.3 million), a 44% increase over the KD 17.5 million (US\$ 57.1 million) reported in 2021.

Total revenue from operations increased 47% to KD 1.06 billion (US\$ 3.5 billion), compared to the KD 721 million (US\$ 2.35 billion) reported in 2021. Shareholder equity increased 81% from KD 325.8 million (US\$ 1.1 billion) to KD 590.5 million (US\$ 1.9 billion).

KIPCO's consolidated assets came to KD 11.4 billion (US\$ 37.2 billion), compared to KD 10.2 billion (US\$ 33.3 billion) reported at year-end 2021, an





## The merger

In March, KIPCO announced that it had reached a preliminary agreement to merge by amalgamation with QPIC, and the two sides signed a Memorandum of Understanding to assess the proposition. The transaction required an extensive due diligence process that included the approval of the independant asset valuation and fairness opinion reports by the Boards of the two companies, obtaining the necessary approvals of the regulatory authorities, and the approvals of the shareholders of the two companies.

The merger required a 91.2% increase in KIPCO's capital, or KD 240.85 million (US\$ 786.3 million), bringing the total authorized, issued and paid-up capital to KD 504.8 million (US\$ 1.64 billion). The capital increase was completed in November 2022 and allowed for the transfer of QPIC shares to KIPCO at a swap ratio of 2.24, marking the successful completion of the merger.

#### **Executive management**

In April, Mr Sunny Bhatia was appointed Group Chief Financial Officer. With more than 30 years experience spanning across multiple financial services' sectors, Mr Bhatia plays a vital role in KIPCO's long-term growth plans.

At the end of the year, Sheikh Sabah Mohammad Abdulaziz Al Sabah was appointed Group Chief Strategic Projects Officer. With extensive knowledge in the industrial and petrochemical operations that came under KIPCO's portfolio following the merger, in addition to his experience in the investment sector, Sheikh Sabah will play an important role in greater value creation for shareholders.

#### **KIPCO** business updates

In June, KIPCO signed a US\$ 375 million (KD 115 million) 18-month senior unsecured credit facility with a group of six international banks.

Late in the year KIPCO announced the successful completion of a KD 165 million (US\$ 539 million) six-year senior unsecured bond issue. This was the largest KD-denominated bond issue to date, reflecting the confidence of investors in KIPCO's underlying credit strength. The transaction is a continuation of the company's proactive liability management strategy that aims to raise long-term financing, extend the tenor of the company's existing liabilities for a stronger capital structure, and align the liabilities profile with investment holding strategies.

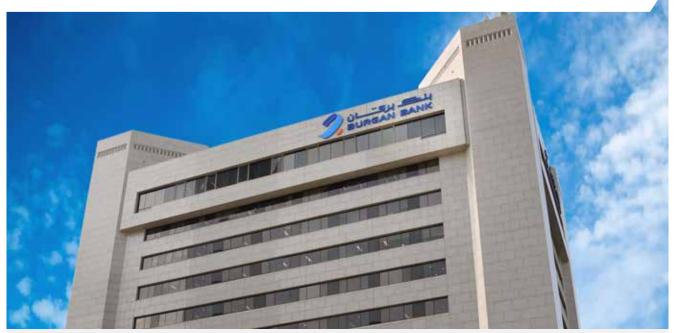
The bonds, maturing in December 2028, were available in fixed and floating rate tranches, with the floating tranche attracting 67% of the allocation. The fixed rate bond pays investors a coupon of 6.75% annually, while the floating rate pays investors a coupon rate of 3% annually over the declared Central Bank of Kuwait discount rate. The joint lead managers of the transaction were Kamco Invest and Gulf Bank.

On KIPCO's rating by the credit agencies, S&P maintained in May its rating of the company at BB- and placed it on CreditWatch negative pending the successful completion of the merger with QPIC. In its report, S&P highlighted the management's engagement and commitment to major initiatives to ensure secured funding to service its debt maturities over the next 12-18 months. It also said that the pending merger with QPIC would be a highly transformative event.

In December, Fitch Rating assigned KIPCO a Long-term Issuer Default Rating of 'BB' with a Stable Outlook. In its commentary, Fitch's key rating drivers included the improved asset value diversification and a substantial increase in gross asset value that came as a result of the successful completion of the merger with QPIC, KIPCO's active role in the operation of its portfolio companies, and an uplift from maintaining a medium level of overall dividend diversification driven by strong sector diversification. Fitch also noted that the company's near-term refinancing is manageable due to KIPCO's track record, performing operating assets and established relationship with capital and banking markets.

This year saw the publication of KIPCO's first Sustainability Report, 'The Way Forward: Embarking on a Sustainable Journey'. In line with the Global Reporting Initiative (GRI), the report measures, assesses and discloses performance in a range of non-financial areas in relation to sustainability and ESG – environmental, social and governance. This report forms a baseline for current comparisons and future performance. A common theme is governance, both within KIPCO as a holding company and in relation to its portfolio companies. This includes governance and oversight over certain ESG areas.





## **Burgan Bank**

Over the past twelve months, Burgan Bank's operations registered a 15% increase in net profit to KD 52.1 million (US\$ 170 million). The bank's reported revenue for the year was at KD 232 million (US\$ 757.4 million) and its operating profit came to KD 125 million (US\$ 408 million).

This year saw the election of Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah as the bank's Chairman. The Board elections also saw the entry of five new members with banking and financial experience to help shape the future strategy of the bank. At the closing of the year, the Board approved the request of the bank's Group CEO, Mr Masaud Hayat, for non-renewal of his contract. The Board also accepted the resignation of Deputy Group CEO and CEO Kuwait, Mr Raed Al Haqhaq.

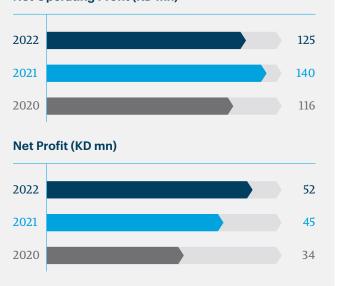
In 2022, Burgan Bank's Board of Directors agreed to sell its majority stake in the Bank of Baghdad to Jordan Kuwait Bank. The sale of the 51.8% stake, which was completed in early 2023, resulted in a profit of KD 2 million (US\$ 6.5 million) and will enhance Burgan's CET1 by 70 basis points. Burgan also received a wealth management license and put in place a sustainable financing framework.

In 2022, Burgan Bank received CMA approval for a wealth management license to provide investment advisory, security brokerage and investment portfolio management. This would enable the bank to expand both its portfolio of services and the scope of clients it caters to, thus establishing itself as a first-class

wealth management service provider in the market.

During the year, Burgan Bank announced the establishment of a sustainable financing framework that would govern the deployment of proceeds from sustainability bond and loan issuances towards financing projects and companies that deliver positive environmental and social impact. Burgan Bank is the first Kuwaiti bank to put such a framework in place.

## **Net Operating Profit (KD mn)**





#### **Gulf Insurance Group**

Gulf Insurance Group (GIG) maintained its market leadership position in Kuwait, Bahrain and Jordan in terms of gross written premiums, and in Egypt in terms of technical profits (ie. general insurance private sector).

Following GIG's acquisition of AXA Gulf's operations in the region, all entitles were successfully integrated into the Group's operations. After an extension of GIG's health insurance contract with the Ministry of Health to cover retirees, Afiya 2, the company won the bid for Afiya 3, a two-year contract worth KD 354.56 million (US\$ 1.15 billion). This came into effect in September and provides

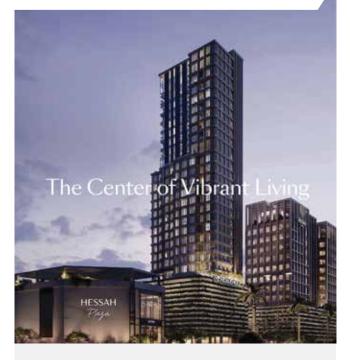
health insurance services to around 156,000 retirees. The coverage was later extended to emergency healthcare during travel.

During the year, GIG signed a credit facility with a local bank worth KD 133 million (US\$ 430.6 million).

Celebrating its 60th anniversary, GIG unveiled an evolved brandmark and an identity upgrade. The company maintained its 'A' (Excellent) rating with a Stable outlook from AM Best, and 'A3' IFS rating with a Positive outlook from Moody's.

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#### **United Real Estate**

Our real estate arm, United Real Estate (URC), continued to show positive performance in 2022. The company completed its merger by amalgamation with United Towers Holding and Al Dhiyafa Holding. The merger enhances URC's portfolio of income-generating assets, creates added value, strengthens the shareholder base, increases equity through the issuance of new shares and streamlines operational performance.

In Hessah Al Mubarak District, URC exceeded its sales target of 70% pre-completion for Hessah Towers and Byout Hessah. The two projects are expected to be completed in the second half of 2023. Timely progress is being made by the main contractor for the Commercial District. URC attained eight awards at the Arabian Property Awards 2022-2023 for its Hessah District projects.

During the year, URC exited from Kuwait Hotels Company, booking a profit of KD 1.2 million (US\$ 3.9 million). The exit falls in line with the company's strategy to focus on real estate development and investment.

In Lebanon, URC reached an agreement to lease 24 residential units in Raouche View 1090 for five years. The contract is worth KD 4.4 million (US\$ 14.4 million) and came into effect in March. In Egypt, all remaining villas in the Aswar residential project have been sold.





#### **OSN**

For OSN, the past twelve months have seen the continued turnaround of its business model towards stronger streaming services. In April, KIPCO's Joe Kawkabani joined OSN as its CEO and he has since been working towards the Board's vision for the company to be a leading premium entertainment ecosystem in the region. In June, Chairperson and CEO of National Creative Industries Group, Sheikha Al Zain Sabah Al Nasser Al Sabah, and Anghami co-founder, Elie Habib, joined the Board, chaired by Sheikha Dana Nasser Sabah Al Ahmad Al Sabah. The two new Board members bring a wealth of experience to OSN.

Early in the year, OSN extended its exclusive licensing agreement with HBO and the premiere of 'House of Dragons' was aired on OSN+ at the same time as the US.

In March, OSN announced the rebrand of its streaming service to OSN+, thus differentiating the streaming service from the pay-tv service. This was followed by a rebrand of OSN's 18 exclusive channels. The OSNtv box was launched in November, an all-in-one new product that brings together OSN exclusive and curated live tv channels, streaming and free-to-air entertainment across a single android device.

This year marked OSN's commission of its first original feature film, 'Yellow Bus', as part of the streaming service's investment in original content. It also partnered with several production houses for the film debut of 'My Driver and I'. In partnership with NBCUniversal, OSN launched the reality series 'Below Deck Sailing Yacht'. The Arabic adaptation of the legal drama, 'Suits', was commissioned as an OSN Original and aired in April.





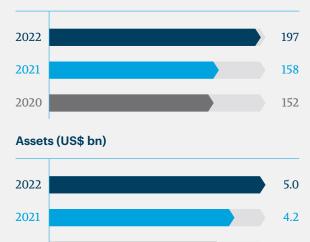
#### **Jordan Kuwait Bank**

In 2022, Jordan Kuwait Bank (JKB) achieved a net profit of JOD 18.7 million (US\$ 26.4 million), an increase of 143% compared to JOD 7.7 million (US\$ 10.9 million) reported in 2021. Equity grew 1.8% to JOD 475.8 million (US\$ 671.6 million) at year-end.

During the year, JKB began the process of acquiring a 51.75% stake in the Bank of Baghdad. The transaction, which was completed in early 2023, is in line with the bank's strategy to enhance its performance and financial position and expand its regional presence in order to diversify revenue streams.

#### **Operating Income (US\$ mn)**

2020



4.0

# **KAMCO**INVEST



#### **Kamco Invest**

Our investment banking and asset management arm, Kamco Invest, reported a net profit of KD 5.5 million (US\$ 18 million) for 2022, with revenue for the year at KD 24.5 million (US\$ 80 million). Revenue from fees increased 2.5% to KD 20.7 million (US\$ 67.6 million).

Kamco successfully attracted over US\$ 1.3 billion (KD 398 million) in investments for different products and transactions, with AUMs growing to US\$ 13.8 billion (KD 4.2 billion). Kamco Invest's equity funds and portfolios continued to outperform respective benchmarks and peers, and maintained their position among the top performing funds in Kuwait.

During the year, Kamco completed three acquisitions of income-generating property portfolios in the US and Germany, one exit and three refinancing transactions. The value of the managed real estate properties increased to US\$ 1.8 billion (KD 551 million) across 21 assets.

The investment team closed 13 transactions during the year, worth approximately US\$ 5.5 billion (KD 1.68 billion). These include seven mergers and acquisitions, two equity capital market transactions and four debt issuances.

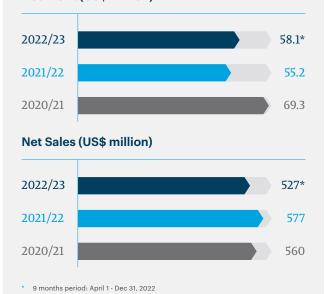


#### **SADAFCO**

Saudia Dairy & Foodstuff Company (SADAFCO) registered a net profit of SAR 218.3 million (US\$ 58.1 million) in the first nine month of the company's financial year, with a healthy cash position of SAR 634 million (US\$ 169 million) with zero leveraging.

During the year, SADAFCO began the construction of a depot in Mecca on land leased from the Saudi Industrial Property Authority (Modon). The new depot, which replaces the existing rented location, is expected to provide long-term infrastructure solutions to both the distribution and logistics operations, resulting in future cost savings and growth opportunities.

## **Net Profit (US\$ million)**







#### **EQUATE Group**

EQUATE Group plants across the globe maintained healthy performance and utilization during 2022, reaching around 4,900 kmt of salable production despite the lower feed, challenging weather conditions and scheduled turn-around activities.

Group revenue for the year came to around US\$ 4.0 billion (KD 1.22 billion), broadly in line with last year's revenue of US\$ 4.1 billion (KD 1.3 billion). This is despite the sharp drop in the market price of Olefins in the second half of 2022 and production constraints. Net profit for the year came to US\$ 611 million (KD 187.2 million), compared to US\$ 1.11 billion (KD 340 million) reported in 2021.



### **KARO**

Kuwait Aromatics (KARO) reported revenue of US\$ 2.2 billion (KD 673 million) in 2022 compared to US\$ 2 billion (KD 613 million) the previous year, representing a 10% increase. This is mainly attributed to the positive performance of its subsidiary, Kuwait Paraxylene Production Company. KARO's net profit for the year amounted to US\$ 59 million (KD 18.1 million), an increase of 103% over the US\$ 29.1 million (KD 9 million) reported last year.





#### **NAPESCO**

The National Petroleum Services Company (NAPESCO) witnessed a healthy recovery during 2022, supported by several contract extensions and improvement in the overall business environment. As such, total revenue increased 33.3% to KD 37.2 million (US\$ 121.4 million) compared to KD 27.9 million (US\$ 91.1 million) the previous year. Net profit for the year came to KD 6.8 million (US\$ 22.2 million), significantly higher than the KD 4.8 million (US\$ 15.6 million) reported last year.

NAPESCO was awarded seven contracts during the year, totaling KD 28 million (US\$ 91.4 million). These include services to Kuwait Oil Company and the Kuwait National Petroleum Company for support, oil well cementing, maintenance, as well as HSE support systems.





#### **JTC**

Jassim Transport and Stevedoring Company (JTC) showed significant improvement in its financial performance in 2022, with revenue and net profit up 25% and 82% respectively. This year, JTC commissioned its first temperature-controlled warehouse in Mina Abdullah, marking a significant milestone in its warehousing expansion plan. The company also added more than 150 new generators to its power rental fleet in Kuwait and Saudi Arabia.



## **ATC**

The Advanced Technology Company (ATC) registered a net profit of KD 7 million (US\$ 22.8 million) for 2022, representing a 32% increase over the KD 5.3 million (US\$ 17.3 million) reported in 2021. ATC saw excellent performance from all of its core sectors, with total revenue reaching KD 165.5 million (US\$ 540.3 million) compared to the KD 142 million (US\$ 463.5 million) the previous year.

## Revenue (KD mn)







#### Insha'a Holding

Despite the slowdown in government projects, Insha'a Holding maintained its market share across the various segments it operates in. Overall, the company's sales revenue was up 22%, while its gross profit grew 25%.

In ready-mix, the company successfully began the commercial operation of a batching plant in Mutla'a, which has significantly increased the company's exposure to the housing sector.

Revenue from residential customers represented 24% of the company's total 2022 revenue, compared to just 8% the year before. Insha'a now holds a 37% share of the concrete admixture market, establishing itself as the market leader. The company also launched a new product, silica sand, the first of its kind in Kuwait.















KIPCO consolidated holding 2022: **62%** • www.burgan.com



KIPCO consolidated holding 2022: 46% 

www.gulfinsgroup.com



ORDAN KUWAIT BANK برتک JORDAN KUWAIT BANK





## Foodstuff



التركة اليمودية لمنتجات الألبات والأعذية SAUDIA DAIRY AND FOODSTUFF COMPAN

KIPCO consolidated holding 2022: 41% www.sadafco.com



### Media



KIPCO consolidated holding 2022: **70%**• www.osn.com



KIPCO consolidated holding 2022: **64**% •• www.un.com.kw



## Real estate



KIPCO consolidated holding 2022: **66**% www.urc.com.kw



## Energy



KIPCO consolidated holding 2022: **6%**<a href="mailto:survey-serif">6</a>, www.equate.com







KIPCO consolidated holding 2022: 20% 

www.kuwaitaromatics.com





KIPCO consolidated holding 2022: **44.1%** 





KIPCO consolidated holding 2022: **61%**@ www.jtckw.com



KIPCO consolidated holding 2022: **86.6**% 
@ www.inshaaholding.com











## Sheikh Hamad Sabah Al Ahmad Al Sabah

Chairman

## Mr Faisal Hamad Al Ayyar

Vice Chairman

## H.E. Abdullah Yacoub Bishara

**Board Director** 

## Sheikha Dana Naser Sabah Al Ahmad Al Sabah

**Board Director** 

## Sheikh Abdullah Naser Sabah Al Ahmad Al Sabah

**Board Director** 

20 / / / /

EXECUTIVE MANAGEMENT



### Dana Naser Sabah Al Ahmad Al Sabah

Group Chief Executive Office

Sheikha Dana Nasser Sabah Al Ahmad Al Sabah, a KIPCO Board member since 2020, was appointed Group CEO in January 2022. She is the Founder and Chair of the Board of Trustees of the American University of Kuwait and the Chairperson of United Education Company. She currently holds board positions with Gulf Insurance Group, OSN and Kamco Invest. She was previously the CEO of Al Futtooh Holding Company. Sheikha Dana holds an honorary doctorate of humane letters from Dartmouth College, and a BA in English literature from Kuwait University. She also studied at the University of Indiana in Bloomington, USA.



### Samer Khanachet

**Deputy Group Chief Executive Officer** 

Mr Khanachet joined KIPCO as General Manager in 1990. He moved to the United States in 1991 to setup United Gulf Management, KIPCO's US subsidiary, and to identify strategic resources to support KIPCO's activities in financial services, media and other sectors across the MENA region. He returned to Kuwait as Group COO in 2008 and became Deputy Group CEO in 2022. He is a Board Member of United Gulf Bank, United Gulf Management Inc – Boston, and of United Gulf Management Limited – UK. He is a Trustee of the American University of Kuwait and a member of the MIT Educational Council - Vice Chair for the northern Gulf region. He holds BSc degrees in Chemical Engineering and in Management Science from MIT and an MBA from Harvard Business School.



**Sunny Bhatia**Group Chief Financial Officer

Mr Bhatia joined KIPCO in 2022, bringing over three decades of regional and multinational experience across the financial services' industry. He held several leadership positions in major regional organizations including Group CFO at NBK Capital, Group CFO at Global Investment House and Financial Controller and Head of Strategic Planning at the National Bank of Bahrain. He also worked with KPMG, Siemens and PricewaterhouseCoopers in various capacities. Mr Bhatia holds a Bachelor of Commerce from Delhi University and is a Chartered Accountant and Cost and Management Accountant.



Sheikh Sabah Mohammad Abdulaziz Al Sabah Group Chief Strategic Projects Officer

Sheikh Sabah Mohammad Abdulaziz Al Sabah joined KIPCO in 2023 as Group Chief Strategic Projects Officer. He was previously the Vice Chairman & CEO of Qurain Petrochemical Industries in 2022 during the company's merger with KIPCO. With extensive experience in investment, industry and real estate, Sheikh Sabah was the Vice Chairman & CEO of United Industries Company from 2013 to 2022. He is the Chairman of United Building Company and United Oil Projects, Vice Chairman of Jassim Transport & Stevedoring Company, Board Member of SADAFCO (Saudi Arabia) from 2022 and has held several executive positions since 2006. Sheikh Sabah holds a Bachelor's degree in Management and Organization from Kuwait University.



Joe Kawkabani
Group Chief Investment Officer

Mr Kawkabani joined KIPCO in 2018 to lead strategic initiatives, and was appointed Chief Investment Officer in 2022. With over 20 years of experience in structuring and managing investments and ventures in frontier markets, Mr Kawkabani's role involves setting and executing KIPCO's investment strategy, as well as overseeing value creation and transformation programs across the Group. Prior to joining KIPCO, he set up and served as the CEO of CPC Africa. He has held several positions in leading regional and international organizations including Chief Investment Officer- MENA equities at Franklin Templeton, Co-Founder and Managing Director at Algebra Capital, and Head of Equity Asset Management at SHUAA Capital. He holds a bachelor's degree in Business Administration from Saint Joseph University in Beirut.



## Khaled Abdul Jabbar Al Sharrad

Group Chief HR & Admin Officer - Board Secretary

Mr Al Sharrad joined KIPCO Group as the Group Chief HR and Admin Officer in 1995. He plays multiple strategic roles for the Group in the capacity of KIPCO Secretary of the Board, Chairman of IKARUS United Marine Services Company, Vice Chairman & CEO of United Industries Company, Board Director of United Gulf Holding (Bahrain) and Vice Chairman of Kuwait Furniture Manufacturing & Trading Company (KUFUMA). He also chairs and is a member of several committees. Mr Al Sharrad is a well-rounded leader with 32 years of proven organizational development and advisory experience covering areas such as strategic planning, corporate governance, organization design, talent management as well as business improvement. He holds a BA degree from St. Edwards University in Texas and is a certified professional in personnel management from the Royal Institute of Management – UK.



Moustapha Chami
Deputy Group Chief Financial Officer

Mr Chami joined KIPCO in 2009 and held several positions in the Finance & Accounts Department. He was appointed Deputy Group CFO in 2022. Mr Chami leads the Group's financial operations and planning, including governance and risk management. He is the Secretary of the Board Risk Committee and acts as a financial advisor to several Group companies. He holds Board positions in Jordan Kuwait Bank, Burgan Bank Turkey and Alternative Energy Co. Mr Chami holds a bachelor's degree in finance and MBA from the University of Saint Joseph in Lebanon. He is also a Certified Financial Analyst (CFA), Certified Public Accountant (CPA) and a Certified Management Accountant (CMA).



Eric Schumacher
Group Treasurer

Mr Schumacher joined KIPCO in 2019. With close to 30 years of experience in corporate and investment banking, he has a proven track record of managing regional and global commercial banking businesses. Prior to joining KIPCO, Mr Schumacher held leading positions in Citi and HSBC, and was based between Riyadh, Abu Dhabi and Kuwait in the last decade. He holds a Bachelor of Commerce and an MBA from Concordia University in Canada. He is also a Chartered Financial Analyst.



**Ghada Khalaf**Group Senior Vice President – Investments

Ms Khalaf joined KIPCO in 2023. As part of the investment team, she is responsible for monitoring the performance of KIPCO's portfolio and seeking opportunities for new investments. She has more than two decades of experience in multiple financial and investment verticals. Prior to joining KIPCO, Ms Khalaf held the position of CFO at Al Kout Industrial Projects. Before that she was the Executive Director of the Kuwait Office of Asiya Capital Investments Company. Ms Khalaf started her career as a chemical engineer and has experience working in the education sector. She holds a Masters in Chemical Engineering from Imperial College London, and an MBA from the Tepper School of Business, Carnegie Mellon University in the USA.



**Anuj Rohtagi**Group Senior Vice President – Financial Control

Mr Rohtagi joined KIPCO Group in 2005 as an advisor to the Group at its India subsidiary, PKC Advisory, and moved to KIPCO Group Financial Control in 2007. With over 20 years of experience in multiple sectors, Mr Rohtagi leads the Group planning, core investments' performance monitoring and KIPCO's capital raising functions. Prior to joining KIPCO, he worked with Canon India managing FP&A function. He is a member of the Institute of Chartered Accountants, India, and the Association of Corporate Treasurers, UK. He holds a graduate degree in Commerce from Delhi University and completed a post graduate program in Data Science & Business Analytics from the University of Texas at Austin.



**Eman Mohammad Al Awadhi**Group Senior Vice President
Corporate Communications & Investor Relations

Ms Al Awadhi joined KIPCO in 2010. She is responsible for coordinating the Group's overall communications strategy and for KIPCO's corporate communications, media relations, branding and marketing activities. She also manages communication between the company's management and its investors. Ms Al Awadhi has an extensive career in public relations, media and journalism. She was previously a member of the 'Newsweek Arabic' production team and the foreign correspondent at Kuwait News Agency, Kuwait's official news wire. She holds a BA in English Literature from the University of Bahrain and is a Certified Investor Relations Officer (CIRO).



**Riyad Mohammed Hanbali**Group Vice President – Internal Audit

Mr Hanbali joined KIPCO's Internal Audit Department in 2004 and was appointed Group Vice President in 2022. Mr Hanbali oversees the internal audit functions throughout the KIPCO Group, including the development of strategic audit plans and performing quality reviews, as well as advising management and audit committees throughout the Group. He has over 30 years of experience in public accounting and internal audit. Prior to joining KIPCO, he held managerial positions at Andersen and Ernst & Young. Mr Hanbali holds a bachelor's degree in accounting from Kuwait University and a master's degree in accounting from California State University, Sacramento. He is also a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Chartered Global Management Accountant (GGMA) and a Certified Islamic Professional Accountant (CIPA).





## Introduction:

Kuwait Projects Company (Holding) – KIPCO – seeks to adhere to the highest standards and best practices to ensure sound corporate governance activities, in line with the corporate governance framework for companies listed on the Kuwait Boursa's Premier Market. The principles of corporate governance have been put in place to support the company in it's strive to achieve sustainable growth and protect the interests of its shareholders. KIPCO outlines its corporate governance guidelines in its Corporate Governance Guide, endorsed by the Board of Directors in line with Module 15 of the CMA amended bylaws. Corporate governance is an integral part of KIPCO's culture.

KIPCO holds its an annual forum following the company's Annual General Assembly. The forum sheds light on the results of the previous year and presents an outlook for the coming one. Questions from shareholders, financial analysts and representatives of the media are answered, and a live webcast of the event is broadcast on KIPCO's website. KIPCO is the first listed company in Kuwait to hold such an annual forum for investors.





### **Rule I: Construct a Balanced Board Composition**

### A brief on the formation of the Board of Directors, as follows:

KIPCO's Board of Directors comprises five members, the majority of whom are non-executives, one independent member and one executive member. The Board of Directors elects the Chairman and Vice Chairman in a secret ballot. The Board of Directors reviews the formation of the Board in line with the CMA Law and the Companies' Law.

Name	Membership (Executive/ Non-Executive/ Independent) Board Secretary	Qualifications & Experience	Election Date/ Appointment of Board Secretary
Sheikh Hamad Sabah Al Ahmad Al Sabah	Chairman	<ul> <li>Sheikh Hamad Al Sabah holds several positions in local and international companies, among them are:</li> <li>Chairman of the Saudia Dairy &amp; Foodstuff Company (SADAFCO) - Saudi Arabia</li> <li>Chairman of Gulf Egypt Hotels &amp; Tourism Company – Egypt</li> <li>Chairman of Masharea Al Khair Charity Organization – Kuwait</li> <li>Sheikh Hamad Al Sabah studied in Kuwait, Lebanon and the USA. He has dedicated his time and effort to developing KIPCO and making it one of the largest Groups in the region, with investments in many sectors including banking, media, insurance, real estate, industry and education.</li> <li>Sheikh Hamad Al Sabah founded the Masharea Al Khair Charity Organization to which the KIPCO Group companies make contributions, and which supports projects in Kuwait of medical and social nature, especially people with special needs.</li> </ul>	June 17, 2020
Mr Faisal Hamad Al Ayyar	Vice Chairman – (Non-Executive)	Mr Faisal Al Ayyar is the Vice Chairman of the Kuwait Projects Company (Holding). He joined KIPCO in 1990 when it was a US\$ 220 million regional investment company. Under his stewardship, KIPCO has developed into one of MENA's leading holding companies with interests in financial services, media, real estate, manufacturing and education, operations in 24 countries and consolidated assets of over US\$ 32 billion. Of note is his leading role in the creation and development of OSN, the region's largest pay-tv company, the development of SADAFCO, a leading dairy and foodstuff producer in Saudi Arabia, and the expansion and subsequent sale of Wataniya Telecom (now Ooredoo), a major regional mobile operator. He resigned from his executive role in 2021.  Mr Faisal Al Ayyar currently holds several positions in local and international companies, among them are:  Vice Chairman of Gulf Insurance Group – Kuwait  Vice Chairman of United Gulf Bank – Bahrain  Vice Chairman of United Gulf Holding Company – Bahrain  Vice Chairman of Jordan Kuwait Bank – Jordan  Vice Chairman of Saudia Dairy & Foodstuff Company (SADAFCO) – Saudi Arabia  Vice Chairman of Masharea Al Khair Charity Organization – Kuwait  Board Member of Gulf Egypt Hotels & Tourism Company – Egypt  Board of Trustees Member of the American University of Kuwait – Kuwait  Honorary Chairman of the Kuwait Association for Learning	June 17, 2020
		Mr Al Ayyar began his career as a fighter pilot with the Kuwait Air Force. Honors include the Arab Bankers Association of North America's 2005 Achievement Award, the Tunis Arab Economic Forum and the Beirut Arab Economic Forum 2007 Achievement Awards and the Kuwait Economic Forum 2009 Award for his contribution to the investment sector and successes in the global financial market. Mr Al Ayyar was recognized by Kuwait's Al Anha newspaper as the leading business and investment	

by Kuwait's Al Anba newspaper as the leading business and investment

personality for 2018.

Mr Abdullah	Independent	Mr Abdullah Bishara held several positions in his political career as a	June 17, 2020
Yacoub		diplomat:	
Bishara		<ul> <li>1960: Joined the Kuwaiti diplomatic corps</li> <li>1964-1971: Director of the Foreign Minister's Office</li> </ul>	
		<ul> <li>1964-1971: Director of the Foreign Minister's Office</li> <li>1971-1981: Kuwait's Ambassador to the United Nations</li> </ul>	
		<ul> <li>1971-1961. Ruwart's Ambassador to the Officed Nations</li> <li>1979: President of the Security Council for the month of February 1979</li> </ul>	
		1981-1993: Secretary General of the Gulf Cooperation Council	
		Member of the GCC Advisory Board since 1998	
		Advisor to research centers, a columnist and a lecturer in diplomacy	
		and strategy	
		President of Diplomatic Center for Strategic Studies	
		Coordinator of the Kuwaiti-British Friendship Society	
		Mr Bishara graduated from Cairo University's College of Arts in 1959	
		and studied at Oxford University between 1961 and 1962. He studied	
		diplomacy and foreign relations in the USA and received his Master's	
		degree in Political Sciences in 1973.	
Sheikh	Non-Executive	Sheikh Abdullah Al Sabah currently holds several positions in Kuwait.	June 17, 2020
Abdullah		They are:	
Nasser		Chairman of Burgan Bank – Kuwait	
Sabah		Vice Chairman of Kamco Invest – Kuwait	
Al Ahmad		<ul> <li>Vice Chairman of Al Daiya Real Estate Company – Kuwait</li> <li>Board Member of United Gulf Bank – Bahrain</li> </ul>	
Al Sabah		Board Member of United Guir Bank – Banrain	
		Sheikh Abdullah Al Sabah is a graduate of the Royal Military Academy,	
		UK. He holds a Bachelor's degree in Business Administration from the	
		New York Institute of Technology, USA.	
Sheikha	Executive	Sheikha Dana Nasser Al Sabah currently holds several positions in	December 9,
Dana		Kuwait. They are:	2020
Nasser		Founder & Chair of the Board of Trustees of the American University	
Sabah		of Kuwait (AUK) – Kuwait	
Al Ahmad		<ul> <li>Chairperson of United Education Company (UEC) – Kuwait</li> </ul>	
Al Sabah		<ul> <li>Board Member of Kamco Invest – Kuwait</li> </ul>	
		Board Member of Gulf Insurance Group – Kuwait	
		Chairperson of Panther Media Group (OSN) - Dubai, UAE	
		Sheikha Dana Al Sabah graduated from Kuwait University with a BA	
		Sheikha Daha Ai Sabah giaddated Holli Kuwah Ollivelshy with a DA	
		in English Literature. She also holds an Honorary Doctorate in Human	
		in English Literature. She also holds an Honorary Doctorate in Human	
Mr Khaled	Secretary of the	in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana	June 17, 2020
Abdul Jabbar	Secretary of the Board	in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.	June 17, 2020
Abdul Jabbar		in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.  Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He	June 17, 2020
Abdul Jabbar		in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.  Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He is a Board Member in several companies in Kuwait, among them are:  Chairman of IKARUS United Marine Services – Kuwait  Vice Chairman & CEO of United Industries Company - Kuwait	June 17, 2020
Mr Khaled Abdul Jabbar Al Sharrad		in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.  Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He is a Board Member in several companies in Kuwait, among them are:  Chairman of IKARUS United Marine Services – Kuwait  Vice Chairman & CEO of United Industries Company - Kuwait  Board Member of Kuwait Furniture Manufacturing Company	June 17, 2020
Abdul Jabbar		in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.  Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He is a Board Member in several companies in Kuwait, among them are:  Chairman of IKARUS United Marine Services – Kuwait  Vice Chairman & CEO of United Industries Company - Kuwait  Board Member of Kuwait Furniture Manufacturing Company (KUFUMA) – Kuwait	June 17, 2020
Abdul Jabbar		in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.  Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He is a Board Member in several companies in Kuwait, among them are:  Chairman of IKARUS United Marine Services – Kuwait  Vice Chairman & CEO of United Industries Company - Kuwait  Board Member of Kuwait Furniture Manufacturing Company	June 17, 2020
Abdul Jabbar		in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.  Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He is a Board Member in several companies in Kuwait, among them are:  Chairman of IKARUS United Marine Services – Kuwait  Vice Chairman & CEO of United Industries Company - Kuwait  Board Member of Kuwait Furniture Manufacturing Company (KUFUMA) – Kuwait  Board Member of United Gulf Holding Company – Bahrain  Mr Al Sharrad holds a Bachelor's degree in Administration from	June 17, 2020
Abdul Jabbar		in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.  Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He is a Board Member in several companies in Kuwait, among them are:  Chairman of IKARUS United Marine Services – Kuwait  Vice Chairman & CEO of United Industries Company - Kuwait  Board Member of Kuwait Furniture Manufacturing Company (KUFUMA) – Kuwait  Board Member of United Gulf Holding Company – Bahrain  Mr Al Sharrad holds a Bachelor's degree in Administration from St. Edwards University in Austin, Texas-USA, and is a certified	June 17, 2020
Abdul Jabbar		in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.  Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He is a Board Member in several companies in Kuwait, among them are:  Chairman of IKARUS United Marine Services – Kuwait  Vice Chairman & CEO of United Industries Company - Kuwait  Board Member of Kuwait Furniture Manufacturing Company (KUFUMA) – Kuwait  Board Member of United Gulf Holding Company – Bahrain  Mr Al Sharrad holds a Bachelor's degree in Administration from	June 17, 2020

### A brief on the Board of Directors' meetings:

KIPCO's Board of Directors held meetings in 2022 in line with the requirements of the CMA's corporate governance framework, as per the following table:

Meetings of KIPCO's Board of Directors in 2022

Board Member	Meeting #1 12/1/2022	Meeting #2 6/3/2022	Meeting #3 29/3/2022	Meeting #4 10/5/2022	Meeting #5 2/6/2022	Meeting #6 29/6/2022	Meeting #7 14/8/2022	Meeting #8 14/11/2022	Meeting #9 28/12/2022	Total meetings
Sheikh Hamad Sabah Al Ahmad Al Sabah (Chairman)	V	V	V	V	V	V	V	V	V	9/9
Mr Faisal Hamad Al Ayyar (Vice Chairman – Non-Executive)	V	V	V	V	V	V	V	V	V	9/9
Mr Abdullah Yacoub Bishara (Independent)	V	V	V	V	V	V	V	V	V	9/9
Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah (Non-Executive)	V	V	V	V	V	V	V	V	V	9/9
Sheikha Dana Nasser Sabah Al Ahmad Al Sabah (Executive)	V	V	V	V	V	V	V	V	V	9/9

### A brief on registering, coordinating and archiving Board minutes of meetings

The Board Secretary provides the Board Members with sufficient information about the items that will be discussed at least three working days before the meeting (unless there is an emergency meeting that necessitates inviting the members within a shorter period of time) to enable them to take the appropriate decisions. He also records all the minutes of the meeting in a dated and serialized record, including an attendance sheet for the present members and a note of their voting on the decisions taken during the meeting.

### Independent Board member acknowledgement



### Rule II: Establish Appropriate Roles and Responsibilities

Defining the roles, responsibilities and duties of Board Members and the Executive Management, as well as the delegation of authority provided to Executive Management:

The company is managed by an elected Board of Directors, which is formed as per the company's bylaws that outline the number of members and their tenure. The Board Members have the experience necessary to perform their duties in an effective manner in the interest of the company. They dedicate enough time and attention to their duties as Board Members, in line with the roles outlined in the company's memorandum of association and the Board of Directors' charter.

The Board of Directors is committed to putting in place a corporate governance framework and a mechanism for its implementation with the highest integrity, transparency, conduct and professionalism in the best interest of shareholders and stakeholders.

The company has outlined the duties and authorities of the Board of Directors and the Executive Management through the approval of the Board of Directors' charter and authority matrix. The following is a summary of the delegated authorities:

- Authorization from the Board of Directors to its committees (Committees of the Board of Directors): The Board of Directors, through specific decisions made during its meetings, has established committees comprising Board Members. It has delegated to them some authority. Each committee's bylaws outline its specific role and delegated authorities.
   The Board of Directors reviews on an annual basis the terms of reference for each committee. If any committee's activities are suspended, the delegated authority automatically returns to the Board.
- Authorization from the Board of Directors to the Chairman: The Board of Directors has delegated to the Chairman the authority of the Board. The Chairman is the legal spokesperson and representative of the Board.
- Authorization from the Chairman to the Group CEO: The Chairman has delegated to the Group CEO some of the authorities
  and responsibilities of the Board of Directors. This includes, but is not limited to, monitoring and supervising the Executive
  Management to ensure that it is operating accordingly to approved policies and procedures, placing performance standards
  to ensure target achievement, and outlining the company's strategies.
- Authorization from the Board to the Executive Management: The Board of Directors has delegated to the Executive Management all roles and responsibilities listed within their roles and responsibilities. The Board retains the right to delegate additional duties or rescind any authority that has been given to the Executive Management.

### Achievements of the Board of Directors in 2022:

The Board of Directors held nine meetings during the financial year ended December 31, 2022, in addition to decisions taken via written resolution. Below are the outcomes of the Board meetings:

- Review of the company's goals, strategies, plans and policies.
- Approval of the Group's estimated annual budgets, as well as the quarterly and annual financial statements.
- · Application of the corporate governance framework and active supervision of its implementation in line with the CMA Law.
- Supervising the performance of the Executive Management team.
- · Implementing the mechanism for dealing with related parties and eliminating conflict of interest.
- Ensuring the effectiveness of internal policies and the general framework for risk management on a periodic basis.
- Review and approval of the company's policies and procedures.



### Formation of Board of Director's Committees:

KIPCO's Board of Directors formed committees in line with the CMA Law and its bylaws, as well as the corporate governance framework. The committees meet regularly in line with regulations, with full legal quorum, and the committee secretary takes down the minutes of meetings that includes the decisions made by the committee.

Committee	Formation date & tenure	Members	Duties & achievements during the year	No. of meetings
Audit Committee	The Board of Directors elected the members of the Audit Committee as recorded in the Board minutes of meeting number 3/2020, dated 17/6/2020. The tenure was set in parallel with that of the Board of Directors (three years).	<ul> <li>Mr Abdullah Yacoub Bishara (Committee Chairman)</li> <li>Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah (Member)</li> <li>Mr Faisal Hamad Al Ayyar (Member)</li> </ul>	<ul> <li>Review periodic and annual financial statements to ensure their soundness and integrity and refer them to the Board for approval.</li> <li>Make recommendations to the Board on the appointment of external auditors and monitor their performance.</li> <li>Study accounting policies and provide recommendations to the Board.</li> <li>Evaluate the efficiency and effectiveness of the internal control system and prepare a report thereto.</li> <li>Supervise the company's Internal Audit Department.</li> <li>Ensure the company's compliance with related laws, policies and instructions and review the reports of the regulatory authorities.</li> <li>Appoint an independent auditor to prepare the Internal Control Review Report for 2022, in line with the CMA's requirements in relation to corporate governance.</li> <li>Prepare the Audit Committee Report and present it to the Board for approval and reading at the company's General Assembly.</li> </ul>	8 meetings
Nomination & Remuneration Committee	The Board of Directors elected the members of the Nomination & Remuneration Committee as recorded in the Board minutes of meeting number 3/2020, dated 17/6/2020. The tenure was set in parallel with that of the Board of Directors (three years).	<ul> <li>Mr Abdullah Yacoub Bishara (Committee Chairman)</li> <li>Sheikha Dana Nasser Sabah Al Ahmad Al Sabah (Member)</li> <li>Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah (Member)</li> </ul>	<ul> <li>Making recommendations to the Board on nominations of a member of the Executive Management.</li> <li>Reviewing the policy for the remuneration of Board Members and Executive Management.</li> <li>Reviewing the job descriptions for the Executive, Non-Executive and Independent Board Members.</li> <li>Ensuring the independency of the Independent Member.</li> <li>Preparing corporate governance report that contains detailed overall remunerations (fixed and variable) granted to Board Members and the Executive Management.</li> </ul>	3 meetings
Risk Management Committee	The Board of Directors elected the members of the Risk Management Committee as recorded in the Board minutes of meeting number 3/2020, dated 17/6/2020. The tenure was set in parallel with that of the Board of Directors (three years).	<ul> <li>Mr Abdullah Yacoub Bishara (Committee Chairman)</li> <li>Sheikha Dana Nasser Sabah Al Ahmad Al Sabah (Member)</li> <li>Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah (Member)</li> </ul>	<ul> <li>Assisting the Board of Directors in putting in place suitable strategies and goals for risk management and making recommendations that are in line with the nature and size of the company's activities.</li> <li>Reviewing the strategies and policies of risk management adopted by the Board and ensuring their implementation in line with the nature and volume of the company's activities.</li> <li>Assessing the systems and mechanisms of internal supervision to determine and observe the different risks that the company may encounter.</li> <li>Assisting the Board of Directors in determining and assessing the acceptable level of risk, to ensure that that the company does not go beyond that level after Board approval.</li> </ul>	6 meetings



The Secretary of the Board of Directors secures the proper receipt and distribution of reports related to the work of the Board and the documents and the agenda in a timely manner. Board Members have full and immediate access to all information, documents and records related to the Group, which is arranged and organized in a manner that is easily accessible to the Members of the Board and the Committees when needed. The Executive Management provides the Board of Directors and its committees with all the required documents and information through a solid and modern information structure that provides periodic reports that allow for taking decisions in an appropriate and timely manner.

## Rule III: Recruit Highly Qualified Candidates for the Members of the Board of Directors and the Executive Management A brief on the rules of the formation of the Nomination & Remunerations Committee

The Nomination and Remuneration Committee comprises three members from the Board of Directors, taking into consideration that they are non-executive members. The committee is chaired by the independent member. Members with appropriate professional and administrative experience were chosen in line with the nature of the committee's responsibilities and that of the company, in order to accommodate all technical requirements and developments related to the workflow.

### Report on the remunerations granted to Board Members and Executive Management:

### **Board remunerations:**

Board remunerations are subject to the approval of the General Assembly in its annual meeting, based on the recommendation of the Nomination & Remuneration Committee.

The Board of Directors of the Parent Company has proposed No Directors fees for the year 2022 (2021: KD 220 thousand), subject to the approval of the Shareholders' General Assembly.

		Remuner	ations and benefits	for Board Members	(KD thousand)		
		ions and benefits the parent company	rough		Remunerations and through subsid		
Total number of members	Fixed remunerations and benefits		nunerations enefits		remunerations nd benefits		nunerations enefits
	Health insurance	Annual remunerations	Supervisory service remunerations	Health insurance	Monthly salaries (total for the year)	Annual remunerations	Supervisory service remunerations
5	34	220*	120	0	0	55	0

<sup>\*</sup> BoD remuneration for 2021, paid out in 2022.

### **Executive Management remunerations:**

The remuneration system for the Executive Management is linked to the company's performance and the achievement of long-term growth goals. It is in line with the size, nature and level of risk related to each position. The remunerations include a fixed sum that includes salaries, bonuses and other incentives, as well as a variable sum that includes stocks options and other variable bonuses.

The following table outlines the remunerations granted to the Executive Management in 2022:

							o five senior exe ver takes their pl							
		Remune	erations ar	nd benefits	through the pai	rent compa	ny		Ren	nuneration	ns and bene	fits through sul	osidiaries	
Total number		Fixe	ed remune	erations and	benefits		Variable remunerations and benefits		Fixe	ed remune	erations and	benefits		Variable remunerations and benefits
of executive positions	Monthly salaries (for the whole year)	Health insurance	Annual tickets	Housing allowance	Iransportation		Annual remunerations	Monthly salaries (for the whole year)	Health insurance	Annual tickets	Housing allowance	Transportation		Annual remunerations
7	895	23	58	74	25	17	504	0	0	0	0	0	0	27

### Rule IV: Safeguard the Integrity of Financial Reporting

The Board of Directors and the Executive Management's written undertakings of soundness and integrity of financial reporting:

The Executive Management pledges to the Board of Directors that KIPCO's financial statements have been presented soundly and justly, and that these statements include all aspects of the company's financial activities. The financial statements have been prepared in accordance with international financial reporting standards approved by the CMA and other regulatory authorities. Similarly, KIPCO's Board of Directors pledges that it will present the company's financial statements in a sound, just and accurate manner to shareholders and investors.

### A brief of the rules governing the Audit Committee formation:

The Audit Committee comprises three members, one of whom is independent. The Chairman or Executive Members of a Board of Directors are not members in such committee. In addition, the committee includes at least one member who holds an educational qualification and has practical experience in the investment and financial fields. There is no contradiction between the recommendations of the Audit Committee and the decisions of the Board of Directors issued during the fiscal year 2022.

### Independence and objectivity of the external auditor:

An auditor is appointed with the approval of the General Assembly, following a recommendation from the Board of Directors. This came after the Audit Committee ensured that the auditor is registered with the CMA and has fulfilled all requirements of the CMA in relation to the registration of auditors. During the Annual General Assembly held on April 25, 2022, the shareholders appointed RSM Albazie as the external auditor for the financial year 2022. RSM Albazie is qualified and completely independent from the company and the Board of Directors. The external auditor executes an annual independent audit and a quarterly review, with the aim of ensuring that the financial statements are being prepared in line with international financial reporting standards approved by Kuwait's regulatory authorities.

### Rule V: Apply Sound Systems of Risk Management and Internal Control

A brief on the requirements of forming an Independent Risk Management Unit:

An independent risk management unit was established, and its policies were approved by the Board of Directors based on a recommendation by the Risk Management Committee. Risk management is a main requirement for sound corporate governance. It represents the joint responsibility of the company's members of management, as well as the responsibility of the management and employees, such that they understand the importance of risk management and carry out their duties in line with the general risk management framework. This serves to assist the management in supporting sound corporate governance and achieving sound practices in general.

### A brief on the rules of the Risk Management Committee formation:

The Board of Directors formed a Risk Management Committee comprising three members, chaired by a non-executive board member, and it was taken into consideration that the Chairman would not be a member of this committee for more authority and independence. The tenure of this committee has been set at three years as defined by its charter, which also defines how it functions. This committee answers and reports directly to the Board of Directors.

### A brief on internal control systems:

KIPCO's Board of Directors is responsible for internal control and reviewing its effectiveness in safeguarding assets, maintaining sound financial statements, and revealing mistakes and violations. The Board is committed to reviewing the Audit Committee report on outcomes of internal control activities and periodic reports on supervisory activities. Internal control also includes placing a clear organization structure, documenting policies and procedures, allocating authorities and delegation, and performance monitoring mechanisms that are established to oversee the company's operations effectively and regularly.

The company has implemented an internal control system to reasonably guarantee the effectiveness of operations. This includes internal control regulations, including those related to financial and operational activities, as well as adhering to laws and regulations. The Board of Directors regularly reviews these procedures through its main committees, and the effectiveness of the controls is reviewed from time to time as per the company's flow of operations. Related regular reports are presented to the Audit Committee.

### A brief on implementing the requirements for forming an independent Internal Audit Unit:

The Internal Audit Department sets the audit policies and procedures that help the company implement corporate governance through the continuous assessment of management's implementation of the internal control system. This is in addition to assessing the internal control means and procedures to provide recommendations to improve them in the interest of maintaining the efficiency and effectiveness of internal processes. As such, the Board of Directors has delegated to the Internal Audit Department, through the Audit Committee, the related duties and responsibilities. The Internal Audit Department enjoys complete technical autonomy and reports to the Board's Audit Committee.

One of the most important responsibilities of KIPCO's Internal Audit Department is providing the Board and Executive Management with an independent and objective opinion on the internal controls in place, the necessary guarantees to support the company's activities, enhancing the effectiveness of controls, risk management and corporate governance operations.

The independence of the Internal Audit Department is vital to the success of its audit assignments. Therefore, the Internal Audit Department presents its reports to the Board's Audit Committee. The Audit Committee approves the Internal Audit Department structure, charter, policies and plans, risk assessment methodology, and assess the department's achievements and performance. The Board Audit Committee meets independently with the Group Chief Audit Executive on a quarterly basis.

#### Rule VI: Promote Code of Conduct and Ethical Standards

#### A brief on the Charter of Professional Conduct which outlines the code of conduct and ethical standards:

The Charter of Professional Conduct and Ethics is an important part of governance for KIPCO, and both the Board of Directors and the Executive Management are keen on adherence to this charter as part of the Group's daily operations. This includes dealing with employees and all third parties. The charter is revised periodically to ensure that it keeps up with updates and developments in the areas of governance and professional conduct. The Board oversees the effective implementation of the charter with regards to all audit and internal control activities to determine any gaps and take measures to manage them.

#### Policies and mechanisms to limit cases of conflict of interest:

The company's policies and procedures pertaining to conflict of interest have been put in place in line with CMA requirements. The policy outlines that the company is committed to carrying out its activities in a just, honest and sound manner in the interest of maintaining good, long-term interests with stakeholders. The policy helps guarantee that no individual will abuse any deal or transaction the company is party to. The Audit Committee is generally responsible for this policy, and this responsibility includes overseeing and reviewing the implementation of the basic procedures and regulations outlined in the policy.

### Rule VII: Ensure Timely and High-Quality Disclosure and Transparency

Mechanisms for presenting accurate and transparent disclosures that define the aspects, scope and specifications of a disclosure:

The disclosure and transparency policy is periodically reviewed by the Audit Committee before it is approved by the Board of Directors. The company adheres to all disclosure requirements, where current and potential stakeholders require accurate information in a timely manner and with clarity. This is to allow for comparison in order to assess the company's performance, type of ownership, management proficiency, including administrative and operational information. The stakeholders can thus oversee their interests and their decision-making is made easier. The purpose of this policy is to increase accountability within the company and Management towards stakeholders in general, in the form of providing accurate and relevant information that allows stakeholders to understand the governance, strategy, policies, activities and practices of the company and therefore assess its performance with ease. The company discloses fundamental information on a regular basis, in line with the legal and organizational requirements. The policy also aims to put in place a mechanism that prevents insider trading through timely and comprehensive market disclosures.

### Requirements of the register of disclosures by Board Members and Executive Management:

The company has established a special updated register that resides with the Compliance Unit and includes disclosures by Board Members and the Executive Management regarding holding or dealing in shares of the company and the Group on Boursa Kuwait, in line with CMA requirements with regards to dealings by insiders.

### Implementation of the requirements of the formation of the Investors Relations Unit:

As part of KIPCO's commitment to work closely with its current and potential investors, the company prepared an investors relations policy that has been approved by the Board of Directors. It has also put in place a clear set of policies governing investor relations, thereby allowing them access to the company's documents and necessary information in a timely manner, and this information is updated periodically. Access is granted through several means, including the company's website which includes important information for investors such as investors presentations, in addition to the quarterly and annual performance disclosures, profit statements, analyst conferences following the financial results and annual reports. The Investors Relations Unit promotes credibility and trust through the quality of the relationship between the company and the shareholders, and is keen to understand their needs to obtain more information and explanation, and answer their queries in a timely manner.

### Developing the IT infrastructure for the disclosure process:

The company develops the information technology infrastructure on a regular basis to ensure that all shareholders, investors and stakeholders can obtain the updated information and data they need in a timely manner. This allows them to exercise their rights through the company's website, which includes access to detailed information about the company and its Board of Directors and Executive Management, as well as the company's main activities and financial statements. The website also includes a section on corporate governance and disclosures, listed under investor relations.

### **Rule VIII: Respect the Rights of Shareholders**

Rules of identifying and protecting the general interests of shareholders to ensure fairness and equality amongst all shareholders:

The Board of Directors and the Executive Management declare that it is their responsibility to represent the interests of all shareholders and increase value. The Board of Directors guarantees the respect of shareholder equity, in a manner that achieves fairness and equality as per the related laws, regulations and policies and the company's memorandum of association.

It also encourages communication with shareholders through active participation in the Ordinary and Extraordinary General Assemblies, giving them the full right to vote on items on the agenda, with each shareholder holding a number of votes equal to the number of shares they own. Shareholders who do not attend have the right to vote through proxy. KIPCO holds an annual forum in which it presents its shareholders with a summary of the previous year's activities and achievements and gives an overview of outlook for the company.

## A brief on creating and maintaining a special record at the clearing agency, as part of the requirements of the on-going monitoring of shareholders' information:

The shareholder registry is maintained by Kuwait Clearing Company, which is directly responsible for keeping the registry. Shareholders have the right to review the registry, in line with the procedures and laws set by Kuwait Clearing Company.

### Encouraging shareholders to participate and vote in the company's general assembly meetings:

The right of participation by shareholders in the meeting of the company's general assemblies and voting on resolutions thereof is an inherent right for all shareholders regardless of the different levels thereof. The company shall extend a call for shareholders to attend the general assembly based on an invitation from the Board of Directors within three months after the end of the financial year and upon necessity. The Board of Directors may call for a general assembly to meet based on a reasoned request by shareholders owning not less than 10% of the company's capital or a request by the Auditor within 15 days as of the date of such request. The company shall extend the call for shareholders to attend the general assembly, including the agenda, time and place of holding such meeting through announcement in two daily newspapers. Another reminder announcement shall be made a week before the date of the general assembly, in addition to publishing the invitation on Boursa Kuwait's website and the company's website, confirming that any shareholder is entitled to authorize another person to attend the general assembly in accordance with a special proxy. The Members of the Board of Directors may not participate in voting on the general assembly resolutions concerning limitation of the responsibility thereof, to management regarding a private interest for their own selves, their spouses, or first-degree relatives; or a conflict between them and the company.

Prior to holding the general assembly, the company shall allow shareholders sufficient time, to have access to all information and data related to the agenda, and in particular the reports of the board of directors and the Auditor and financial statements through the company's website and visiting the company's head office.

### Rule IX: Recognize the Roles of Stakeholders

Conditions and policies that ensure the protection of the rights of stakeholders:

The company is committed to applying clear-cut procedures in managing transparency, open dialogue and communication with its stakeholders, in that it has set policies and procedures to protect and recognize stakeholder rights in compliance with the general principles of stakeholders.

### Encouraging stakeholders to keep track of the company's various activities:

Mechanisms have been put in place to facilitate stakeholders' ability to inform the Board of Directors of any wrongdoing their encounter at the company. Sufficient protection has also been provided for whistleblowers. Below is a summary of the main responsibilities towards stakeholders, which in turn encourages their participation and engagement in the company's activities:

- Developing open and transparent communication channels directly with stakeholders through the website.
- Overseeing the activities of the company with efficiency, integrity and effectiveness.
- Dealing with stakeholders directly and clearly, with respect and honesty.
- · Respecting the laws and regulations.

### **Rule X: Encourage and Enhance Performance**

The requirements of developing mechanisms that allow the Board Members and Executive Management to attend the training programs and courses regularly:

The policies and procedures related to training Board Members and the Executive Management aim to develop skills and increase knowledge. The purpose of this policy is to train the Board Members and Executive Management and to acquaint them with the latest in the areas of administration, finance, economy and corporate governance, as well as risk management and any updates to relevant laws and regulations.

## Assessment of the performance of the Board of Directors as a whole, as well as the individual Board Members and the Executive Management:

The performance of the Board of Directors, its Members, Committees and the Executive Management is done through main performance indicators. These are tools to measure financial and non-financial development, or the performance of the company and its advancement towards achieving its goals. These indicators can also be used in all types of reports to assess the effectiveness of the Board and Management in achieving their targets.

The main performance indicators for the Board of Directors and the Executive Management cover the development taking place in the main strategic performance and operational indices for the Board Members and the Executive Management team. They provide basic information about the nature of these main performance indicators, propose means to develop these indicators and quantitative ways to analyze them. The methodology for placing a performance indicator system is as follows:

- 1. Determining the need
- 2. Determining the stakeholders
- 3. Determining who is responsible
- 4. Selecting the main performance indicators required
- 5. Preparing measurable indicators
- 6. Using the main performance indicators
- 7. Reviewing the main performance indicator assessment system

## The efforts of the Board of Directors to create value for employees in the company, through achieving strategic goals and improving performance rates:

The company has established a culture of abiding by rules and regulations in the interest of growing corporate values, development, achieving the company's strategic goals, and enhancing the performance levels through:

- Enhancing brand value and raising the level of trust of stakeholders, partners, societies and governments in the company.
- Allowing group work, where everyone dedicates their efforts to achieving the company's common goals.
- Encouraging self-monitoring and providing protection that exceeds that of external supervision alone.
- · Increasing employees' confidence in themselves, where they understand work values and introduce them to others.
- Having a sense of professional responsibility and high professionalism, which motivates employees to show sound professional conduct.
- Spreading the concept of adherence to laws and regulations, which helps employees work in an environment of highperformance discipline and commitment to regulations.



### Rule XI: Focus on the Importance of Corporate Social Responsibility

A brief on developing a policy that ensures balance between the company goals and society objectives:

The company has established a policy to ensure a balance between each of the company's goals and society's goals, approved by the Board of Directors.

A brief about the programs and mechanisms used that help highlight the company's efforts in the field of social work:

The year 2022 saw a range of CSR activities aimed at supporting youth.

Generation Alpha, an initiative that aims to empower young athletes aged 7 to 14 through a comprehensive development program, was held for the third year in 2022. The program, organized in collaboration with EIGHTYPERCENT, shed light on the success journey of 15 young athletes.

Internships to college students were offered throughout the year in collaboration with AUK. KIPCO participated in talks organized by Amideast to encourage students to pursue careers in the private sector. Our collaboration with INJAZ, an NGO with a focus on education, continued into its sixth year.

This year saw the launch of 'Kuwait Women Leaders: Building Bridges', a series of closed-door discussions that discuss how women could crack the ceiling and advance their careers, both in the public and private sectors. The season will continue into 2023.

KIPCO continues to co-sponsor the Oral History and Documentation Program at AUK. Launched in 2020, the OHDP is the first comprehensive program to actively conduct oral histories in Kuwait on a wide range of topics and themes in order to preserve the voices, memories and experiences of generations of Kuwaitis and non-Kuwaitis. The recorded interviews explore the memories of individuals who experienced the drastic shift in Kuwaiti society with the advent of oil, as well as their experiences of major events such as the 1990 Iraqi invasion of Kuwait.

In terms of internal events and activities, the company hosted its first in-person KIPCO Family Day since the outbreak of the COVID-19 pandemic. All employees and their families across the Group were invited to a day of fun activities and games at the SIRBB Circuit, and the turnout reflected the success of the event.



CONSOLIDATED FINANCIAL STATEMENTS

**31 DECEMBER 2022** 



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 of Kuwait Projects Company Holding K.S.C.P

### **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 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of 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 2022, 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 the 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.



### 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. Recognition of ECL under IFRS 9 is a complex process which requires considerable judgement in its application. ECL is dependent on management's judgement in assessing significant increase in credit risk at the reporting date as compared to the credit risk on the date of initial recognition, and determining when a default has occurred for classification of credit facilities into various stages. Furthermore, the Group assesses the probability of default of customers by use of forward looking information and estimating cash flows from recovery procedures or realization of collateral after appropriate haircuts.

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 on loans and advances is considered as a key audit matter.

As part of our audit of the commercial banking subsidiaries, we carried out the following procedures:

- Gained an understanding of the Group's key credit processes comprising granting, booking, monitoring and provisioning, and testing the key controls over these processes;
- 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 also checked completeness and accuracy of the data used and the reasonableness of the management assumptions;
- 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.

### 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.



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

- For a sample of exposures, we performed procedures to evaluate:
  - The appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL under IFRS 9;
  - The 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 order to determine ECL.
  - Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and
  - The 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 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 significant accounting judgments, estimates and assumptions, disclosures and risk management objectives and policies of loans and advances in Notes 2.6, 5 and 29.2 of the accompanying 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 Gulf Insurance Group K.S.C.P. ("GIG") and Advanced Technology Company K.S.C.P ("ATC") 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. 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. 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 accompanying consolidated financial statements.



### 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. 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.
- 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.

Furthermore, we assessed the adequacy of the Group's disclosures included in Note 11 of the accompanying consolidated financial statements related to those assumptions. The Group's policy on impairment testing is disclosed in Note 2.5 of the accompanying 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. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations.

Given the size, complexity and significance of 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.



### Valuation of investment properties (continued)

We carried out the following audit procedures:

- We considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- We 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.
- We 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 accompanying consolidated financial statements.

### Purchase Price Allocation (PPA)

As disclosed in Note 3(a) of the accompanying consolidated financial statements, the Group concluded the Purchase Price Allocation ("PPA") of its business combination to merge by amalgamation, Qurain Petrochemical Industries Company ("QPIC"), an associate of the Group with an ownership holding of 29.53% through one of its subsidiaries, Kuwait National Industrial Projects Company K.S.C. (Closed) ("KNIP"). The purchase consideration for the merger represented by the fair value of shares issued by the Parent Company to the shareholders of QPIC, based on a swap ratio, was allocated to the identifiable assets, liabilities and contingent liabilities (collectively "Net Assets") acquired at their respective fair values at the date of acquisition, including identifiable intangible assets such as customer relationships, trade name and order backlogs amounting to a total of KD 336,346 thousand, with the excess of fair value of Net Assets over purchase consideration amounting to KD 307,255 thousand recorded as gain on bargain purchase.

The PPA was performed by the management through an external expert and which required 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 were 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 identified this area as a key audit matter 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, liabilities and contingent liabilities acquired, including the separately identifiable intangible assets.



### 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(a) of the accompanying consolidated financial statements.

### Other information included in the Group's 2022 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2022 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 skepticism 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, andwhere 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 auditor's 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 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 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 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

State of Kuwait 23 March 2023

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



### Kuwait Projects Company Holding K.S.C.P. and Subsidiaries **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

	Notes	2022 KD 000's	(Restated) * 2021 KD 000's
ASSETS			
Cash in hand and at banks	4	1,376,029	1,296,911
Treasury bills, bonds and other debt securities		815,185	584,227
Loans and advances	5	4,913,260	4,791,444
Financial assets at fair value through profit or loss	6	269,194	266,945
Financial assets at fair value through other comprehensive income	_		
("FVOCI")	7	712,617	420,547
Other assets	8	1,138,631	930,774
Properties held for trading	0	87,680	120,817
Investment in associates	9	289,899	356,234
Investment properties	10	484,193	487,722
Property, plant and equipment Intangible assets	11	612,121	378,193 556 346
intaligible assets	11	724,517	556,346
TOTAL ASSETS		11,423,326	10,190,160
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions		1,278,038	1,230,089
Deposits from customers		5,159,413	5,198,902
Loans payable	12	1,323,353	922,103
Bonds	13	494,867	433,826
Medium term notes	14	456,258	450,113
Other liabilities	15	1,124,503	920,635
Total liabilities		9,836,432	9,155,668
Equity			
Share capital	16	504,848	264,000
Share premium	16	68,913	68,913
Treasury shares	16	(123,605)	(95,258)
Statutory reserve	16	110,077	107,562
Voluntary reserve	16	76,546	76,546
Cumulative changes in fair values		(24,212)	(10,544)
Revaluation surplus	2.5	23,411	24,526
Foreign currency translation reserve		(138,913)	(140,955)
Employee stock option plan reserve	17	822	1,367
Other reserve		2,763	(18,254)
Retained earnings		89,873	47,890
Equity attributable to equity holders of the Parent Company		590,523	325,793
Perpetual capital securities	16	153,332	153,332
Non-controlling interest		843,039	555,367
Total equity		1,586,894	1,034,492
TOTAL LIABILITIES AND EQUITY		11,423,326	10,190,160
TOTAL LIABILITIES AND EQUITY			<u></u>

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

Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2021 and reflect adjustments made as detailed in Note 2.8.

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

	Notes	2022 KD 000's	(Restated) * 2021 KD 000's
Continuing operations:	ivoies	KD 000 S	KD 000 3
Income:			
Interest income		381,732	306,556
Investment income	19	282,617	63,254
Fees and commission income	20	71,125	62,985
Share of results of associates		34,600	42,983
Energy income		11,713	594
Industrial and logistics income		73,123	7,297
Media and digital satellite network services income		82,787	97,526
Hospitality and real estate income Other income		89,330 25,240	88,181
		25,249 10,325	35,659 16,425
Foreign exchange gain		10,325	16,425
		1,062,601	721,460
Expenses:		274.052	210 116
Interest expense Energy expenses		274,052 9,380	210,116 542
Industrial and logistics expenses		59,790	5,571
Media and digital satellite network services expenses		93,058	99,472
Hospitality and real estate expenses		62,546	65,644
General and administrative expenses	21	213,271	177,516
Depreciation and amortization		33,101	28,325
		745,198	587,186
Operating profit from continuing operations before provisions and			
Directors' remuneration		317,403	134,274
Provision for credit losses	5&26	(34,188)	(74,169)
Provision for impairment of other financial and non-financial assets	28	(210,979)	(30,905)
Net monetary loss	2.7	(24,597)	(220)
Board of Directors' remuneration	24		(220)
Profit from continuing operations before taxation		47,639	28,980
Taxation	22	(31,055)	(9,357)
Profit for the year from continuing operations		16,584	19,623
Discontinued operations:			
Profit from discontinued operation			1,997
Profit for the year		16,584	21,620
Attributable to:			
Equity holders of the Parent Company		25,154	17,455
Non-controlling interest		(8,570)	4,165
		16,584	21,620
		Fils	Fils
EARNINGS PER SHARE:	22		
Basic and diluted- attributable to the equity holders of the Parent Company	23	6.9	6.0
EARNINGS PER SHARE FROM CONTINUING OPERATIONS:	0.5		
Basic and diluted- attributable to the equity holders of the Parent Company	23	6.9	5.4

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2021 and reflect adjustments made as detailed in Note 2.8.



# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 KD 000's	(Restated)* 2021 KD 000's
Profit for the year	16,584	21,620
Other comprehensive (loss) income:  Items that will not be reclassified subsequently to consolidated income statement:  Not change in fair value of equity instruments at fair value through other		
Net change in fair value of equity instruments at fair value through other comprehensive income	(20,990)	5,739
Share of other comprehensive loss from associates	(6,541)	(1,356)
	(27,531)	4,383
Items that are or will be reclassified subsequently to consolidated income statement:  Debt instruments at fair value through other comprehensive income:		
Net change in fair value during the year	(24,329)	(1,396)
Changes in allowance for expected credit losses	(26)	(172)
Net transfer to consolidated income statement	(732)	(385)
Changes in fair value of cash flow hedge	18,864	7,921
Revaluation (loss) gain for Hotel class under property, plant and	(4.000)	44.540
equipment	(1,038)	41,648
Foreign currency translation adjustment	(13,210)	(27,162)
_	(20,471)	20,454
Other comprehensive (loss) income for the year	(48,002)	24,837
Total comprehensive (loss) income for the year	(31,418)	46,457
Attributable to:		
Equity holders of the Parent Company	(4,823)	41,519
Non-controlling interest	(26,595)	4,938
	(31,418)	46,457

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2021 and reflect adjustments made as detailed in Note 2.8.

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries CONSOLIDATED CASH FLOW STATEMENT

Profit from discontinued operation	254) 37 983)
Profit before taxation	977 556) 254) 37 983) 116 325 169 905 - 188 194 (700) 582)
Adjustments to reconcile profit before taxation to net cash flows:   19 (282,617) (306,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (63,   10 (282,617) (	556) 254) 37 983) 116 325 169 905 -
Interest income (381,732) (306, Investment income (19 (282,617) (63, Loss on disposal of discontinued operation (34,600) (42, Interest expense (274,052) (210, Interest operation and amortization (288, Interest operation and amortization (288, Interest operation of credit losses (210,979) (21	254) 37 983) 116 325 169 905 - 188 194 700) - 582)
Loss on disposal of discontinued operation   Share of results of associates   (34,600) (42, 10terest expense   274,052   210, 210   210, 210   210, 210   210, 210, 210, 210, 210, 210, 210, 210,	37 983) 116 325 169 905 - 188 194 700) - 582)
Share of results of associates   (34,600)   (42, Interest expense   274,052   210, Depreciation and amortization   33,101   28, Provision for credit losses   5&26   34,188   74, Provision for impairment of other financial and non-financial assets   210,979   30, Net monetary loss   2.7   24,597   24,597   Net results from discontinued operation   2.7   24,597   24,597   24,597   24,597   24,597   24,597   25,388	983) 116 325 169 905 - 188 194 (700) 582)
Interest expense   274,052   210,     Depreciation and amortization   33,101   28,     Provision for credit losses   5&26   334,188   74,     Provision for impairment of other financial and non-financial assets   210,979   30,     Net monetary loss   2.7   24,597       Net results from discontinued operation   - 2,     Foreign exchange loss on loans payable and medium-term notes   5,388     Employee share-based payments   (69,550)   (36,     Changes in operating assets and liabilities:     Deposits with original maturities exceeding three months   (12,211)   (5,     Treasury bills, bonds and other debt securities   (234,011)   (131,     Loans and advances   (132,089)   84,     Financial assets at fair value through profit or loss   7,825   26,     Financial assets at fair value through other comprehensive income   (66,331)   (32,     Other assets   (9,907)   (62,     Properties held for trading   (1,520)   3,     Due to banks and other financial institutions   47,713   (41,     Deposits from customers   (10,862)   89,     Other liabilities   (19,737)   (93,     Dividends received   19   4,936   1,     Interest received   (354,926)   (138,     Interest received   (354,926)   (138,     INVESTING ACTIVITIES   (14,     Dividends received from associates   11,118   15,     Net cashflow from acquisition / disposal of subsidiaries   51,592   33,     Net cashflow from acquisition / disposal of subsidiaries   51,592   33,     Other liabilities   (1,720,     Other movement in investment properties   (1,720,     Other movement in investment properties   (1,720,     Other movement in investment properties   (354,926)   (138,     Other movement in investment properties   (354,926)   (354,926)   (354,926)   (354,926)   (354,926)   (354,926)   (354,926)   (354,926)   (	116 325 169 905 - 188 194 (700) 582)
Depreciation and amortization   33,101   28,	325 169 905 - 188 194 (700) - 582)
Provision for impairment of other financial and non-financial assets   210,979   30, Net monetary loss   2.7   24,597   Net monetary loss   - 2,	.188 .194 .700)
Net monetary loss   2.7   24,597   Net results from discontinued operation   - 2, 5.388	,188 194 (700) 
Net results from discontinued operation	194 (700) 
Foreign exchange loss on loans payable and medium-term notes	194 (700) 
Changes in operating assets and liabilities:   Deposits with original maturities exceeding three months   (12,211)   (5, Treasury bills, bonds and other debt securities   (134,011)   (131, Loans and advances   (132,089)   84, Financial assets at fair value through profit or loss   (7,825   26, Financial assets at fair value through other comprehensive income   (66,331)   (32, Other assets   (9,907)   (62, Properties held for trading   (1,520)   3, Due to banks and other financial institutions   47,713   (41, Deposits from customers   (10,862)   89, Other liabilities   (19,737)   (93, Dividends received   19   4,936   1, Interest received   19   4,936   1, Interest received   19   4,936   1, Interest paid   (259,082)   (224, Interest paid   (259,082)   (224, Interest paid   (259,082)   (224, Interest paid   (259,082)   (218, Interest paid   (2	(700)
Changes in operating assets and liabilities:         (12,211)         (5, 12,211)         (5, 12,211)         (5, 12,211)         (5, 12,211)         (131, 131, 131, 132,089)         84, 132,089)         84, 132,089)         84, 132,089)         84, 132,089)         84, 132,089)         84, 132,089         84, 132,099         84, 132,099         84, 132,099         84, 132,099         89, 132,099         138, 132,0	
Deposits with original maturities exceeding three months	601)
Treasury bills, bonds and other debt securities       (234,011)       (131, Loans and advances         Financial assets at fair value through profit or loss       7,825       26, Financial assets at fair value through other comprehensive income       (66,331)       (32, 66, 331)         Other assets       (9,907)       (62, 62, 62, 62, 62, 62, 62, 62, 62, 62,	
Financial assets at fair value through profit or loss       7,825       26,         Financial assets at fair value through other comprehensive income       (66,331)       (32,         Other assets       (9,907)       (62,         Properties held for trading       (1,520)       3,         Due to banks and other financial institutions       47,713       (41,         Deposits from customers       (10,862)       89,         Other liabilities       (19,737)       (93,         Dividends received       19       4,936       1,         Interest received       399,900       284,         Interest paid       (259,082)       (224,         Net cash flows used in operating activities       (354,926)       (138,         INVESTING ACTIVITIES       804       11,         Net movement in investment properties       804       11,         Net movement in investment in associates       61,472       (14,         Dividends received from associates       11,118       15,         Net cashflow from acquisition / disposal of subsidiaries       51,592       33,	
Financial assets at fair value through other comprehensive income         (66,331)         (32, 22)           Other assets         (9,907)         (62, 22)           Properties held for trading         (1,520)         3, 22, 23           Due to banks and other financial institutions         47,713         (41, 22)           Deposits from customers         (10,862)         89, 28, 28, 28, 28, 29, 29, 29, 29, 29, 29, 29, 29, 29, 29	257
Other assets       (9,907)       (62, Properties held for trading       (1,520)       3, Due to banks and other financial institutions       47,713       (41, Deposits from customers       (10,862)       89, Other liabilities       19,737)       (93, Dividends received for seceived in the street received grade in operating activities       19       4,936       1, Interest paid for seceived in operating activities       284, Interest paid for seceived from associates       (259,082)       (224, Interest paid for seceived from associates for seceived from associates for seceived from associates for subsidiaries       804       11, Net movement in investment in associates for subsidiaries       11,118       15, Net cashflow from acquisition / disposal of subsidiaries       51,592       33, 33, 33, 33, 33, 33, 33, 33, 33, 33,	090
Properties held for trading       (1,520)       3,         Due to banks and other financial institutions       47,713       (41,         Deposits from customers       (10,862)       89,         Other liabilities       (19,737)       (93,         Dividends received       19       4,936       1,         Interest received       399,900       284,         Interest paid       (259,082)       (224,         Net cash flows used in operating activities       (354,926)       (138,         INVESTING ACTIVITIES         Net movement in investment properties       804       11,         Net movement in investment in associates       61,472       (14,         Dividends received from associates       11,118       15,         Net cashflow from acquisition / disposal of subsidiaries       51,592       33,	
Deposits from customers	461
Other liabilities         (19,737)         (93, 193)           Dividends received         19         4,936         1, 11, 11, 11, 11, 11, 11, 11, 11, 11,	731)
Dividends received       19       4,936       1,         Interest received       399,900       284,         Interest paid       (259,082)       (224,         Net cash flows used in operating activities       (354,926)       (138,         INVESTING ACTIVITIES       804       11,         Net movement in investment properties       804       11,         Net movement in investment in associates       61,472       (14,         Dividends received from associates       11,118       15,         Net cashflow from acquisition / disposal of subsidiaries       51,592       33,	245
Interest received         399,900         284, (259,082)         (224,	,069) ,969
Interest paid         (259,082)         (224,082)           Net cash flows used in operating activities         (354,926)         (138,082)           INVESTING ACTIVITIES         804         11,082           Net movement in investment properties         61,472         (14,082)           Net movement in investment in associates         11,118         15,082           Dividends received from associates         11,118         15,082           Net cashflow from acquisition / disposal of subsidiaries         51,592         33,083	
INVESTING ACTIVITIES           Net movement in investment properties         804         11,           Net movement in investment in associates         61,472         (14,           Dividends received from associates         11,118         15,           Net cashflow from acquisition / disposal of subsidiaries         51,592         33,	
Net movement in investment properties 804 11, Net movement in investment in associates 61,472 (14, Dividends received from associates 11,118 15, Net cashflow from acquisition / disposal of subsidiaries 51,592 33,	299)
Net movement in investment in associates  Dividends received from associates  Net cashflow from acquisition / disposal of subsidiaries  61,472 11,118 15, Net cashflow from acquisition / disposal of subsidiaries 51,592 33,	
Dividends received from associates 11,118 15, Net cashflow from acquisition / disposal of subsidiaries 51,592 33,	,529
Net cashflow from acquisition / disposal of subsidiaries 51,592 33,	,548) 228
	634
Net cash nows from investing activities 124,760 45,	
	—
FINANCING ACTIVITIES Proceeds from issue of rights shares 16 - 76.	.051
Proceeds from loans payable, net 278,663 297,	
Repayment of medium-term notes, net - (150,	
Proceeds from (repayment of) bonds, net 59,950 (199,	
	491
	,106) ,045)
	133)
	955
Net cash flows from financing activities 328,855 65,	,545
Net foreign exchange differences (34,225) (23,	744)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS Cash and cash equivalents as at 1 January 64,690 1,405,450 1,456,	,555) ,005
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 4 1,470,140 1,405,	450

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2021 and reflect adjustments made as detailed in Note 2.8.

Kuwait Projects Company Holding K.S.C.P. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

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	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 I 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 2021 (as previously stated) Restatement (Note 2.8) *	264,000	68,913	(95,258)	107,562	76,546	(10,544)	24,526	(140,955)	1,367	(18,254)	37,630 10,260	315,533 10,260	153,332	555,236 131	1,024,101 10,391
As at 1 January 2022 (restated) * Profit (loss) for the year Other comprehensive loss	264,000	68,913	(95,258)	107,562	76,546	(10,544) - (18,038)	24,526	(140,955) (11,223)	1,367	(18,254)	47,890 25,154 -	325,793 25,154 (29,977)	153,332	555,367 (8,570) (18,025)	1,034,492 16,584 (48,002)
Total comprehensive (loss) income	ı	1	-  -  -		ı	(18,038)	(716)	(11,223)			25,154	(4,823)		(26,595)	(31,418)
Business Combination Gainsaction (1900) 3a)	240,848	ı	(37,508)	ı	,	13,944	1		,		41,451	258,735	1	335,290	594,025
Sale of treasury shares Dividends at 5 fils per share (Note 16)			2,101								(12,225)	4,713 (12,225)		(6/1)	(12,225)
Dividends to non-controlling interest Employees' share based payment									- (545)			(545)		(11,634)	(11,634)
Transfer related to disposal group held						=		(00)		100					
Transfer to retained earnings on						=		(767)		197					
derecognition of equity investments carried at FVOCI Transfer of depreciation related to		ı				2,957		ı	ı	ı	(2,957)	1	ı	ı	
property, plant and equipment carried at revaluation	,	ı	ı	,	,	,	(399)	,			399	,		ı	ı
associate					,	(12,542)		(2,477)		1,427	(1,427)	(15,019)		(3,897)	(18,916)
securities	,		ı	1	,	ı		•			(6,848)	(6,848)		(3,389)	(10,237)
Impact of initial application of IAS 29 (Note 2.7)	ı	ı	ı		ı	ı	1	16,034	,	,	5,399	21,433		12,781	34,214
Acquisition and ownersing changes in subsidiaries Transfer to statutory reserve				2,515				1 1	1 1	19,309	. (2,515)	19,309	1 1	(14,105)	5,204
As at 31 December 2022	504,848	68,913	(123,605)	110,077	76,546	(24,212)	23,411	(138,913)	822	2,763	89,873	590,523	153,332	843,039	1,586,894

<sup>\*</sup> Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2021 and reflect adjustments made as detailed in Note 2.8.

The attached notes 1 to 31 form part of these consolidated financial statements.

Kuwait Projects Company Holding K.S.C.P. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

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\* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2021 and reflect adjustments made as detailed in Note 2.8.

The attached notes 1 to 31 form part of these consolidated financial statements.

## Kuwait Projects Company Holding K.S.C.P. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 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 consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 23 March 2023 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 units 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 under hotel class, 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. Disposal group held for sale are measured at lower of carrying amount or fair value less costs to sell.

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:

#### 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 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

The amendments 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. This amendment had no material impact on the consolidated financial statements of the Group.



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

#### Amended standards and interpretations (continued)

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

The amendments 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 amendments 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 amendments 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. These amendments had no material impact on the consolidated financial statements of the Group.

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

The amendments 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 statement of income.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

The amendments had no material impact on the consolidated financial statements of the Group.

### 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 had no material impact on its consolidated financial information resulting from the application of the standard.

As at 31 December 2022

#### 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.

#### 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.

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



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

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 I 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 consolidated financial statements of the Group.

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

Amendments were made 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. Subsidiaries are those enterprises controlled by the Parent Company. 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.

As at 31 December 2022

#### 2.4 BASIS OF CONSOLIDATION (continued)

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 Other Comprehensive Income (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.

The subsidiaries of the Group are as follows:

The subsidiaries of the Group are as follows:				
	_		Effective	interest as
	Country of	Principal		ıt
Name of company	incorporation	activities		ember *
			2022	2021
Directly held	5.1		00 =00/	00 -00/
United Gulf Holding Company B.S.C ("UGH")	Bahrain	Holding Company	90.79%	90.56%
Burgan Bank S.A.K. ("Burgan")	Kuwait	Banking	61.80%	62.14%
United Real Estate Company K.S.C.P. ("URC") (a)	Kuwait	Real Estate	66.42%	73.63%
United Industries Company K.S.C. (Closed) ("UIC")	Kuwait	Industrial	79.40%	79.48%
Overland Real Estate Company W.L.L. ("Overland")	Kuwait	Real estate	90.06%	88.82%
Pulsar Knowledge Centre	India	Consultancy	100.00%	100.00%
United Gulf Management Incorporation	USA	Asset management		100.00%
United Gulf Management Limited	United Kingdom	Asset management		100.00%
Al Rawabi United Holding Company K.S.C.C. (Holding)	Kuwait	Holding Company	99.99%	99.99%
Kuwait United Consultancy Company K.S.C. (Closed)	Kuwait	Consultancy	99.99%	99.99%
		Hospitality &		
		Entertainment		
Chairman's Club Kuwait Company K.S.C.(Closed)	Kuwait	services	99.99%	99.99%
		Media Pay TV		
Panther Media Group LTD ("PMGL")	UAE	services	70.05%	69.84%
		Dairy and foodstuff	•	
SAUDIA Dairy and Foodstuff Company ("SADAFCO") (b)	Saudi Arabia	production	40.74%	-
		Support services		
National Petroleum Services Company K.S.C.P		for drilling and		
("NAPESCO") (b)	Kuwait	repairing oil wells	58.95%	-
		Leasing of		
		equipment and		
Jassim Transport & Stevedoring Company K.S.C.P ("JTC")		stevedoring		
(b)	Kuwait	operations	60.73%	-
Insha'a Holding Company K.S.C. (Holding) ("INSHA") (b)	Kuwait	Holding	86.56%	-
		Trading of		
United Oil Projects Company K.S.C. (Closed) (b)	Kuwait	chemical products	52.02%	-
		Manufacturing and		
		trading of rubber		
EPSCO Global General Trading Company W.L.L. (b)	Kuwait	products	60.00%	-
		Manufacturing of		
United Petrochemical Company K.S.C.(Closed) (b)	Kuwait	plastic materials	96.00%	-
1 2 7 7 7		Manufacturing of		
Qurain Plastic Industries Company K.S.C. (Closed) (b)	Kuwait	plastic materials	94.00%	-
Qurain Basic Materials Industries Company K.S.C. (Closed)		Manufacturing of		
(b)	Kuwait	plastic chemicals	94.00%	_
Qurain Integrated Investment Holding Company S.P.C (b)	Kuwait	Holding	100.00%	_
6 1 (*)		0		



	Country of Princ		Effective interest as at	
Name of company	incorporation		31 December *	
Held through Group companies			2022	2021
United Towers Holding Company K.S.C. (Closed) ("UTHC") (a)  Ikarus United for Marine Services Company S.A.K.	Kuwait	Real Estate	-	66.85%
(Closed)	Kuwait	Marine services	60.00%	60.00%
North Africa Holding Company K.S.C. (Closed) ("NAH")	Kuwait	Investments	53.50%	53.53%
North Africa Holding Industries Limited United Networks Company K.S.C. (Closed) ("UNC")	Guernsey Kuwait	Holding Company Satellite & media	99.96% 63.62%	99.96% 63.62%
Assoufid B.V.	Netherlands	Real estate	100.00%	100.00%
Mena Homes Real Estate Company K.S.C (Closed)	redicitatios	Real estate	100.00 /0	100.0070
("Mena Homes")	Kuwait	Real estate	87.82%	87.82%
Structured entities ("SPVs") treated as subsidiaries				
		Special purpose		
UBC Ventures W.L.L.	Bahrain	entity Special purpose	100.00%	100.00%
Kuwait Projects Company S.P.C Limited ("DIFC")	UAE	entity	100.00%	100.00%
Held through UGH				
United Gulf Bank B.S.C. ("UGB")	Bahrain	Investment banking	100.00%	100.00%
Held through UGH /UGB				
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 (c)	Bahrain	Asset management	-	100.00%
1 3 (7)	British Virgin	8		
United Gulf Realty International Limited	Islands	Real estate	100.00%	100.00%
Federal Street 176 Holdings, Inc.	USA	Real estate	100.00%	100.00%
Held through Mena Homes				
Al Awseda United Real Estate Company (d)	Kuwait	Real estate	100.00%	-
Held through KAMCO				
Al Zad Real Estate W.L.L. (c)	Kuwait	Real estate	-	99.48%
Al Dhiyafa United Real Estate Company W.L.L. (c) First North Africa Real Estate Company W.L.L. (c)	Kuwait Kuwait	Real estate Real estate	-	99.80% 99.79%
KAMCO GCC Opportunistic Fund	Bahrain	Fund	90.75%	90.75%
Kuwait Private Equity Opportunities Fund	Kuwait	Fund	72.82%	72.82%
		Investment		
KAMCO Investment Company (DIFC) Limited	UAE	management	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 Holding Company	99.98% 96.00%	96.00% 96.00%
Al Tadamun United Holding Company K.S.C. (Closed) Buckeye Power Advisory Company LLC	Kuwait USA	Advisory	47.83%	47.83%
Buckeye I owel Havisory Company EDC	05/1	Investment	17100 70	17.0570
Buckeye Power Manager Limited	Jersey	management Investment	100.00%	100.00%
Carnation Manager Limited (c)	Jersey	management	_	100.00%
Carnation advisory company LLC (c)	USA	Advisory	-	74.89%
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 Saudi	Saudi Arabia	Financial Services	100.00%	100.00%
Global Investment House Company Limited	Jordan	Brokerage Services	100.00%	100.00%



		Effective in		interest as
Name of company	Country of incorporation	2 3 1		it mber *
			2022	2021
Held through KAMCO (continued)		Investment		
KAMCO GCC Investment Funds Company B.S.C.	Bahrain	management	99.90%	99.90%
United Holding Company K.S.C. (Holding)	Kuwait	Holding Company Investment	99.98%	99.98%
KAMCO Capital Partners Ltd.	Cayman Islands	management Investment	100.00%	100.00%
KAMCO Capital Management Ltd.	Cayman Islands	management	100.00%	100.00%
KAMCO Mena Plus Fixed Income Fund (OECD) Limited	UAE	Fund	56.08%	57.57%
Kubbar United Real Estate Company (SPC)	Kuwait	Real Estate	100.00%	100.00%
Plans United Real Estate Company (SPC)	Kuwait	Real Estate Investment	100.00%	100.00%
HP plaza Investors, Inc.	USA	management	100.00%	100.00%
HP Plaza Advisor LLC	USA	Advisory	50.00%	50.00%
		Investment		100.000/
Centerstone Investor, Inc	USA	management	100.00%	100.00%
Centerstone Advisor LLC	USA	Advisory Investment	50.00%	50.00%
Lawson Lane Investor, Inc.	USA	management	100.00%	100.00%
Malatilla CDI''s 1		Investment	100.000/	100.000/
Martley Holdings GP Limited	Jersey	management Investment	100.00%	100.00%
Martley Finance GP Limited	Jersey	management	100.00%	100.00%
,	J	Investment		
1925 Investor Inc. <i>(d)</i>	Jersey	management	100.00%	-
Kamco Investment Advisor Limited (d)	Jersey	Investment management	100.00%	_
1.9	J	Investment		
American Blvd Investor, Inc (d)	Jersey	management	100.00%	-
Held Through FIM Bank				
London Forfaiting Company Limited	UK	Forfaiting	100.00%	100.00%
FIM Factors B.V.	Netherlands	Holding Company	100.00%	100.00%
		IT Services	100.00%	100.00%
FIM Business Solutions Limited	Malta	Provider		
		Property	100.00%	100.00%
FIM Property Investment Limited	Malta	Management		
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. (c)	Chile	Factoring	-	100.00%
The Egyptian Company for Factoring S.A.E.	Egypt	Factoring	100.00%	100.00%
Held through Burgan				
Algeria Gulf Bank S.P.A. ("AGB")	Algeria	Banking	91.13%	91.13%
Bank of Baghdad P.J.S.C ("BOB")	Iraq	Banking	53.26%	53.26%
Tunis International Bank S.A. ("TIB")	Tunisia	Banking	86.70%	86.70%
Burgan Bank A.S. ("BBT")	Turkey	Banking	99.89%	99.88%
Burgan Finansal Kiralama A.S. (Held through BBT)	Turkey	Leasing	99.89%	99.88%
Burgan Yatirim Menkul Degerler A.S. (Held through BBT)	Turkey	Brokerage	99.89%	99.88%
Burgan Bank Financial Services Limited("BBFS")	UAE	Financial Advisory Services	100.00%	100.00%
	One	Special Purpose	100.00/0	100.0070
Burgan Senior SPC Limited	UAE	entity	100.00%	100.00%



Name of company	Country of	Principal activities	Effective and a second and a second a s	ıt
Name of company	incorporation	acuvines	2022	2021
Held through URC				2021
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. United Facilities Management Company S.A.K.	Kuwait	management Facilities	96.00%	96.00%
(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 Touristic	100.00%	100.00%
United Ritaj for Touristic Investment S.A.E. (Closed)	Egypt	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%
Aswar United Real Estate Company S.A.E.	Egypt	Real estate	100.00%	100.00%
Al Dhiyafa Holding Company K.S.C (Closed) ("DHC") (a)	Kuwait	Real estate	-	90.22%
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 Real ities	100.00%	100.00%
United Facilities Management L.L.C.	Oman	management Facilities	100.00%	100.00%
UFM Facilities Management Services L.L.C.	UAE	management Facilities	100.00%	100.00%
ABM1 Building Maintenance L.L.C.	UAE	management Facilities	100.00%	100.00%
Egypt United Project Management Company W.L.L.	Egypt	management	100.00%	100.00%
Dhow Holdings Limited	Isle of Man	Real Estate Facilities	100.00%	100.00%
United Facility Management L.L.C.	Jordan	management	100.00%	100.00%
Areej United for Agricultural Investment Company	Egypt	Agriculture	100.00%	100.00%
Panorama Beauty Company United Al Manazel Real Estate Development Company	Jordan	Cosmetic Services	80.00%	80.00%
P.S.C	Jordan	Real Estate	100.00%	100.00%
Arwa Real Estate Development Company P.S.C	Jordan	Real Estate	100.00%	100.00%
22 Project Management Company	Kuwait	Real estate	99.99%	99.99%
Held through UIC				
Kuwait National Industrial Projects Company K.S.C.		Industrial		
(Closed) ("KNIP")	Kuwait	Investment Industrial	99.95%	99.95%
Eastern Projects General Trading Company W.L.L.	Kuwait	Investment Industrial	99.00%	99.00%
United Gulf Industries Company W.L.L.	Saudi Arabia	Investment	95.00%	95.00%
United Education Company K.S.C. (Closed) ("UEC") (e)	Kuwait	Education	63.89%	-



Brisis of Consolibrition (continued)			E Cantina	intanast as
	Country of	Principal	Effective i	interest as it
Name of company	incorporation			ember *
	•		2022	2021
Held through UNC				
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%
Held through Overland				
Amaken United Real Estate Company K.S.C. (Closed)	Kuwait	Real estate	99.99%	99.99%
Timulon onlived from Estate company There (closed)	120	Industrial	,,,,,,,	,,,,,,
United Industrial Gas K.S.C. (Closed)	Kuwait	Investment	99.99%	99.99%
Alternative Energy Projects Company K.S.C. (Closed)	Kuwait	Energy projects	99.99%	99.99%
Alternative Energy Projects Company	Jordan	Energy projects	100.00%	100.00%
Thomas Charge Trajects company	vortuuri	Special purpose	100.0070	100.0070
AEPC Mena Sky Holding Limited	UAE	entity	100.00%	100.00%
TIET & TITING SILL THE TOTAL SILL THE TENTE SILL TH	0.12	Special purpose	100.0070	100.0070
AEPC IBRI II Holding Limited	UAE	entity	100.00%	100.00%
Shams Al-Karak One for Renewable Energy Company	CTIL	onerry	100.0070	100.0070
W.L.L (d)	Jordan	Energy projects	100.00%	_
(17)				
Held through North Africa Holding Industries Limited				
SACEM Industries S.A.	Tunisia	Manufacturing	100.00%	100.00%
SACEM Service	Tunisia	Service & repairs	100.00%	100.00%
		Industrial		
STE SACEM Training	Tunisia	Training	100.00%	100.00%
SACEM International	Tunisia	Trading	100.00%	100.00%
		Research &		
SACEM Smart	Tunisia	development	100.00%	100.00%
SACEM Energy and Engineering	Tunisia	Industrial	100.00%	100.00%
SACEM GCC Electrical L.L.C.	UAE	Sales	100.00%	100.00%
SACEM Industries Cote D'ivoire	Ivory Coast	Sales	100.00%	100.00%
SACEM Rowanda Ltd.	Rowanda	Sales	100.00%	100.00%
SOCIETE DEN	Tunisia	Advertising	100.00%	100.00%
Held through Assoufid BV				
Assoufid Properties development S.A.	Morocco	Real Estate	100.00%	100.00%
		Facilities		
Assoufid Properties Management S.A.	Morocco	management	100.00%	100.00%
		Facilities	100 000/	100000/
Assoufid Golf Operations S.A.	Morocco	management	100.00%	100.00%
Assoufid Hotels S.A.	Morocco	Real Estate	100.00%	100.00%
Assoufid Golf S.A.	Morocco	Real Estate	100.00%	100.00%
Assoufid Golf & Hotels S.A.	Morocco	Real Estate	100.00%	100.00%
Assoufid palace	Morocco	Real Estate	100.00%	100.00%
Stavebni S.A.	Morocco	Construction	100.00%	100.00%
Assem BV (c)	Netherlands	Real Estate	-	100.00%
Held through Rawabi				
Jordan Kuwait Bank P.L.C. ("JKB")	Lordon	Donleina	<b>5</b> 1 100/	51.19%
Joinali Kuwali Dalik F.L.C. (JKD)	Jordan	Banking	51.19%	J1.1770
Held through United Education Company (e)				
Al Rayan Holding Company K.S.C (Closed)	Kuwait	Educational	99.69%	_
AUS Education Company W.L. L.	Kuwait	Educational	100.00%	_
AlRayan Educational Services Company (ARESC)	Kuwait	Educational	100.00%	_
Al-Nouri Educational Establishment Company S.P.C	Kuwait	Educational	100.00%	_
22 2	12011411	2 autumonui	200,0070	



As at 31 December 2022

Country of		Principal	Effective interest as at	
Name of company		activities	31 December *	
Hold through NAH			2022	2021
Held through NAH Egyptian International Medical Center S.A. E. (c)	Egypt	Pharmaceutical Investment Holding	-	51.00%
Cheraga North Africa General Trading L.L.C.	UAE	company Investment Holding	100.00%	100.00%
North Africa Holding Glass Industries Ltd.	Guernsey	company Investment Holding	100.00%	100.00%
North Africa Holding Pharma Industry Ltd.	Guernsey	company Investment Holding	100.00%	100.00%
North Africa Aero General Trading L.L.C.	UAE	company Investment Holding	100.00%	100.00%
North Africa Management Services L.L.C.	UAE	company Investment Holding	100.00%	100.00%
North Africa Pharmaceutical Industries L.L.C.	Egypt	company Investment Holding	100.00%	100.00%
North Pharma Distribution L.L.C.	Egypt	company Investment Holding	100.00%	100.00%
Suntrana Investment Ltd.	Cyprus	company Investment Holding	100.00%	100.00%
Kivalina Investments Ltd North Africa Holding Real Estate	Cyprus Morocco	company Real Estate Real Estate	100.00% 100.00%	100.00% 100.00%
Pacato SARL	Morocco British Virgin	Development Investment Holding	100.00%	100.00%
Niteshade Limited	Islands	company Real Estate	100.00%	100.00%
Tiglio SARL	Morocco British Virgin	Development Investment Holding	100.00%	100.00%
Tolland Limited	Islands	company	100.00%	100.00%
Held through JKB	T1	Lastina	100 000/	100.000/
Ejarah for Finance Leasing Company United Financial Investments Company	Jordan Jordan	Leasing Brokerage	100.00% 78.30%	100.00% 97.40%
Specialized Managerial Company for Investment and		_		
Financial Consultation	Jordan	Financial Services	100.00%	100.00%
Al-Mawarid Financial Brokerage Company (d)	Jordan	Brokerage	100.00%	-
Arabian Financial Investment Company (d)	Jordan	Brokerage	100.00%	-
Held through PMGL		T . 11 .		
Panther Media Holding Limited	UAE	Intermediate holding company Broadcasting TV	100.00%	100.00%
Gulf DTH FZ L.L.C.	UAE	and IP streaming	100.00%	100.00%
Premier Solutions Media FZ L.L.C.	UAE	Advertising	85.00%	85.00%
Digital Satellite L.L.C	UAE	General Trading and Contracting	100.00%	100.00%
Gulf DTH L.D.C.	Cayman Islands	Intermediate holding company Intermediate	100.00%	100.00%
Gulf DTH Holdings Co L.D.C. (c)	Cayman Islands British Virgin		-	100.00%
Digital Media Distribution Systems Limited	Islands British Virgin	holding company Intermediate	100.00%	100.00%
Digital Trading Systems Ltd.	Islands British Virgin	holding company Intermediate	100.00%	100.00%
Walston Investments Inc.	Islands	holding company	100.00%	100.00%

# CONSOLIDATED FINANCIAL STATEMENTS

## **Kuwait Projects Company Holding K.S.C.P. and Subsidiaries** NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

	Country of	Principal	Effective i	interest as
Name of company	incorporation	activities	31 Dece	
• •	•	•	2022	2021
Held through PMGL (continued)				
Panther Media FINCO Ltd.	Cayman Islands	Intermediate holding company Trading in electronic	100.00%	100.00%
Al Shasha Entertainment Distribution Company	Saudi Arabia	equipment Trading in electronic	100.00%	100.00%
Electronic Preparations International Company Limited Global Direct Televisions General Trading and Contracting	Saudi Arabia	equipment General Trading	100.00%	100.00%
Company W.L.L.	Kuwait	and Contracting Trading in	100.00%	100.00%
Digital Systems Company for Electrical and Electronic Equipment W.L.L.	Kuwait	electronic equipment Trading in electronic	100.00%	100.00%
Global Direct TV Company Ltd.	Egypt	equipment Managing and	100.00%	100.00%
Nile Communications Network S.A.E.	Egypt	operating systems General Trading	53.00%	53.00%
Digital for Technology Systems W.L.L.	Egypt	and Contracting Broadcasting TV	100.00%	100.00%
Orbit Communications Company W.L.L.	Bahrain	and IP streaming Trading in satellite	100.00%	100.00%
Digital Media Systems W.L.L.		receiving equipment Trading in satellite	100.00%	100.00%
Digital System Company for Trading	Jordan	receiving equipment Trading in satellite	100.00%	100.00%
Digital Media Satellite Company	Qatar	receiving equipment Trading in satellite	100.00%	100.00%
Digital Media System SARL	Lebanon	receiving equipment	100.00%	100.00%
Held through SADAFCO (b)				
SADAFCO Bahrain Company L.L.C.	Bahrain	Foodstuff and dairy products	100.00%	-
SADAFCO Jordan Foodstuff Company L.L.C.	Jordan	Foodstuff and dairy products	100.00%	_
SADAFCO Poland sp. Z.o.o	Poland	Holding Company	100.00%	-
Mlekoma sp. Z.o.o	Poland	Dairy products	76.00%	-
Foodexo sp. Z.o.o	Poland	Dairy products	76.00%	-
SADAFCO Qatar W.L.L	Qatar	Foodstuff and dairy products Foodstuff and dairy	75.00%	-
SADAFCO Kuwait Foodstuff Company W.L.L.	Kuwait	products	49.00%	-
Held through NAPESCO (b)				-
Napesco International Petroleum Service S.P.C	Kuwait	Drilling and Maintenance of Oil wells Support services for petroleum and	100.00%	-
Napesco India L.L.P	India	natural gas mining	99.99%	-

As at 31 December 2022

	Country of	Principal	Effective in	
Name of company	incorporation	*	31 Decen	
J 1 V	1	-	2022	2021
Held through INSHA (b)				
		Ready mix		
		concrete and		
Bubiyan for Ready Mix Company W.L.L	Kuwait	contracting	100.00%	-
		General &		
Sandco General Trading and Contracting Company W.L.L	Kuwait	contracting	50.00%	-
Bayan Establishment General Trading and Contracting		General &		
Company W.L.L	Kuwait	contracting	50.00%	-
		General &		
EPO Gulf Specialties Company K.S.C. (Closed)	Kuwait	contracting	50.00%	-
Combined Construction Company for General Trading and		General &		
Contracting W.L.L	Kuwait	contracting	51.00%	-
		Aggregate and		
Bubyian Aggregate Company W.L.L	Kuwait	contracting	100.00%	-
HILL I ITC (I)				
Held through JTC (b)	17 '4	T	100.000/	
JTC Fuel Transport Company W.L.L.	Kuwait	Logistics	100.00%	-
ITC Harry and Light Equipment and Machinery Lessing		Leasing vehicles and		
JTC Heavy and Light Equipment and Machinery Leasing	Kuwait		100.00%	
Company W.L.L.	Kuwan	equipment rental	100.00%	-
Al Mushtari Public Transport, Equipment Leasing, Marine	T	I and a C I adding	100 000/	
Services & Warehousing Company W.L.L.	Iraq	Leasing & Logistics		-
JTC Logistics Company L.L.C.		Leasing & Logistics		-
Road Junction Transport and Equipment Company W.L.L	Qatar	Leasing	100.00%	-

<sup>\*</sup> 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.

- (a) In December 2022, URC completed the merger by amalgamation with UTHC and DHC, subsidiaries of the group. URC was the merging entity and UTHC and DHC were the merged entities through share swap. URC increased their fully paid-up capital from 1,187,974,420 shares to 1,430,545,513 shares. This resulted in the dilution of the group's ownership in URC.
- (b) These entities became subsidiaries of the Group as a result of the merger between the parent company and its associate Qurain Petrochemical Industries Company "QPIC" (Note 3a).
- (c) These entities were disposed of, liquidated during the year.
- (d) These entities were acquired / formed during the year.
- (e) These entities were acquired from a related party (Note 3b).

As at 31 December 2022

#### 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 as incurred.

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.

Acquisition related costs are costs the acquirer incur to effect a business combination. Those costs incudes legal, advisory, accounting and other professional and consulting fees. Those costs will be accounted as expenses within the consolidated income statement with the exception of cost related to issue debt and or equity securities which shall be recognized in accordance with IAS 32 and IFRS 9.

The Group has recognized the business combination transactions 'costs (Note 3) as part of General and Administrative expenses in the consolidated income statement for the year ended 31 December 2022.

An acquirer considers all pertinent facts and circumstances when determining the acquisition date, i.e., the date on which it obtains control of the acquiree. The acquisition date may be a date that is earlier or later than the closing date. For convenience, an entity might wish to designate an acquisition date different than the actual acquisition date as a practical matter i.e., the earliest date of closure of books, as long as events between the 'convenience' date and the actual acquisition date do not result in material changes. The Group choose a convenient date being the earliest closure of books date for the business combination transaction (Note 3a), No material impacts were identified by using the convenience date. The consolidated income statement of the Group for the year ended 31 December 2022 does not include the results of UEC acquired in November 2022 (Note 3b) since the results for the period from the date of acquisition up to 31 December 2022 were not material to the Group.

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.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting in incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

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.



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

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

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.

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.

#### **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 assets at initial recognition depends on their contractual terms and the business model for managing the assets and its cashflows 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.

#### 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 the consolidated income statement. 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 consolidated income statement when the inputs become observable, or when the instrument is derecognised.

#### 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.

#### 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:

As at 31 December 2022

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

#### **Financial Instruments (continued)**

- ▶ 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.

### 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 assets 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

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.

As at 31 December 2022

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

#### **Financial Instruments (continued)**

#### Financial instruments at FVTPL (continued)

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 income statement. 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.

#### 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 26.

### 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 cumulative changes in fair values 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.



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

#### **Financial Instruments (continued)**

#### 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.

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 consolidated income statement. 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 assets, this assessment is based on qualitative factors. 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.

#### 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.

As at 31 December 2022

#### 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 transferree 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.

#### Change in business model of long-term debt securities by a subsidiary

In January 2022, one of the subsidiaries of the Group, FIM Bank changed their business model for its long-term debt securities from 'hold-to-collect and sell' to 'hold-to-collect'. This classification was done to reflect a change in the business model for managing these long term securities, such as sovereign bonds, corporate bonds to a held-to-collect business model in terms of IFRS 9.

This change in the business model led the Group to reclassify the long-term debt securities in the consolidated statement of financial position from 'FVOCI' to 'Treasury bills, bonds and other debt securities'.

#### 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 are referred to as 'financial assets'. 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.

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.

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.



As at 31 December 2022

#### 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.

When a loan has shown a significant increase in credit risk since origination, the Group records Stage 2: 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

For loans considered credit-impaired, the Group recognises the lifetime expected credit losses Stage 3: for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan When estimating LTECLs for undrawn loan commitments, the Group estimates the expected commitments portion of the loan commitment that will be drawn down over its expected life. The ECL is and letter of then based on the present value of the expected shortfalls in cash flows if the loan is drawn credits down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

> For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan.

Financial 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 guarantee contracts 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.

As at 31 December 2022

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

#### **Financial Instruments (continued)**

#### Impairment of financial assets (continued)

#### 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 after appropriate haircut affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

#### 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.

#### 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 under "Hotels" class 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 30.

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 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.

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.

As at 31 December 2022

#### 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)

With 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.

Any change in revaluation is 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:

Buildings10 to 50 yearsHotels20 to 50 yearsFurniture and fixtures3 to 10 yearsMotor vehicles3 to 5 yearsPlant and equipment3 to 20 yearsAircraft15 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".



As at 31 December 2022

#### 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 consist of interest and other costs that an entity incurs in connection with the borrowing of funds. 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.

#### **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 5 years to indefinite Brand / trade name Indefinite

Customer contracts and relationship, order backlog, students relationship, franchise rights Up to 25 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 are 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. 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 its eligible 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.



As at 31 December 2022

#### 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 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.

#### Energy income

Energy income includes income from oil and gas projects, oil field maintenance and drilling services, and manufacturing and sale of different chemical and petrochemical materials and their related derivatives. It also comprises of income related to projects in the renewable energy sector, sale of renewal energy products and other alternative power generation activities.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. In determining the transaction price, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

Revenue is recognised from contracts of 'sale of services' or 'bundled sale of goods and services contracts that are viewed as a single performance obligation' over time using an output method generally based on cost-to-cost measure of progress.

Revenue from power generation activities and sale of renewable energy is based on volumes sold and recognised on transfer of actual output to the Group's customers.

#### Industrial and Logistics income

Industrial and logistics 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 transportation and logistics services has been executed and the amount of revenue can be measured reliably.

As at 31 December 2022

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

#### 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.

The Group's subsidiaries, "Burgan" and "NAH", classified their investments in "BOB" and Kandil Glass S.A.E. respectively as disposal group held for sale under "Other assets" and "Other liabilities". Subsequent to the reporting year ended December 2022, Burgan sold its stake in BOB to JKB.

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.

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 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 or cash-generating unit's (CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or 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.



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

#### **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 are excluded from the profit for the year for computation of NLST.

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 are 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.

#### 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 recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 recognized, 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 recognition, 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 recognized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized 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 income 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.

As at 31 December 2022

#### 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 includes 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).



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

#### Judgements (continued)

#### 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 rated and its impact on the group's net assets.

#### **Business** combinations

At the time of Group's acquisition of 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.

#### 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". 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:

As at 31 December 2022

#### 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 includes 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 end of the financial year, valuers use their market knowledge and professional judgment and do not rely solely on historical transactional comparable. In these circumstances, there is 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.

#### 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.

#### 2.7 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 consolidated financial statements include 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. The Group has determined the Consumer Price Index ("CPI") as the appropriate general price index to be used in the inflation accounting. The Group's banking subsidiary measured it at 1,128.45 as at 31 December 2022 (31 December 2021: 686.95). The inflation accounting was applied to the books of BBT from the date of acquisition i.e. December 2012. Hyperinflation adjustments have been adjusted in the consolidated statement of changes in equity and consolidated income statement under "Net monetary loss".

The hyperinflation adjustments have also been applied in Gulf Insurance Group ("GIG"), one of the associates of the group, through its subsidiary Gulf Sigorta A.S. operating in Turkey and has been measured by means of conversion factors derived from the Consumer Price Index (CPI) provided by the Turkey Statistical Institute. Hyperinflation adjustments have been adjusted in the consolidated statement of changes in equity and consolidated income statement under "Share of results of associates".

#### 2.8 RESTATEMENT

On 06 September 2021, one of the associates of the Group, GIG acquired 100% equity interest of AXA Insurance B.S.C.C (a closed Joint Stock Company located in the Kingdom of Bahrain) ("AXA Gulf") and a total effective equity holding of 50% of AXA Cooperative Insurance Company located in the Kingdom of Saudi Arabia.

During the current year, GIG finalised the Purchase Price Allocation ("PPA") exercise and accordingly prior year financial statements have been restated to reflect the PPA adjustment to the provisional amounts. The restatement resulted in an increase in 'investment in associates' by KD 10,391 thousand, 'retained earnings' by KD 10,260 thousand and 'non-controlling interest' by KD 131 thousand in the Group's consolidated financial statements as at 31 December 2021.

Restatement also resulted in an increase in 'Share of results of associates' by KD 10,391 thousand, 'profit attributable to the equity holders of the Parent Company' by KD 10,260 thousand and 'non-controlling interest' by KD 131 thousand in the consolidated income statement for the year ended 31 December 2021.



#### 3 BUSINESS COMBINATIONS

#### a) Merger transaction

In March 2022, the management of the Parent Company signed the Memorandum of Undertaking (MoU) to merge by amalgamation with QPIC, an associate of the Group with an ownership holding of 29.53% through one of its subsidiaries, KNIP. As per the MoU agreement, QPIC will be the merged entity and the Parent Company will be the merging and surviving entity. Based on the share swap agreement every equity shareholder of QPIC will receive 2.24 shares of the Parent Company.

In September 2022, the Extra Ordinary General Assembly "EGM" of the Parent Company approved the agreement of merger by amalgamation with QPIC. EGM also approved to increase the Parent Company's authorized and issued capital to KD 504,847,627 divided into 5,048,476,269 shares at a nominal value of 100 fils each.

In October 2022, KNIP sold 17.3% of its stake in QPIC to the major shareholder of the parent company (Note 24). The remaining Group's equity interest in QPIC of 12.23% was reclassified to FVOCI.

In November 2022, after obtaining all regulatory approvals, the Parent Company completed the share swap and the merger execution, which resulted in the cancellation of QPIC's shareholders' register with Kuwait Clearing Company. As a result of the above, the Parent Company issued 2,408,476,269 additional new shares.

In accordance with IFRS 3: Business combinations, the Group remeasured its previously held equity interest and recognized "Other comprehensive loss" of KD 13,944 thousand in the consolidated statement of comprehensive income, subsequently transferred to Retained Earnings within the Consolidated Statement of Changes in Equity.

The Group finalized the purchase price allocation during the year and identified certain intangible assets.

The fair value of the identifiable assets acquired, liabilities assumed and the resulting gain on bargain purchase are summarized as follows:

	KD'000
Assets	
Cash in hand and at banks	95,522
Financial assets at fair value through profit or loss	310
Financial assets at fair value through other comprehensive income	311,435
Other assets	116,090
Investment in associates	118,914
Property, plant and equipment	165,722
Intangible assets*	336,346
	1,144,339
Liabilities	
Loans payable	95,818
Other liabilities	109,733
	205,551
Non-controlling interest	335,290
Net Assets Acquired	603,498
Fair value of new shares issued	259,172
Fair value of the Group's previously held equity interest	37,071
Gain on bargain purchase (Note 19)	307,255

<sup>\*</sup> Intangible assets identified from purchase price allocation exercise represents trade name, customer relationships and order backlogs.

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#### 3 BUSINESS COMBINATIONS (continued)

#### b) Acquisition of a controlling stake

In November 2022, one of the Group's Subsidiaries, KNIP, acquired 63.89% equity interest in UEC from the major shareholder of the Parent Company.

UEC is incorporated in the State of Kuwait. Its principal activities include providing and managing educational services. This acquisition has been accounted for in accordance with IFRS 3: Business combinations.

UEC has been consolidated based on the fair values assigned to the identifiable assets, liabilities and contingent liabilities. The Group finalized the purchase price allocation during the year and identified certain intangible assets.

The fair value of the assets acquired, liabilities assumed, intangible assets and contingent liabilities identified are as following:

	KD'000
Assets	12.70
Cash in hand and at banks	13,568
Financial assets at fair value through profit or loss	156
Financial assets at fair value through other comprehensive income	2,065
Other assets	12,929
Property, plant and equipment	54,915
Intangible assets *	22,061
	105,694
Liabilities	
Loans payable	25,000
Other liabilities	23,445
	48,445
Non controlling interest in acquiree	86
Net assets acquired	57,163
Consideration paid	57,498
Non controlling interest in acquiree	20,643
	78,141
Goodwill	20,978

<sup>\*</sup> Intangible assets of UEC represent brand name, students relationship and franchise rights.

As at 31 December 2022

#### 4 CASH IN HAND AND AT BANKS

	2022 KD 000's	2021 KD 000's
Cash and bank balances Deposits with original maturities up to three months Expected credit losses	696,532 627,587 (1,848)	830,965 427,089 (2,690)
Cash and cash equivalents Add: deposits with original maturities exceeding three months	1,322,271 53,758	1,255,364 41,547
Cash in hand and at banks as per consolidated statement of financial position	1,376,029	1,296,911
Cash and cash equivalents attributable to disposal group held for sale Less: deposits with original maturities exceeding three months	147,869 (53,758)	150,086 (41,547)
Cash and cash equivalents as per consolidated statement of cash flows	1,470,140	1,405,450

Cash in hand and at banks includes cash and bank balances from the Parent Company amounting to KD 139,879 thousand as at 31 December 2022 (31 December 2021: KD 123,715 thousand).

#### 5 LOANS AND ADVANCES

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

	2022	2021
	KD 000's	KD 000's
Corporate	4,365,325	4,332,523
Banks and financial institutions	154,895	170,041
Retail	589,542	480,232
	5,109,762	4,982,796
Less: allowance for ECL	(196,502)	(191,352)
	4,913,260	4,791,444

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.

	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	2022 Total KD 000's
Internal rating grade				
Performing				
High grade	996,044	37,460	-	1,033,504
Standard grade	3,204,294	560,508	-	3,764,802
Past due but not impaired	10,597	60,464	-	71,061
Non – performing				
Individually impaired	-	-	240,395	240,395
Total	4,210,935	658,432	240,395	5,109,762

As at 31 December 2022

#### 5 LOANS AND ADVANCES (continued)

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

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

	Stage 1	Stage 2	Stage 3	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Loans and advances	4,210,935	658,432	240,395	5,109,762
ECL allowances	(29,793)	(55,547)	(111,162)	(196,502)
As at 31 December 2022	4,181,142	602,885	129,233	4,913,260
Loans and advances	4,047,770	693,082	241,944	4,982,796
ECL allowances	(27,693)	(35,750)	(127,909)	(191,352)
As at 31 December 2021	4,020,077	657,332	114,035	4,791,444

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

	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL allowance	112 000 5	112 000 5	112 000 5	112 000 5
Balance as at 1 January 2022	27,693	35,750	127,909	191,352
Net transfers between stages	(772)	(10,535)	11,307	
Charge during the year	2,229	26,267	462	28,958
Amounts written off during the year	-	-	(26,232)	(26,232)
Foreign exchange	643	4,065	(2,284)	2,424
As at 31 December 2022	29,793	55,547	111,162	196,502
	Stage 1	Stage 2	Stage 3	Total
	$KD \stackrel{\circ}{0}00$ 's	KD 000's	$KD \stackrel{\circ}{0}00$ 's	KD 000's
ECL allowance				
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)
As at 31 December 2021	27,693	35,750	127,909	191,352



#### 5 LOANS AND ADVANCES (continued)

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

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 842 thousand (2021: ECL recovery amounting to KD 163 thousand), ECL charge on other debt securities amounting to KD 668 thousand (2021: ECL charge amounting to KD 1,108 thousand) and ECL charge on other assets amounting to KD 3,117 thousand (2021: ECL charge amounting to KD 6,849 thousand). ECL charge on non-cash facilities amounting to KD 2,287 thousand (2021: ECL charge amounting to KD 3,630 thousand) (Note 26).

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

	2022 KD 000's	2021 KD 000's
Quoted equity securities Unquoted equity securities Quoted debt securities Unquoted debt securities Managed funds Forfaiting assets	11,596 3,505 11,797 100 106,020 136,176	13,636 2,336 6,338 250 111,289 133,096
	269,194	266,945

Refer to Note 29.4.3 for geographical distribution of equity instruments and Note 30 for fair value measurement.

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

2022 KD 000's	2021 KD 000's
12,864 309,520	16,412 331,153
322,384	347,565
390,221	70,834 2,136
390,221	72,970
12	12
712,617	420,547
	390,221 

Refer Note 29.4.3 for geographical distribution of equity instruments and Note 30 for fair value measurement.

#### 8 OTHER ASSETS

	2022 KD 000's	2021 KD 000's
Net accounts receivable	229,982	152,480
Accrued interest and other income receivable	117,174	126,145
Prepayments	69,246	49,444
Assets pending sale *	139,662	155,220
Others **	582,567	447,485
	1,138,631	930,774

<sup>\*</sup> The assets pending sale are arising from the operating activities of the commercial banking subsidiaries of the Group. These assets are carried at the 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 valuators 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%.

Effective interest

Carrying value

# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

#### 8 OTHER ASSETS (continued)

\*\* As at 31 December 2022 the Group's subsidiaries, "Burgan" and "NAH", classified their investments in "BOB" and Kandil Glass S.A.E. respectively as disposal group held for sale. As at 31 December 2022, the Group has carried those investments at the lower of carrying value or fair value less cost to sale amounting to KD 328,869 thousand (2021: KD 294,470 thousand). Other assets also include inventories amounting to KD 54,623 thousand (2021: KD 4,351 thousand) which are stated at the lower of cost or net realisable value.

#### 9 INVESTMENT IN ASSOCIATES

			Effectiv	ve interest	Carryin	ıg value
	Country of	-		_		(Restated)
Name of company	incorporation	Principal activities	2022	2021	2022	2021
					KD 000's	KD 000's
Qurain Petrochemical Industries						
Company K.S.C.P. ("QPIC")		Petrochemical				
(a)	Kuwait	activities	-	31.71%	-	172,669
Gulf Insurance Group K.S.C.P.						
("GIG")	Kuwait	Insurance	46.46%	46.46%	135,522	129,613
Kuwait Aromatics Company		Petrochemical				
K.S.C. (Closed) ("KARO") (b)	Kuwait	activities	20.00%	-	69,437	-
Advanced Technology Company						
K.S.C.P ("ATC") (b)	Kuwait	Trading	44.06%	_	37,575	-
United Precision Drilling		Sale of Oil drilling				
Company W.L.L. ("UPDC") (b)	Kuwait	equipment	47.50%	_	2,752	-
United Qmax Drilling Fluids		Petrochemical			,	
Company W.L.L (b)	Kuwait	activities	51.00%	_	879	_
Al-Fujeira Real Estate Limited	U.A. E	Real estate	50.00%	50.00%	6,643	6,227
Manafae Holding Company					- ,	-,
K.S.C.(Closed)	Kuwait	Investment	38.90%	39.06%	3,308	3,247
Kandil Glass S.A.E. (c)	Egypt	Manufacturing	_	50.00%	, <u>-</u>	4,088
First Real Estate Investment	271	· ·				,
Company K.S.C. (Closed)	Kuwait	Real estate	19.80%	19.80%	4,557	4,579
United Capital Transport					-,	1,0
Company K.S.C. (Closed)	Kuwait	Services	39.80%	40.00%	1,052	1,190
Kuwait Hotels Company					-,	-,
K.S.C.P. ("KHC") (d)	Kuwait	Hotels	_	35.54%	_	1,982
N.S.88 SPC	Bahrain	Real Estate	30.00%	30.00%	4,848	4,668
Al Thaniya Real Estate Company	Dunium	Treat Estate	2010070	20.0070	1,010	.,000
P.S.C	Jordan	Real Estate	50.00%	50.00%	6	7
Insha'a Holding Company (e)	Kuwait	Manufacturing	-	40.00%	_	6,560
Kamco Investment fund	Kuwait	Fund	35.31%	31.00%	12,197	11,020
Tames investment rand	TLG Walt	Real Estate	00.0170	31.0070	12,177	11,020
KAMCO Real Estate Yield Fund	Kuwait	Fund	35.77%	35.77%	1,909	2,878
FINA Corp SA (d)	Tunisia	Financial Services	-	49.00%	-	2,070
Syria Gulf Bank S.A. ("SGB")	Syria	Banking	31.00%	31.00%	4,704	3,105
Shams Ad-Dhahira Generating	Sylla	Danking	31.00 /0	31.0070	4,704	3,103
Company SAOC	Oman	Manufacturing	10.00%	10.00%	_	_
Adhari Park Development	Oman	Manaractaring	10.00 / 0	10.0070		
Company B.S.C. (Closed)	Bahrain	Financial Services	20.00%	20.00%		
Gardens Real Estate Co. W.L.L.	Kuwait	Real estate	25.00%	25.00%	4,510	4,401
Gardens Real Estate Co. W.L.L.	Kuwan	ixeai estate	43.00 /0	23.0070	4,310	<del></del>
					289,899	356,234

- a) During the year, the Parent Company completed merger by amalgamation with QPIC and derecognized it as an investment in associate (Note 3a).
- b) During the year these entities have been included as a result of the merger transaction (Note 3a).
- c) During the year this entity has been classified as assets held for sale under other assets (Note 8).
- d) These entities were disposed of during the year.
- e) This entity is reclassified to subsidiary post the merger transaction (Note 3a)

As at 31 December 2022

#### 9 INVESTMENT IN ASSOCIATES (continued)

Investment in associates include quoted associates with a carrying value of KD 173,097 thousand (2021: KD 293,873 thousand) having quoted market value of KD 162,878 thousand (represents ATC: KD 29,082 thousand, GIG: KD 133,796 thousand) (2021: KD 255,229 thousand (represents QPIC: KD 112,619 thousand, GIG: KD 141,046 thousand, and KHC: KD 1,564 thousand)). In accordance with IAS 36, 'Impairment of Assets', the Group's recoverable amount of each of the above associates (i.e., value in use) was lower than their carrying values and accordingly KD 12,871 thousand (2021: KD 15,780 thousand) provision for impairment expense was recognised during the year.

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

31 December 2022	GIG KD 000's	ATC KD 000's	KARO KD 000's
Associates' statement of financial position: Current assets	651,443	265,941	126,880
Non-current assets	694,562	41,813	371,496
Current liabilities	500,647	186,525	80,976
Non-current liabilities	480,544	51,791	23,152
Equity	364,814	69,438	394,248
Equity attributable to shareholders of associates	228,981	69,438	394,248
Group's ownership interest	46.46%	44.06%	20.00%
Proportion of equity attributable to Group's ownership interest *	106,375	30,594	78,850
Associates' revenue and results:			
Income	515,352	166,052	686,010
Total profit for the year	43,047	7,013	18,074
Group's share of the profit attributable to the equity holders	17,738	531	302
Dividends received during the year	4,614		
Group's share of contingent liabilities and commitments	47,407	45,640	1,271
		ODIC **	(Restated)
31 December 2021		<i>QPIC</i> ** <i>KD 000's</i>	GIG KD 000's
Associates' statement of financial position:		122 000 5	112 000 5
Current assets		169,912	680,332
Non-current assets Current liabilities		610,019 72,313	708,404 477,403
Non-current liabilities		130,027	561,822
Equity	-	577,591	349,511
Equity attributable to shareholders of associates		404,997	213,201
Group's ownership interest	•	31.71%	46.46%
Proportion of equity attributable to Group's ownership interest *		128,425	99,048
Associates' revenue and results:		22 ( 55 (	210 (51
Income	=	236,776	310,651
Total profit for the year	:	29,988	76,502
Group's share of the profit attributable to the equity holders	:	3,783	33,695
Dividends received during the year	:	5,193	9,359
Group's share of contingent liabilities and commitments		11,290	31,599
*Difference between comming value and properties of equity attribut	abla ta Cuarra?		

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

<sup>\*\*</sup> During the year, the Parent Company merged with QPIC and derecognized it as an investment in associate (Note 3a).

As at 31 December 2022

#### 9 INVESTMENT IN ASSOCIATES (continued)

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

		2022 KD 000's	2021 KD 000's
	Associates' statement of financial position:		
	Total assets	253,724	274,461
	Total liabilities	114,890	110,698
	Equity	138,834	163,763
	Associates' revenue and results:		
	Income	44,066	54,923
	Total profit for the year	9,172	22,589
10	INVESTMENT PROPERTIES		
		2022	2021
		KD 000's	KD 000's
	Land for development	61,980	71,366
	Projects under construction	93,876	93,668
	Developed properties	328,337	322,688
		484,193	487,722
	The movement in investment properties during the year was as follows:		
		2022	2021
		KD 000's	KD 000's
	As at 1 January	487,722	624,258
	Additions	1,813	2,971
	Disposals	(946)	(17,637)
	Due to derecognition of a subsidiary	-	(125,900)
	Change in fair value (Note 19)	(22,174)	(7,167)
	Reclassification from properties held for trading to investment properties	22,843	10.720
	Reclassification from property, plant and equipment to investment properties Exchange adjustments	(5,065)	10,720 477
	As at 31 December	484,193	487,722

Valuation of investment properties were conducted as at 31 December 2022 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.

Included under investment properties are buildings constructed on land leased from the Government of Kuwait amounting to KD 68,618 thousand (2021: KD 86,145 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.

As at 31 December 2022

#### 11 INTANGIBLE ASSETS

	Goodwill KD 000's	Other intangibles KD 000's	Total KD 000's
Gross carrying amount:	202 552	201 174	(72 727
As at 1 January 2022	382,553	291,174	673,727
PPA impact on merger and acquisition	20,978	358,407	379,385
Impairment	(198,108)	- (1.600)	(198,108)
Exchange adjustment	3,505	(1,689)	1,816
As at 31 December 2022	208,928	<u>647,892</u> =	856,820
Accumulated amortisation:	Goodwill KD 000's	Other intangibles KD 000's	Total KD 000's
As at 1 January 2022		(117,381)	(117,381)
Charge for the year	-	(14,922)	(14,922)
As at 31 December 2022		(132,303)	(132,303)
Net carrying amount: As at 31 December 2022	208,928	<u></u>	724 517
As at 31 December 2022		<u>515,589</u> =	724,517
			T 1
	Goodwill	Other intangibles	Total
	KD 000's	KD 000's	KD 000's
Gross carrying amount:			
As at 1 January 2021 (Restated)	421,642	293,500	715,142
Derecognition due to discontinued operation	(23,062)	(3,594)	(26,656)
Additions	-	538	538
Impairment	(15,125)	-	(15,125)
Exchange adjustment	(902)	730	(172)
As at 31 December 2021	382,553	291,174	673,727
Accumulated amortisation:			
As at 1 January 2021 (Restated)	-	(107,803)	(107,803)
Derecognition due to discontinued operation	_	1,963	1,963
Charge for the year		(11,541)	(11,541)
As at 31 December 2021		(117,381)	(117,381)
Net carrying amount:			
As at 31 December 2021	382,553	173,793	556,346



#### 11 INTANGIBLE ASSETS (continued)

#### 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 28). 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 9.4% to 16.4% (2021: from 8.5% to 18%) 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% (2021: 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 2022 consolidated revenue of the Group, less adjusted net debt at 31 December 2022.

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.

#### 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.



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#### 11 INTANGIBLE ASSETS (continued)

The net carrying amount and remaining useful life of intangible	Remaining useful life as at 31 December 2022	2022 KD 000's	2021 KD 000's
Intangibles with indefinite life: Licenses and brand/trade name	Indefinite	273,254	128,995
Intangibles with definite life:			
Licenses and software	Up to 15.5 years	28,764	30,448
Customer contracts and relationship, Order backlogs, franchirights and students relationship	Up to 25 years	213,571	14,350
	-	515,589	173,793
LOANS PAYABLE	_		
		2022	2021
		KD 000's	KD 000's
By the Parent Company:			
Loans with maturity within 1 year		15,815	-
Loans with maturity above 1 year		78,508	-
By the subsidiaries:			
Loans with maturity within 1 year		222,531	91,207
Loans with maturity above 1 year		1,006,499	830,896
	•	1,323,353	922,103

Subsequent to the year ended December 2022, the Parent Company signed a senior unsecured committed credit facility of USD 525 million (equivalent to KD 160.4 million) with a group of nine regional and international banks maturing initially in February 2025 with one year extension option at the Parent Company's sole discretion.

As at 31 December 2022

#### 13 BONDS

Issued by the Parent Company:  Fixed rate bond at 6.75% per annum and maturing on 29 December 2028*  Floating rate bonds at 3% per annum plus CBK discount rate (Capped at 7.75% per annum) and maturing on 29 December 2028*  108,958  Fixed interest of 5.25% per annum and maturing on 28 December 2024**  26,497  35,7	- - 795
annum) and maturing on 29 December 2028*  Fixed interest of 5.25% per annum and maturing on 28 December 2024**  26,497  35,7	- 795
	795
Fl. 4' i 62 250/	. , ,
Floating interest of 2.25% per annum above the CBK discount rate and maturing on 28 December 2024**  39,695  63,6	,636
Fixed rate bond at 5.50% per annum and maturing on 8 November 2023**  5,292	957
Floating rate bonds at 2.25% per annum plus CBK discount rate (Capped at 6.5% per annum) and maturing on 8 November 2023**  23,167  85,7	,740
Issued by subsidiaries: Fixed interest of 5.75% per annum and maturing on 19 April 2023  32,150  32,150	,150
Floating interest of 2.5% per annum above the CBK discount rate and maturing on 19 April 2023 27,850 27,8	,850
Fixed interest of 6% per annum and maturing on 26 July 2023 14,900 14,900	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	,100
Fixed interest of 5% per annum and maturing on 15 October 2023 4,756 4,7	700
Fixed interest of 2.75% per annum and maturing on 15 December 2031 152,542 150,4	498
Less: inter-group eliminations 515,609 454,3 (20,742) (20,5	,326 ,500)
<b>494,867</b> 433,8	

<sup>\*</sup> On 29 December 2022, the Parent Company issued KD 165 million bonds in two tranches: i) KD 55.15 million fixed rate bonds at 6.75% per annum and ii) KD 109.85 million floating rate bonds at 3% + CBK Discount Rate (capped at 7.75%) per annum. Both tranches are due on 29 December 2028.

Subsequent to the year ended December 2022, one of the banking subsidiaries of the Group "JKB" announced the issuance of a five year Green bond amounting to USD 50 million (equivalent to KD 15.3 million).

<sup>\*\*</sup> On 29 December 2022, the Parent Company purchased and cancelled KD 71.5 million of total KD 100 million bonds previously issued on 8 November 2018 and due on 8 November 2023. The purchase and cancellation of total KD 71.5 million bonds included fixed rate bonds of KD 8.7 million and floating rate bonds of KD 62.8 million. After the purchase and cancellation of these bonds, there remains outstanding KD 28.5 million of the bonds due on 8 November 2023.

<sup>\*\*</sup> On 29 December 2022, the Parent Company purchased and cancelled KD 33.55 million of total KD 100 million bonds previously issued on 28 December 2017 and due on 28 December 2024. The purchase and cancellation of total KD 33.55 million bonds included fixed rate bonds of KD 9.4 million and floating rate bonds of KD 24.15 million. After the purchase and cancellation of these bonds, there remains outstanding KD 66.45 million of the bonds due on 28 December 2024.

As at 31 December 2022

#### 14 MEDIUM TERM NOTES

	2022 KD 000's	2021 KD 000's
Euro medium term notes (EMTN) issued by the Parent Company through a SPE: 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	ND 000 3	KD 000 3
Exchange.	151,070	148,758
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. *	153,150	151,250
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.	152,950	151,007
	457,170	451,015
Less: inter-group eliminations	(912)	(902)
	456,258	450,113
* Notes matured and repaid subsequent to the year end.		
OTHER LIABILITIES		
	2022	2021
	KD 000's	KD 000's
Accounts payable	422,076	332,046
Accrued interest and expenses	168,026	131,980
Taxation payable	31,055	9,357
Others*	503,346	447,252
	1,124,503	920,635

<sup>\*</sup> The Group's subsidiaries "Burgan" and "NAH" classified their investments in "BOB" and Kandil Glass S.A.E. respectively as disposal group held for sale. As at 31 December 2022, the Group has classified KD 281,204 thousand (2021: KD: 258,825 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

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	2022 KD 000's	2021 KD 000's
Authorised share capital (shares of 100 fils each)	504,848	300,000
Issued and fully paid-up capital (shares of 100 fils each) *	504,848	264,000

As at 31 December 2022

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

#### a) Share capital (continued)

\* This comprises 4,550,845,631 shares (2021: 2,142,369,362 shares) which are fully paid up in cash, whereas 497,630,638 shares (2021: 497,630,638 shares) were issued as bonus shares.

#### b) Share premium

The share premium is not available for distribution.

#### c) Treasury shares

·	2022	2021
Number of treasury shares Percentage of capital Market value – KD 000's	499,981,498 9.90% 55,998	215,786,142 8.17% 30,642

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.

#### f) Dividend

The Board of Directors has recommended no distribution of dividend for the year ended 31 December 2022 (2021: Cash dividend of 5 fils per share), subject to Shareholders' Annual General Assembly approval. Dividends for 2021 were approved at the Annual General Assembly of the shareholders held on 25 April 2022.

As at 31 December 2022

### 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 for the year ended 2022 and 2021.

On 5 September 2022, the Extra Ordinary General Assembly "EGM" approved the merger agreement and merger transaction between Kuwait Projects Company Holding K.S.C.P and Qurain Petrochemical Industries Company K.S.C.P., EGM also approved to increase the Parent Company's authorized and issued capital to KD 504,847,627 divided into 5,048,476,269 shares at a nominal value of 100 fils each. The increase in share capital has been allocated to the shareholders of Qurain Petrochemical Industries Company K.S.C.P. registered as on the record date 16 November 2022, after the completion of the merger by amalgamation transaction. Capital Markets Authority in Kuwait had already approved the capital increase on 8 August 2022 and on 06 November 2022 approved the execution of merger transaction.

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.

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#### 17 EMPLOYEE STOCK OPTION PLAN RESERVE

The Parent Company has a policy to grant equity-settled stock options to its eligible employees. These shares have a vesting period of three years from the grant date. Board of directors of the Parent Company resolved not to grant stock options to its eligible employees for the year ended 31 December 2022 (31 December 2021: Nil). During the year, stock options of 20,423,762 shares (31 December 2021: 13,195,228 shares) were cancelled / forfeited. Outstanding stock options exercisable as at 31 December 2022 are 5,205,675 shares (31 December 2021: 25,629,437 shares).

#### 18 MATERIAL PARTLY - OWNED SUBSIDIARIES

The management has concluded that Burgan, URC, JKB and SADAFCO (2021: 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:

	2022 KD 000's	2021 KD 000's
Burgan	361,034	350,824
URC	19,243	29,943
JKB	82,857	80,386
SADAFCO	81,441	-
Profit/(loss) allocated to material non-controlling interests:		
	2022	2021
	KD 000's	KD 000's
Burgan	22,228	18,309
URC	(7,077)	(2,778)
JKB	3,239	295
SADAFCO	3,835	-

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:

			2022			2021	
	Burgan** KD 000's	URC KD 000's	JKB KD 000's	SADAFCO* KD 000's	Burgan** KD 000's	URC KD 000's	JKB KD 000's
Income Expenses Taxation	408,064 (333,074) (16,440)	98,228 (94,662) 116	88,454 (76,633) (3,722)	162,334 (142,919) (1,424)	360,677 (305,380) (6,708)	78,517 (85,388) 369	66,102 (60,944) (1,866)
Profit (loss) for the year	58,550	3,682	8,099	17,991	48,589	(6,502)	3,292
Total comprehensive income (loss)	8,601	(7,843)	4,860	17,973	3,259	(8,061)	4,803
Attributable to non- controlling interests Dividends paid to	7,241	(886)	23	129	2,197	(4,827)	119
non-controlling interests	7,913	-	2,220	-	5,133	-	-

<sup>\*</sup> Summarised income statement presented are for the nine months period ended 31 December 2022.

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

Summarized statement of financial position for year ended 31 December:

		2	2022			2021	
	Burgan**	URC	JKB	SADAFCO	Burgan**	URC	JKB
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Total assets	7,165,960	667,268	1,533,413	199,786	7.074.915	600,431	1,283,975
Total liabilities	6,218,545	479,171	1,326,956	62,372	6,142,990	415,728	1,084,156
Equity	947,415	188,097	206,457	137,414	931,925	184,703	199,819
			====				
Attributable							
<b>to:</b> Equity holders							
of material							
Subsidiaries	746,066	187,742	205,712	135,561	737,883	169,715	199,700
Perpetual capital							
securities	153,150	-	-	-	151,250	-	-

<sup>\*\*</sup> 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:

	2022				2021		
	Burgan	URC	JKB	SADAFCO	Burgan	URC	JKB
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Operating	(167,210)	21,870	117,084	17,794	90,396	15,790	(57,414)
Investing	(110,549)	(7,128)	(65,309)	(29,580)	(33,053)	(8,040)	(41,169)
Financing	134,316	(12,885)	20,515	(8,581)	(7,727)	(1,689)	46,520
Net (decrease) increase in cash and cash equivalents	(143,443)	1,857	72,290	(20,367)	49,616	6,061	(52,063)

#### 19 INVESTMENT INCOME

	2022 KD 000's	(Restated) 2021 KD 000's
Gain on sale of financial assets at fair value through profit or loss	10,319	9,210
Unrealised (loss) gain on financial assets at fair value through profit or loss	(711)	31,836
Gain on sale of debt instruments at fair value through other comprehensive income	139	1,469
Change in fair value of investment properties (Note 10)	(22,174)	(7,167)
Impairment of properties held for trading	(2,331)	(517)
Dividend income	4,936	1,969
Gain on derecognition of a subsidiary	· -	27,391
Loss on sale of investment in associates	(14,879)	-
Gain (loss) on sale of investment properties	63	(937)
Gain on bargain purchase (Note 3a)	307,255	· -
	282,617	63,254

As at 31 December 2022

#### 20 FEES AND COMMISSION INCOME

	2022 KD 000's	2021 KD 000's
Fees from fiduciary activities	15,295	11,777
Credit related fees and commission	20,865	25,297
Advisory fees	2,716	2,178
Other fees	32,249	23,733
	71,125	62,985

#### 21 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include staff cost for the year ended 31 December 2022 amounting to KD 109,028 thousand (2021: KD 97,111 thousand).

#### 22 TAXATION

	2022 KD 000's	2021 KD 000's
Taxation arising from overseas subsidiaries	31,055	9,357
Components of taxation arising from overseas subsidiaries are as follows:	2022 KD 000's	2021 KD 000's
Current tax Deferred tax	40,068 (9,013)	13,530 (4,173)
	31,055	9,357

The Parent Company does not have taxable profits for the year subject to KFAS, NLST and ZAKAT in accordance with the applicable regulations in Kuwait and accordingly no provision for these taxes have been accounted for in the accompanying consolidated financial statements.

The tax rate applicable to the taxable subsidiary companies is in the range of 15% to 35% (2021: 15% to 35%) whereas the effective income tax rate for the year ended 31 December 2022 is in the range of 15% to 34% (2021: 27% to 28%). 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.



#### 23 EARNINGS PER SHARE

#### Basic:

Basic earnings per share is computed by dividing the profit 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.

#### Diluted:

Diluted earnings per share is calculated by dividing the profit for the period attributable to the equity holders of the Parent Company after interest 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 year 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 has not been considered in the computation of diluted earnings per share and as the result is anti-dilutive.

	2022 KD 000's	(Restated)* 2021 KD 000's
Basic and diluted earnings per share: Profit for the year attributable to the equity holders of the Parent Company from continuing operations Profit for the year attributable to the equity holders of the Parent Company from a discontinued operation	25,154	16,333 1,122
Profit for the year attributable to the equity holders of the Parent Company Less: interest payment on perpetual capital securities attributable to the equity	25,154	17,455
holders of the Parent Company	(6,848)	(5,838)
Profit for the year attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities	18,306	11,617
Number of shares outstanding	Shares	Shares
Number of shares outstanding: Weighted average number of paid-up shares Weighted average number of treasury shares	2,890,745,475 (230,952,112)	2,126,189,086 (194,066,769)
Weighted average number of outstanding shares	2,659,793,363	1,932,122,317
	Fils	Fils
Basic and diluted earnings per share	6.9	6.0
Basic and diluted earnings per share from continuing operations	6.9	5.4
Basic and diluted earnings per share from discontinued operation	-	0.6

<sup>\*</sup> Basic and diluted earnings per share for the year ended 31 December 2021 has been restated due to the effect of PPA adjustment from one of the associates of the Group (Note 2.8).

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#### 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:

	Major			
	shareholder	Associates	Others	Total
2022	KD 000's	KD 000's	KD 000's	KD 000's
Consolidated statement of financial position:				
Financial assets at fair value through profit or loss	-	100	-	100
Loans and advances	120,200	14,987	187,201	322,388
Other assets	-	5,974	623	6,597
Due to banks and other financial institutions	-	28,748	941	29,689
Deposit from customers	6,297	10,625	13,469	30,391
Bonds	-	6,000	-	6,000
Medium term notes	-	3,063	-	3,063
Other liabilities	43,172	261	782	44,215
Perpetual capital securities	-	1,509	906	2,415
Transactions:				
Interest income	5,905	1,047	3,804	10,756
Investment income*	(16,609)	-	-	(16,609)
Fees and commission income	77	1,393	758	2,228
Interest expense	632	538	51	1,221
General and administration expenses	5,600	1,886	3,630	11,116
Commitments and guarantees:				
Letter of credit	-	1,242	289	1,531
Guarantees & acceptances	35	76,140	835	77,010
Undrawn lines of credit	19,790	80,131	1,095	101,016

<sup>\*</sup>In October 2022, one of the subsidiaries of the Group, Kuwait National Industrial Projects Company K.S.C.C., sold 17.3% of its stake in Qurain Petrochemical Industries Company K.S.C.P. to the Parent Company's major shareholder Al-Futtooh Holding Company K.S.C.C. This transaction resulted in a gross realised loss of KD 16,609 thousand (Note 19) in the Group's consolidated income statement (KD 12,800 thousand loss on sale attributable to the equity holders of the Parent Company).

	Major shareholder	Associates	Others	Total
2021	KD 000's	KD 000's	KD 000's	KD 000's
Consolidated statement of financial position:				
Financial assets at fair value through profit or loss	-	250	-	250
Loans and advances	130,600	12,443	186,338	329,381
Other assets	-	6,134	435	6,569
Due to banks and other financial institutions	-	33,789	31,137	64,926
Deposit from customers	3,928	13,567	36,124	53,619
Bonds	-	500	-	500
Medium term notes	-	3,025	-	3,025
Other liabilities	61,054	431	233	61,718
Perpetual capital securities	-	1,509	906	2,415
Transactions:				
Interest income	4,314	655	3,078	8,047
Investment income	33,461	-	-	33,461
Fees and commission income	69	2,055	455	2,579
Interest expense	4,830	344	119	5,293
General and administrative expenses	-	1,696	1,377	3,073
Commitments and guarantees:				
Letter of credit	-	366	261	627
Guarantees & acceptances	25	42,275	3,960	46,260
Undrawn lines of credit	10,400	94,836	7,297	112,533

As at 31 December 2022

#### 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:

	2022 KD 000's	2021 KD 000's
Short-term employee benefits Termination benefits Share based payment	14,191 2,567 859	14,511 2,299 812
Total	17,617	17,622

The Board of Directors of the Parent Company has proposed No Directors fees for the year 2022 (2021: KD 220 thousand), subject to the approval of the Shareholders' General Assembly.

#### 25 HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The Group designated its investments in foreign operations (i.e. investment in PMGL, UGH 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 1,574 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 ended 31 December 2022.

#### 26 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.

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# Kuwait Projects Company Holding K.S.C.P. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 26 COMMITMENTS AND CONTINGENCIES (continued)

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

	2022	2021
	KD 000's	KD 000's
Credit related commitments and contingencies		
Letters of credit	268,213	199,289
Guarantees & acceptances	1,062,729	996,620
	1,330,942	1,195,909
Undrawn lines of credit	756,403	800,601
Investment related commitments	6,740	13,831
	2,094,085	2,010,341

#### Impairment losses on credit related commitments

An analysis of changes in the gross exposure and the corresponding expected credit loss in relation to credit related 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.

Internal rating grade	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	2022 Total KD 000's
Performing High grade Standard grade Past due but not impaired	1,074,368 872,559	21,049 102,913 147	- - -	1,095,417 975,472 147
Non – performing Individually impaired	-	-	16,309	16,309
Total	1,946,927	124,109	16,309	2,087,345
Internal rating grade	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	2021 Total KD 000's
Performing High grade Standard grade Past due but not impaired Non – performing	950,777 902,780 -	20,346 107,644 237		971,123 1,010,424 237
Individually impaired  Total	1,853,557	128,227	14,726	14,726 1,996,510



As at 31 December 2022

#### 26 COMMITMENTS AND CONTINGENCIES (continued)

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

An analysis of changes in ECLs is, as follows:

The unaryons of changes in Delta is, as follows.	Stage 1	Stage 2	Stage 3	Total
	KD 000's	KD 000's	KD 000's	KD 000's
ECL at 1 January 2022	4,238	2,307	12,370	18,915
Charge during the year	259	85	1,943	2,287
Foreign exchange	53	(1)	(57)	(5)
At 31 December 2022	4,550	2,391	14,256	21,197
	Stage 1	Stage 2	Stage 3	Total
	KD 000's	KD 000's	KD 000's	KD 000's
ECL at 1 January 2021	6,634	3,371	6,151	16,156
(Recovery)/Charge during the year	(2,359)	(970)	6,959	3,630
Written off during the year	-	-	(472)	(472)
Foreign exchange	(37)	(94)	(268)	(399)
At 31 December 2021	4,238	2,307	12,370	18,915

#### 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:

	2022 KD 000's	2021 KD 000's
Within one year After one year but not more than three years	26,562 53,940	28,696 36,285
	80,502	64,981

#### 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:

	2022 KD 000's	2021 KD 000's
Within one year After one year but not more than three years	714 1,427	687 1,377
	2,141	2,064

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#### 27 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 own 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.

				Notional amounts by term to maturity	
2022 Derivatives held for trading:	Positive fair value KD 000's	Negative fair value KD 000's	Notional amount KD 000's	Within 1 year KD 000's	1 – 5 Years KD 000's
(including non-qualifying hedges) Forward foreign exchange contracts Interest rate swaps Options	3,496 2,652 1,570	(9,212) (581) (3,188)	1,652,606 20,113 186,004	1,394,042 19,537 186,004	258,564 576 -
Derivatives held for hedging: Fair value hedges: Forward foreign exchange contracts	1,206	(281)	273,945	273,945	<u>-</u>
Cash flow hedges: Interest rate swaps	43,778	(2,992)	357,780	44,359	313,421
				Notional amor	unts by term turity
	Positive	Negative	Notional	Within	1 – 5
2021	fair value KD 000's	fair value KD 000's	amount KD 000's	1 year KD 000's	Years KD 000's
Derivatives held for trading: (including non-qualifying hedges)	KD 000 s	KD 000 S	KD 000 \$	KD 000 \$	KD 000 S
Forward foreign exchange contracts	26,859	(16,844)	1,670,883	1,546,090	124,793
Interest rate swaps Options	1,903 1,405	(2,208) (1,979)	81,134 52,556	34,652 52,556	46,482
Derivatives held for hedging: Fair value hedges:					
Forward foreign exchange contracts	6,925	(97)	271,485	268,517	2,968
Cash flow hedges: Interest rate swaps	37,438	(2,112)	309,880	96,674	213,206
- -					

As at 31 December 2022

#### 27 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**

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 which do not meet hedging requirements are 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:

	Up to 3 months KD 000's	3 to 12 months KD 000's	Over 1 year KD 000's	Total KD 000's
2022				
Foreign exchange derivatives Interest rate swaps Options	143,087 15,315	1,524,900 48,581 186,004	258,564 313,997	1,926,551 377,893 186,004
•	158,402	1,759,485	572,561	2,490,448

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#### 27 DERIVATIVES (continued)

#### Cash flow hedges (continued)

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

#### 28 SEGMENT INFORMATION

For management purposes, the Group is organised into seven 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 and Holding companies' expenses.

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.

Energy - represents Group's activities in the manufacturing, sale, supply, store, export, and distribution of different types of aromatics, chemical and petrochemical materials and their related derivatives, oil field maintenance and drilling services, and setting up projects in the oil and gas and renewable energy sector.

Industrial & Logistics - represents Group's activities in industrial project development, food, utilities, transportation, logistics and related supply chain services.

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.

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# 28 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.

	Total KD 000's	11,423,326	9,836,432	1,062,601	16,584	289,899	515,589	381,732 274,052	34,188	34,600	210,979 33,101
Inter-	segmental eliminations KD 000's	(2,037,908)	(1,334,037)	(97,025)	(17,642)		1				1 1
	Others KD 000's	629,175	492,163	18,571	(15,086)	37,575	21,954	150 3,979		531	134
Hospitality	and real estate KD 000's	908,410	653,660	68,843	(26,593)	13,068	1,603	780 12,633	1.269	167	-771
;	Industrial and Logistics KD 000's	990'669	93,099	83,389	19,045		295,988	377 388	(23)	10,837	2,909
	Energy KD 000's	5	20,782	14,256	3,405	73,068	33,259	154 15	16	544	715
Media &	Satellite Services KD 000's	392,233	376,074	84,664	(258,349)	- 62,251	34,413	6,293	1,487	. 1	192,352 9,632
	Insurance KD 000's	135,522	1	17,738	17,738	135,522	ı			17,738	1 1
Asset management and	investment banking KD 000's	992,714	1,564,547	358,828	227,029	21,405	3,650	3,260 42,090	611	1,072	12,871 1,747
•	Commercial banking KD 000's	9,290,309	7,970,144	513,337	67,037	9,261	124,722	377,011 208,654	30,828	3,711	5,756 17,193
		As at 31 December 2022 Assets and liabilities: Segment assets	Segment liabilities	For the year ended 31 December 2022 Segment revenues	Profit (loss) for the year	Other segmental information: Investment in associates Goodwill (Note 11)	Other intangibles (Note 11)	Interest income Interest expense	Provision for (recovery) of credit losses	Share of results of associates Provision for impairment of	other financial and non- financial assets Depreciation and amortization

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

# 28 SEGMENT INFORMATION (continued)

(Restated) Total KD 000's	10,190,160	9,155,668	721,460	21,620	356,234 382,553 173,793 306,556 210,116 74,169 42,983 30,905 28,325
Inter- segmental eliminations KD 000's	(1,699,043)	(1,186,407)	(54,257)	(5,848)	
Others KD 000's	226,182	181,378	9,059	4,836	21
Hospitality and real estate KD 000's	906,316	608,601	109,562	20,171	15,495 - 1,697 213 10,674 1,536 488
Industrial KD 000's	291,128	157,580	12,611	(15,052)	183,317  48 300 3,079 6,057
Energy KD 000's	6,835	6,108	738	(121)	37
Media & Satellite Services KD 000's	404,889	312,877	101,326	(57,247)	251,842 42,162 - 6,091 2,293 - 15,125 9,814
Insurance KD 000's	129,613	1	33,695	33,695	129,613
Asset management and investment banking KD 000's	928,443	1,395,840	66,042	(40,282)	20,125 15,813 5,036 2,322 42,425 (163) 2,297
Commercial banking KD 000's	8,995,797	7,679,691	442,684	81,468	7,684 114,898 124,898 303,915 150,626 67,404 446
	As at 31 December 2021 Assets and liabilities: Segment assets	Segment liabilities	For the year ended 31 December 2021 Segment revenues	Profit (loss) for the year	Other segmental information: Investment in associates Goodwill (Note 11) Other intangibles (Note 11) Interest income Interest expense Provision for (recovery of) credit losses Share of results of associates Provision for impairment of other financial and non-financial assets Depreciation and amortization

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



#### 28 SEGMENT INFORMATION (continued)

#### Geographic information

2022	Income KD 000's	Non-current assets KD 000's
Kuwait	586,324	3,458,762
Rest of GCC  Rest of Middle Foot. Asia and North Africa	113,851 190,729	320,860
Rest of Middle East, Asia and North Africa Europe	168,548	1,055,342 386,152
North America	3,149	3,887
	1,062,601	5,225,003
		(Restated)
	(Restated)	Non-current
2021	Income	assets
	KD 000's	KD 000's
Kuwait	310,821	3,014,711
Rest of GCC	91,268	359,566
Rest of Middle East, Asia and North Africa	191,283	1,420,266
Europe	122,667	294,653
North America	5,421	41,200
	721,460	5,130,396

The geographic segmentation of the income information above is based on the region where the services are provided. The breakup of non-current assets is presented in Note 29.3.

#### 29 RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 29.1 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.

As at 31 December 2022

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

#### 29.1 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 98,887 thousand (2021: KD 83,271 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

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

#### 29.2 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.

As at 31 December 2022

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

#### 29.2 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.

#### 29.2.1 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:

- b 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

The Group considers a variety of indicators that may indicate unlikeliness 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.



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

#### 29.2 CREDIT RISK (continued)

#### 29.2.1 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.

#### 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.

As at 31 December 2022

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

#### 29.2 CREDIT RISK (continued)

#### 29.2.1 Assessment of expected credit losses (continued)

#### 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/ instalment facilities) in Stage 2 which is considered based on minimum period of 4 years.

#### 29.2.2 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.

	209,704 584,227
Cash at banks 1,277,217 1,2	,
Treasury bills, bonds and other debt securities 815,185 5	
Loans and advances <b>4,913,260</b> 4,7	791,444
Financial assets at fair value through profit or loss 148,073	139,684
Financial assets at fair value through other comprehensive income Other assets including positive value of derivatives (excluding	333,289
prepayments, assets pending for sale and others) 347,156 2	278,625
Total 7,810,411 7,3	336,973
Credit related commitments 2,066,148 1,9	977,595
Total 9,876,559 9,3	314,568

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.

As at 31 December 2022

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

#### 29.2 CREDIT RISK (continued)

#### 29.2.3 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 3,827,893 thousand (2021: KD 4,106,133 thousand).

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

		Credit related		Credit related
Region	Assets	commitments	Assets	commitments
	2022	2022	2021	2021
	KD 000's	KD 000's	KD 000's	KD 000's
MENA	7,083,156	1,992,387	6,584,261	1,877,062
North America	104,061	17,162	175,550	15,793
Europe	429,890	49,375	385,018	47,993
Asia	154,478	3,173	130,553	5,956
Others	38,826	4,051	61,591	30,791
Total	7,810,411	2,066,148	7,336,973	1,977,595

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:

2022	2021
KD 000's	KD 000's
1,268,337	1,173,684
1,269,902	1,245,310
392,973	424,815
997,538	960,643
1,336,444	1,283,128
1,702,961	1,438,605
916,138	898,343
768,413	669,837
1,223,853	1,220,203
9,876,559	9,314,568
	1,268,337 1,269,902 392,973 997,538 1,336,444 1,702,961 916,138 768,413 1,223,853

As at 31 December 2022

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

#### 29.3 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.

24-12

14. 2

	1 to 3 months KD 000's	3 to 12 months KD 000's	Over 1 year KD 000's	Total KD 000's
2022				
Financial liabilities				
Due to banks and other financial				
institutions	1,048,875	171,304	134,718	1,354,897
Deposits from customers	4,437,131	791,782	147,547	5,376,460
Loans payable	7,840	231,401	1,137,529	1,376,770
Bonds	-	142,259	497,619	639,878
Medium term notes	160,425	9,923	336,483	506,831
Other liabilities *	212,669	371,923	258,707	843,299
	5,866,940	1,718,592	2,512,603	10,098,135
	1 to 3	3 to 12		
	months	months	Over 1 year	Total
	KD 000's	KD 000's	KD 000's	KD 000's
2021				
Financial liabilities				
Due to banks and other financial				
institutions	886,658	291,545	114,181	1,292,384
Deposits from customers	4,001,351	1,209,907	149,913	5,361,171
Loans payable	4,910	125,545	823,406	953,861
Bonds	-	17,546	506,005	523,551
Medium term notes	7,184	20,765	507,607	535,556
Other liabilities *	202,138	165,773	293,899	661,810
	5,102,241	1,831,081	2,395,011	9,328,333

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

As at 31 December 2022

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

#### 29.3 LIQUIDITY RISK (continued)

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

	1 to 3 months KD 000's	3 to 12 months KD 000's	Over 1 year KD 000's	Total KD 000's
2022				
Credit related commitments	775,306	868,667	443,372	2,087,345
Investment related commitments			6,740	6,740
	775,306	868,667	450,112	2,094,085
2021				
Credit related commitments	681,077	823,905	491,528	1,996,510
Investment related commitments	-	1,191	12,640	13,831
	681,077	825,096	504,168	2,010,341

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.

	1 to 3 months	3 to 12 months	Over 1 year	Total
2022	KD 000's	KD 000's	KD 000's	KD 000's
ASSETS				
Cash in hand and at banks	1,322,472	45,268	8,289	1,376,029
Treasury bills, bonds and other debt				
securities	397,282	85,579	332,324	815,185
Loans and advances	2,668,155	618,973	1,626,132	4,913,260
Financial assets at fair value through profit				
or loss	53,572	102,484	113,138	269,194
Financial assets at fair value through other				
comprehensive income	28,711	60,810	623,096	712,617
Other assets	505,818	221,519	411,294	1,138,631
Properties held for trading	-	87,680	-	87,680
Investment in associates	-	-	289,899	289,899
Investment properties	-	-	484,193	484,193
Property, plant and equipment	-	-	612,121	612,121
Intangible assets	-		724,517	724,517
Total assets	4,976,010	1,222,313	5,225,003	11,423,326
LIABILITIES AND EQUITY				
Due to banks and other financial institutions	1,055,021	40,772	182,245	1,278,038
Deposits from customers	3,964,066	751,417	443,930	5,159,413
Loans payable, Bonds, and Medium-term				
notes	298,972	225,737	1,749,769	2,274,478
Other liabilities	493,873	371,923	258,707	1,124,503
Equity	-	-	1,586,894	1,586,894
Total liabilities and equity	5,811,932	1,389,849	4,221,545	11,423,326

As at 31 December 2022

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

#### 29.3 LIQUIDITY RISK (continued)

	1 to 3 months	3 to 12 months	Over 1 year	(Restated) Total
2021	KD 000's	KD 000's	KD 000's	KD 000's
ASSETS				
Cash in hand and at banks	1,255,364	35,839	5,708	1,296,911
Treasury bills, bonds and other debt		4.50.540		
securities	151,233	158,348	274,646	584,227
Loans and advances	1,625,220	868,762	2,297,462	4,791,444
Financial assets at fair value through profit	2.51.5	166 607	07.742	266.045
or loss	2,515	166,687	97,743	266,945
Financial assets at fair value through other	00.250	1 722	220 566	420 547
comprehensive income	89,258	1,723	329,566	420,547
Other assets	438,508	145,490	346,776	930,774
Properties held for trading Investment in associates	-	120,817	256 224	120,817
	-	-	356,234	356,234
Investment properties	-	-	487,722	487,722
Property, plant and equipment	-	-	378,193	378,193
Intangible assets			556,346	556,346
Total assets	3,562,098	1,497,666	5,130,396	10,190,160
LIABILITIES AND EQUITY				
Due to banks and other financial institutions	892,311	223,426	114,352	1,230,089
Deposits from customers	3,879,379	1,178,530	140,993	5,198,902
Loans payable, Bonds, and Medium-term	, ,	, ,	,	, ,
notes	8,345	82,862	1,714,835	1,806,042
Other liabilities	451,561	175,175	293,899	920,635
Equity	-	-	1,034,492	1,034,492
Total liabilities and equity	5,231,596	1,659,993	3,298,571	10,190,160

#### 29.4 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.

#### 29.4.1 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).



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

#### 29.4 MARKET RISK (continued)

#### 29.4.1 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	Increase of 25 basis points Increase (decrease) in profit before taxation		
	2022 KD 000's	2021 KD 000's	
KD	3,805	4,770	
US\$	(1,614)	(254)	
EURO	(126)	(177)	
GBP	26	12	

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

#### 29.4.2 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 25).

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.

	Change in currency rate by + 5%				
Currency	Effect of	on equity	Effect on profit before taxation		
	2022	2021	2022	2021	
	KD 000's	KD 000's	KD 000's	KD 000's	
US\$	26	(179)	(30,675)	(32,624)	
EURO	8,959	1,627	163	(969)	
SAR	1,478	-	-	· -	
JOD	-	-	(57)	(7)	
GBP	-	-	95	216	

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

#### 29.4.3 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 impact over the Group's profit and equity for a 5% fluctuation in major stock exchanges.

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

#### 29.4 MARKET RISK (continued)

#### 29.4.3 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:

2022	Financial assets at fair value through profit or loss KD 000's	rmancial assets at fair value through other comprehensive income KD 000's
Energy	-	309,546
Banking	2,038	21,392
Investment	111,276	5,823
Trade and commerce		5,292
Real estate	2,410	30,847
Industrial and logistics	432	1,215
Others	4,965	28,982
	121,121 	403,097
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
2021	KD 000's	KD 000's
Sovereigns Banking Investment Trade and commerce Real estate Industrial Others	1,144 111,039 431 3,883 467 10,297	8 21,238 5,266 11,501 33,243 117 15,885
	127,261	87,258

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022

# 29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

# 29.4 MARKET RISK (continued)

# 29.4.3 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:

	Total 2021	KD 000's	15,972 111,289	127,261	16,412	70,834	87,258
	Total 2022	KD 000's	15,101 106,020	121,121	12,864	390,221 12	403,097
	Asia 2022	KD 000's	27	27		2,064	2,064
North	America 2022	KD 000's	621 4,762	5,383	719	8,644	9,363
	Europe 2022	S	20 7,676		,	5,289	5,289
	<i>MENA</i> 2022	KD 000's	14,433 93,582	108,015	12,145	374,224 12	386,381
		Financial assets at fair value through profit or loss	Equity securities Managed funds		Financial assets at fair value through other comprehensive income Quoted equity securities	Unquoted equity securities Managed funds	



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

#### 29.5 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.

#### 29.6 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 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 412,215 thousand (2021: KD 434,639 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.

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.

As at 31 December 2022

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

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

#### Fair value measurement hierarchy as at 31 December 2022:

	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				
Financial assets at fair value through profit or loss:				
Equity securities	11,596	20	3,485	15,101
Debt securities	11,797	-	100	11,897
Managed funds	1,324	13,276	91,420	106,020
Forfaiting assets	-	-	136,176	136,176
Financial assets fair value through other comprehensive income:				
Equities	12,864	14,281	375,940	403,085
Debt securities	309,520	-	-	309,520
Managed funds	-	-	12	12
Derivatives (Note 27)	-	52,702	-	52,702
Liabilities measured at fair value				
Derivatives (Note 27)	-	(16,254)	-	(16,254)
Fair value measurement hierarchy as at 31 Decem	nber 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				
Financial assets at fair value through profit or loss:				
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
Forfaiting assets	-	-	133,096	133,096
Financial assets fair value through other comprehensive income:				
Equity securities	16,412	3,605	67,229	87,246
Debt securities	331,153	2,136	-	333,289
Managed funds	-	-,	12	12
Derivatives (Note 27)	-	74,530	-	74,530
Liabilities measured at fair value				
Derivatives (Note 27)	-	(23,240)	-	(23,240)

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

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%.

As at 31 December 2022

#### 31 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 2022 and 31 December 2021.

The Group monitors capital at the level of the Parent Company and the Group's 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 in addition to its net debt comprising of loans payable, bonds, and medium-term notes less its cash and cash equivalents. Leverage is defined as net debt at the Parent Company level divided by the equity attributable to the equity holders of the Parent Company. The Parent Company's goal is to maintain a leverage not to exceed the target of 2.5 times over the medium term. Management assesses the Parent's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

	2022 KD 000's	2021 KD 000's
Loans Bonds	94,323 258,311	- 199,128
Medium term notes	457,170	451,015
Total debt	809,804	650,143
Less: Cash & cash equivalents of Parent Company	139,879	123,715
Net Debt	669,925	526,428
Equity attributable to the equity holders of the Parent Company	590,523	325,793
Leverage	1.13	1.62

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.



