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

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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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 2023, 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 material accounting policies information.

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 2023, 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.

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Key Audit Matters (continued)

Expected credit losses (ECL) on loans and advances

Loans and advances of the Group's commercial banking subsidiaries represent a significant part of the total assets. 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.

- 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.

Key Audit Matters (continued)

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

- 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.

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.

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 also assessed the adequacy of the Group's disclosures included in Note 10 of the accompanying consolidated financial statements.

Key Audit Matters (continued)

Impairment testing of goodwill and intangible assets

Impairment testing of goodwill and intangible assets performed by the management was significant to our audit because the assessment of the recoverable amount of goodwill and intangible assets under the value-in-use basis is complex and requires considerable judgment on the part of management. Estimates of future cash flows are based on management's views of variables such as the interest margins, discount rates, market share assumptions, projected growth rates and economic conditions such as the economic growth and expected inflation rates. 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 engaged 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.

Other information included in the Group's 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 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.

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

- 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.

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our 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 together with 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 2023, 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 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

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

State of Kuwait
26 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 KD 000's	(Restated) * 2022 KD 000's
ASSETS			
Cash in hand and at banks	4	**1,657,409**	1,523,898
Treasury bills, bonds and other debt securities		**1,059,107**	900,128
Loans and advances	5	**5,489,469**	4,880,879
Financial assets at fair value through profit or loss	6	**259,962**	269,194
Financial assets at fair value through other comprehensive income ("FVOCI")	7	**772,303**	756,476
Other assets	8	**1,051,216**	838,061
Properties held for trading		**118,337**	87,680
Investment in associates	9	**150,241**	292,977
Investment properties	10	**484,828**	484,193
Property, plant and equipment		**641,742**	628,209
Intangible assets	11	**642,532**	724,517
TOTAL ASSETS		**12,327,146**	11,386,212
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions		**1,458,593**	1,278,342
Deposits from customers		**6,249,147**	5,391,744
Loans payable	12	**1,225,964**	1,323,353
Bonds	13	**560,340**	494,867
Medium term notes	14	**304,010**	456,258
Other liabilities	15	**863,568**	859,487
Total liabilities		**10,661,622**	9,804,051
Equity			
Share capital	16	**504,848**	504,848
Share premium	16	**68,913**	68,913
Treasury shares	16	**(123,669)**	(123,605)
Statutory reserve	16	**113,079**	110,077
Voluntary reserve	16	**76,546**	76,546
Cumulative changes in fair values		**(32,096)**	(30,305)
Revaluation surplus	2.5	**23,002**	23,411
Foreign currency translation reserve		**(125,590)**	(137,164)
Employee stock option plan reserve	17	**822**	822
Other reserve		**(1,655)**	2,485
Retained earnings		**106,969**	91,780
Equity attributable to equity holders of the Parent Company		**611,169**	587,808
Perpetual capital securities	16	**185,738**	153,332
Non-controlling interest		**868,617**	841,021
Total equity		**1,665,524**	1,582,161
TOTAL LIABILITIES AND EQUITY		**12,327,146**	11,386,212

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 2022 and reflect adjustments made as detailed in Note 2.*

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 KD 000's	(Restated) * 2022 KD 000's
Continuing operations:			
Income:			
Interest income		**574,417**	385,243
Investment income	19	**17,358**	282,617
Net fees and commission income	20	**94,385**	67,614
Share of results of associates		**10,947**	16,862
Energy income		**42,759**	11,713
Industrial and logistics income		**276,953**	73,123
Educational services income		**27,533**	-
Media and digital satellite network services income		**78,711**	82,787
Hospitality and real estate income		**84,200**	89,330
Other income		**39,014**	25,249
Foreign exchange gain		**38,643**	10,325
		1,284,920	1,044,863
Expenses:			
Interest expense		**442,588**	274,052
Energy expenses		**31,095**	9,380
Industrial and logistics expenses		**218,304**	59,790
Educational services expenses		**15,663**	-
Media and digital satellite network services expenses		**87,901**	93,058
Hospitality and real estate expenses		**61,574**	62,546
General and administrative expenses	21	**227,733**	213,271
Depreciation and amortization		**43,408**	33,101
		1,128,266	745,198
Operating profit from continuing operations before provisions		**156,654**	299,665
Provision for credit losses	5&26	**(42,024)**	(34,188)
Provision for impairment of other financial and non-financial assets	28	**(65,019)**	(210,979)
Net monetary loss	2.7	**(32,094)**	(24,597)
Profit from continuing operations before taxation		**17,517**	29,901
Taxation	22	**(35,603)**	(31,055)
Loss for the year from continuing operations		**(18,086)**	(1,154)
Discontinued operations:			
Profit from discontinued operation	3	**84,572**	17,846
Profit for the year		**66,486**	16,692
Attributable to:			
Equity holders of the Parent Company		**30,025**	25,260
Non-controlling interest		**36,461**	(8,568)
		66,486	16,692
		Fils	*Fils*
EARNINGS PER SHARE:			
Basic and diluted- attributable to the equity holders of the Parent Company	23	**5.1**	6.9
(LOSS) EARNINGS PER SHARE FROM CONTINUING OPERATIONS:			
Basic and diluted- attributable to the equity holders of the Parent Company	23	**(13.1)**	0.4

** Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2022 and reflect adjustments made as detailed in Note 2.*

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 KD 000's	(Restated)* 2022 KD 000's
Profit for the year	**66,486**	16,692
Other comprehensive loss:		
Items that will not be reclassified subsequently to consolidated income statement:		
Net change in fair value of equity instruments at fair value through other comprehensive income	**(11,124)**	(20,990)
Share of other comprehensive loss from associates	**(2,397)**	(6,541)
	(13,521)	(27,531)
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	**9,861**	(32,140)
Changes in allowance for expected credit losses	**92**	(26)
Net transfer to consolidated income statement	**(1,212)**	(732)
Changes in fair value of cash flow hedge	**2,019**	18,864
Revaluation loss for Hotel class under property, plant and equipment	**(100)**	(1,038)
Foreign currency translation adjustment	**(27,407)**	(13,210)
	(16,747)	(28,282)
Other comprehensive loss for the year	**(30,268)**	(55,813)
Total comprehensive income (loss) for the year	**36,218**	(39,121)
Attributable to:		
Equity holders of the Parent Company	**998**	(10,418)
Non-controlling interest	**35,220**	(28,703)
	36,218	(39,121)

** Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2022 and reflect adjustments made as detailed in Note 2.*

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	Notes	2023 KD 000's	(Restated) * 2022 KD 000's
OPERATING ACTIVITIES			
Profit before taxation from continuing operations		**17,517**	29,901
Profit from discontinued operation		**84,572**	17,846
Profit before taxation		**102,089**	47,747
Adjustments to reconcile profit before taxation to net cash flows:			
Interest income		**(574,417)**	(385,243)
Investment income	19	**(17,358)**	(282,617)
Share of results of associates		**(10,947)**	(16,862)
Interest expense		**442,588**	274,052
Depreciation and amortization		**43,408**	33,101
Provision for credit losses	5&26	**42,024**	34,188
Provision for impairment of other financial and non-financial assets	28	**65,019**	210,979
Net monetary loss	2.7	**32,094**	24,597
Net results from discontinued operation	3	**(84,572)**	(17,846)
Foreign exchange loss on loans payable and medium-term notes		**2,226**	5,388
Employee share-based payments		**-**	(545)
		42,154	(73,061)
Changes in operating assets and liabilities:			
Deposits with original maturities exceeding three months		**(12,404)**	(12,211)
Treasury bills, bonds and other debt securities		**(158,979)**	(234,011)
Loans and advances		**(647,070)**	(132,089)
Financial assets at fair value through profit or loss		**15,585**	7,825
Financial assets at fair value through other comprehensive income		**(10,682)**	(66,331)
Other assets		**(17,648)**	(6,396)
Properties held for trading		**(12,692)**	(1,520)
Due to banks and other financial institutions		**188,568**	47,713
Deposits from customers		**858,392**	(10,862)
Other liabilities		**(45,272)**	(19,737)
Dividends received	19	**8,924**	4,936
Interest received		**502,848**	399,900
Interest paid		**(449,710)**	(259,082)
Net cash flows from (used in) operating activities		**262,014**	(354,926)
INVESTING ACTIVITIES			
Net movement in investment properties		**(299)**	804
Net movement in investment in associates		**(1,521)**	61,472
Dividends received from associates		**3,972**	11,118
Net cashflow from disposal / acquisition of subsidiaries		**24,423**	51,592
Net cash flow from disposal of discontinued operation		**61,640**	-
Proceeds from sale of disposal group held for sale		**5,282**	-
Net cash flows from investing activities		**93,497**	124,986
FINANCING ACTIVITIES			
(Repayment of) proceeds from loans payable, net		**(97,389)**	278,663
Repayment of medium-term notes, net		**(153,450)**	-
Proceeds from bonds, net		**65,192**	59,950
Purchase of treasury shares		**(644)**	-
Proceeds from sale of treasury shares		**254**	3,934
Proceeds from issue of perpetual Capital securities		**32,406**	-
Interest payment on perpetual capital securities		**(10,708)**	(10,237)
Dividends paid to equity holders of the Parent Company		**(308)**	(12,165)
Dividends paid to non-controlling interest		**(29,845)**	(11,634)
Movement in non-controlling interest		**5,575**	20,344
Net cash flows (used in) from financing activities		**(188,917)**	328,855
Net foreign exchange differences		**(43,674)**	(34,225)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**122,920**	64,690
Cash and cash equivalents as at 1 January		**1,470,140**	1,405,450
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	4	**1,593,060**	1,470,140

** Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2022 and reflect adjustments made as detailed in Note 2.*

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Parent Company														
	Share capital KD 000's	*Share premium KD 000's*	*Treasury shares KD 000's*	*Statutory reserve KD 000's*	*Voluntary reserve KD 000's*	*Cumulative changes in fair values KD 000's*	*Revaluation surplus KD 000's*	*Foreign currency translation reserve KD 000's*	*ESOP reserve KD 000's*	*Other reserve KD 000's*	*Retained earnings KD 000's*	*Total KD 000's*	*Perpetual capital securities KD 000's*	*Non controlling interest KD 000's*	*Total equity KD 000's*
As at 1 January 2023 (as previously Stated)	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
Restatements (Note 2.5 & 2.8)	-	-	-	-	-	(6,093)	-	1,749	-	(278)	1,907	(2,715)	-	(2,018)	(4,733)
As at 1 January 2023 (restated)*	504,848	68,913	(123,605)	110,077	76,546	(30,305)	23,411	(137,164)	822	2,485	91,780	587,808	153,332	841,021	1,582,161
Profit for the year	-	-	-	-	-	-	-	-	-	-	30,025	30,025	-	36,461	66,486
Other comprehensive loss	-	-	-	-	-	(5,982)	(63)	(22,982)	-	-	-	(29,027)	-	(1,241)	(30,268)
Total comprehensive (loss) income	-	-	-	-	-	(5,982)	(63)	(22,982)	-	-	30,025	998	-	35,220	36,218
Purchase of treasury shares	-	-	(644)	-	-	-	-	-	-	-	-	(644)	-	-	(644)
Sale of treasury shares	-	-	580	-	-	-	-	-	-	-	(326)	254	-	-	254
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,845)	(29,845)
Due to sale of disposal group held for sale & discontinued operation (Note 3 & 8)	-	-	-	-	-	3,438	-	15,879	-	2,038	(5,476)	15,879	-	2,728	18,607
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	753	-	-	-	-	(753)	-	-	-	-
Transfer of depreciation related to property, plant and equipment carried at revaluation	-	-	-	-	-	-	(346)	-	-	-	346	-	-	-	-
Issue of perpetual tier1 capital securities	-	-	-	-	-	-	-	-	-	-	-	-	32,406	-	32,406
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(6,817)	(6,817)	-	(3,891)	(10,708)
Impact of initial application of IAS 29 (Note 2.7)	-	-	-	-	-	-	-	18,677	-	-	1,192	19,869	-	11,631	31,500
Acquisition and ownership changes in subsidiaries	-	-	-	-	-	-	-	-	-	(6,178)	-	(6,178)	-	11,753	5,575
Transfer to statutory reserve	-	-	-	3,002	-	-	-	-	-	-	(3,002)	-	-	-	-
As at 31 December 2023	**504,848**	**68,913**	**(123,669)**	**113,079**	**76,546**	**(32,096)**	**23,002**	**(125,590)**	**822**	**(1,655)**	**106,969**	**611,169**	**185,738**	**868,617**	**1,665,524**

** Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2022 and reflect adjustments made as detailed in Note 2.*

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2023

	Attributable to equity holders of the Parent Company														
	Share capital KD 000's	*Share premium KD 000's*	*Treasury shares KD 000's*	*Statutory reserve KD 000's*	*Voluntary reserve KD 000's*	*Cumulative changes in fair values KD 000's*	*Revaluation surplus KD 000's*	*Foreign currency translation reserve KD 000's*	*ESOP reserve KD 000's*	*Other reserve KD 000's*	*Retained earnings KD 000's*	*Total KD 000's*	*Perpetual capital securities KD 000's*	*Non controlling interest KD 000's*	*Total equity KD 000's*
As at 1 January 2022 (as previously restated)	264,000	68,913	(95,258)	107,562	76,546	(10,544)	24,526	(140,955)	1,367	(18,254)	47,890	325,793	153,332	555,367	1,034,492
Transition impact on adoption of IFRS 17 (Note 2.8)	-	-	-	-	-	-	-	-	-	-	(949)	(949)	-	(12)	(961)
As at 1 January 2022 (restated) *	264,000	68,913	(95,258)	107,562	76,546	(10,544)	24,526	(140,955)	1,367	(18,254)	46,941	324,844	153,332	555,355	1,033,531
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	25,260	25,260	-	(8,568)	16,692
Other comprehensive loss	-	-	-	-	-	(23,739)	(716)	(11,223)	-	-	-	(35,678)	-	(20,135)	(55,813)
Total comprehensive (loss) income	-	-	-	-	-	(23,739)	(716)	(11,223)	-	-	25,260	(10,418)	-	(28,703)	(39,121)
Business combination transaction	240,848	-	(37,508)	-	-	13,944	-	-	-	-	41,451	258,735	-	335,290	594,025
Sale of treasury shares	-	-	9,161	-	-	-	-	-	-	-	(4,448)	4,713	-	(779)	3,934
Dividends at 5 fils per share (Note 16)	-	-	-	-	-	-	-	-	-	-	(12,225)	(12,225)	-	-	(12,225)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,634)	(11,634)
Employees' share based payment	-	-	-	-	-	-	-	-	(545)	-	-	(545)	-	-	(545)
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	2,957	-	-	-	-	(2,957)	-	-	-	-
Transfer of depreciation related to property, plant and equipment carried at revaluation	-	-	-	-	-	-	(399)	-	-	-	399	-	-	-	-
Derecognition of investment in an associate	-	-	-	-	-	(12,542)	-	(2,477)	-	1,427	(1,427)	(15,019)	-	(3,897)	(18,916)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(6,848)	(6,848)	-	(3,389)	(10,237)
Impact of initial application of IAS 29 (Note 2.7)	-	-	-	-	-	-	-	16,034	-	-	5,399	21,433	-	12,781	34,214
Impact of initial application of IFRS 17	-	-	-	-	-	(381)	-	1,457	-	3	2,750	3,829	-	102	3,931
Acquisition and ownership changes in subsidiaries	-	-	-	-	-	-	-	-	-	19,309	-	19,309	-	(14,105)	5,204
Transfer to statutory reserve	-	-	-	2,515	-	-	-	-	-	-	(2,515)	-	-	-	-
As at 31 December 2022	**504,848**	**68,913**	**(123,605)**	**110,077**	**76,546**	**(30,305)**	**23,411**	**(137,164)**	**822**	**2,485**	**91,780**	**587,808**	**153,332**	**841,021**	**1,582,161**

** Certain amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2022 and reflect adjustments made as detailed in Note 2.*

The attached notes 1 to 32 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Kuwait Projects Company Holding K.S.C.P. (the "Parent Company") is a public shareholding company registered and incorporated under the laws of the State of Kuwait on 2 August 1975 and listed on the Boursa Kuwait. The address of the Parent Company's registered office is P.O. Box 23982, Safat 13100 - State of Kuwait.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 26 March 2024 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 to 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.

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.

Certain amounts in the Comparative consolidated statement of financial position and consolidated income statement have been reclassified to conform to the current year's presentation. These reclassifications were made in order to more appropriately present certain items of consolidated statement of financial position and consolidated income statement. Such reclassifications resulted in the decrease of 'loans and advances' by KD 32,381 thousand, decrease in 'deposit from customers' by KD 32,381 thousand, decrease in 'net fee and commission income' by KD 3,511 thousand and increase in 'interest income' by KD 3,511 thousand.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and revised standards that are effective for the current year
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised International Financial Reporting Standards as of 1 January 2023:

Amendments to IAS I 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 consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and revised standards that are effective for the current year (continued)

Amendments to IAS I Presentation of Financial Statements — Disclosure of Accounting Policies (continued)
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 adoption of this standard did not have material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in consolidated financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. The adoption of this standard did not have material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Amendment to IAS 12 — deferred tax related to assets and liabilities arising from a single transaction.
The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. The adoption of this standard did not have material impact on the disclosures or on the amounts reported in these consolidated financial statements.

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.

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:

- 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 assessed the impact of IFRS 17 on its consolidated financial statements for the year ended 31 December 2023, as detailed in Note 2.8.

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.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants
The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 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.

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

Lack of Exchangeability (Amendments to IAS 21)
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

An entity is required to recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

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.

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.

2.4 BASIS OF CONSOLIDATION (continued)

The subsidiaries of the Group are as follows:

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2023	*2022*
Directly held				
United Gulf Holding Company B.S.C ("UGH")	Bahrain	Holding Company	**90.79%**	90.79%
Burgan Bank S.A.K. ("Burgan")	Kuwait	Banking	**61.80%**	61.80%
United Real Estate Company K.S.C.P. ("URC")	Kuwait	Real Estate	**63.16%**	66.42%
United Industries Company K.S.C. (Closed) ("UIC")	Kuwait	Industrial	**79.40%**	79.40%
Overland Real Estate Company W.L.L. ("Overland")	Kuwait	Real estate	**90.06%**	90.06%
Pulsar Knowledge Centre	India	Consultancy	**100.00%**	100.00%
United Gulf Management Incorporation	USA	Asset management	**100.00%**	100.00%
United Gulf Management Limited	United Kingdom	Asset management	**100.00%**	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%
Chairman's Club Kuwait Company K.S.C.(Closed)	Kuwait	Hospitality & Entertainment services	**99.99%**	99.99%
Panther Media Group LTD ("PMGL")	UAE	Media Pay TV services	**70.16%**	70.05%
SAUDIA Dairy and Foodstuff Company ("SADAFCO")	Saudi Arabia	Dairy and foodstuff production	**40.74%**	40.74%
National Petroleum Services Company K.S.C.P ("NAPESCO")	Kuwait	Support services for drilling and repairing oil wells	**59.63%**	58.95%
Jassim Transport & Stevedoring Company K.S.C.P ("JTC")	Kuwait	Leasing of equipment and stevedoring operations	**47.09%**	60.73%
Insha'a Holding Company K.S.C. (Holding) ("INSHA")	Kuwait	Holding	**85.26%**	86.56%
EPSCO Global General Trading Company W.L.L.	Kuwait	Manufacturing and trading of rubber products	**60.00%**	60.00%
United Petrochemical Company K.S.C.(Closed)	Kuwait	Manufacturing of plastic materials	**99.99%**	96.00%
Qurain Plastic Industries Company K.S.C. (Closed)	Kuwait	Manufacturing of plastic materials	**99.99%**	94.00%
Qurain Basic Materials Industries Company K.S.C. (Closed)	Kuwait	Manufacturing of plastic chemicals	**99.99%**	94.00%
United Oil Projects Company K.S.C. (Closed)	Kuwait	Trading of chemical products	**-**	52.02%
Qurain Integrated Investment Holding Company S.P.C	Kuwait	Holding	**-**	100.00%

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2023	*2022*
Held through Group companies				
Ikarus United for Marine Services Company S.A.K. (Closed)	Kuwait	Marine services	**60.00%**	60.00%
North Africa Holding Company K.S.C. (Closed) ("NAH")	Kuwait	Investments	**53.48%**	53.50%
North Africa Holding Industries Limited	Guernsey	Holding Company	**-**	100.00%
United Networks Company K.S.C. (Closed) ("UNC")	Kuwait	Satellite & media	**63.62%**	63.62%
Assoufid B.V.	Netherlands	Real estate	**100.00%**	100.00%
Mena Homes Real Estate Company K.S.C (Closed) ("Mena Homes")	Kuwait	Real estate	**87.92%**	87.82%
Structured entities ("SPVs") treated as subsidiaries				
UBC Ventures W.L.L.	Bahrain	Special purpose entity	**100.00%**	100.00%
Kuwait Projects Company S.P.C Limited ("DIFC")	UAE	Special purpose entity	**100.00%**	100.00%
Kuwait Projects Company Sukuk Limited *(b)*	Cayman Islands	Special purpose entity	**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 Realty International Limited	British Virgin Islands	Real estate	**100.00%**	100.00%
Federal Street 176 Holdings, Inc.	USA	Real estate	**100.00%**	100.00%
Manafae Holding Company K.S.C.(Closed) ("MANAFAE") *(a)*	Kuwait	Holding Company	**58.71%**	-
N.S.88 SPC *(a)*	Bahrain	Real estate	**77.04%**	-
Held through Mena Homes				
Al Awseda United Real Estate Company	Kuwait	Real estate	**100.00%**	100.00%
Held through KAMCO				
KAMCO Global fund (previously Kamco GCC Opportunistic Fund)	Bahrain	Fund	**61.32%**	90.75%
Kuwait Private Equity Opportunities Fund	Kuwait	Fund	**72.82%**	72.82%
KAMCO Investment Company (DIFC) Limited	UAE	Investment 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	**99.98%**	99.98%
Al Tadamun United Holding Company K.S.C. (Closed)	Kuwait	Holding Company	**99.53%**	96.00%
Buckeye Power Advisory Company LLC	USA	Advisory	**47.83%**	47.83%
Buckeye Power Manager Limited	Jersey	Investment management	**100.00%**	100.00%
Global Investment House B.S.C. (Closed)	Bahrain	Brokerage Services	**100.00%**	100.00%
First securities Brokerage Company K.S.C (Closed)	Kuwait	Brokerage Services	**93.23%**	93.23%
KAMCO Investment Company Saudi	Saudi Arabia	Financial Services	**100.00%**	100.00%
Global Investment House Company Limited	Jordan	Brokerage Services	**100.00%**	100.00%

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2023	*2022*
Held through KAMCO (continued)				
KAMCO GCC Investment Funds Company B.S.C.	Bahrain	Investment management	**99.90%**	99.90%
United Holding Company K.S.C. (Holding)	Kuwait	Holding Company	**99.98%**	99.98%
KAMCO Capital Partners Ltd.	Cayman Islands	Investment management	**100.00%**	100.00%
KAMCO Capital Management Ltd.	Cayman Islands	Investment management	**100.00%**	100.00%
KAMCO Mena Plus Fixed Income Fund (OECD) Limited	UAE	Fund	**53.75%**	56.08%
Kubbar United Real Estate Company (SPC)	Kuwait	Real Estate	**100.00%**	100.00%
Plans United Real Estate Company (SPC)	Kuwait	Real Estate	**100.00%**	100.00%
HP plaza Investors, Inc.	USA	Investment management	**100.00%**	100.00%
HP Plaza Advisor LLC	USA	Advisory	**50.00%**	50.00%
Centerstone Investor, Inc	USA	Investment management	**100.00%**	100.00%
Centerstone Advisor LLC	USA	Advisory	**50.00%**	50.00%
Lawson Lane Investor, Inc.	USA	Investment management	**100.00%**	100.00%
Martley Holdings GP Limited	Jersey	Investment management	**100.00%**	100.00%
Martley Finance GP Limited	Jersey	Investment management	**100.00%**	100.00%
1925 Investor Inc.	Jersey	Investment management	**100.00%**	100.00%
Kamco Investment Advisor Limited	Jersey	Investment management	**100.00%**	100.00%
American Blvd Investor, Inc	Jersey	Investment management	**100.00%**	100.00%
Kamco Investment Company Ltd *(b)*	UK	Investment 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%
FIM Business Solutions Limited	Malta	IT Services Provider	**100.00%**	100.00%
FIM Property Investment Limited	Malta	Property Management	**100.00%**	100.00%
London Forfaiting International Limited	UK	Holding Company	**100.00%**	100.00%
London Forfaiting Americas Inc.	USA	Marketing	**100.00%**	100.00%
London Forfaiting do Brasil Ltd.	Brazil	Marketing	**100.00%**	100.00%
India Factoring and Finance Solutions Private Limited	India	Factoring	**88.16%**	88.16%
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”) *(f)*	Iraq	Banking	**-**	53.45%
Tunis International Bank S.A. (“TIB”)	Tunisia	Banking	**90.41%**	90.41%
Burgan Bank A.S. (“BBT”) *(g)*	Turkey	Banking	**99.89%**	99.89%
Burgan Finansal Kiralama A.S. (Held through BBT)	Turkey	Leasing	**99.89%**	99.89%
Burgan Yatirim Menkul Degerler A.S. (Held through BBT)	Turkey	Brokerage	**99.89%**	99.89%
Burgan Bank Financial Services Limited(“BBFS”)	UAE	Financial Advisory Services	**100.00%**	100.00%
Burgan Senior SPC Limited	UAE	Special Purpose entity	**100.00%**	100.00%

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2023	*2022*
Held through URC				
Souk Al -Muttaheda Joint venture – Salhia	Kuwait	Real estate	**92.17%**	92.17%
United Building Company S.A.K. (Closed)	Kuwait	Real estate	**100.00%**	100.00%
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	**100.00%**	100.00%
United International Project Management Company W.L.L.	Kuwait	Facilities management	**100.00%**	100.00%
United Facilities Management Company S.A.K. (Closed)	Kuwait	Facilities management	**100.00%**	100.00%
United Lebanese Real Estate Company S.A.L (Holding)	Lebanon	Real estate	**100.00%**	100.00%
United Areej Housing Company W.L.L.	Jordan	Real estate	**100.00%**	100.00%
United Kuwaiti Real Estate Development Company L.L.C	Oman	Real estate	**100.00%**	100.00%
Al Reef Real Estate Company S.A.O. (Closed)	Oman	Real estate	**100.00%**	100.00%
United Ritaj for Touristic Investment S.A.E. (Closed)	Egypt	Touristic development	**100.00%**	100.00%
United Facilities Development Company K.S.C (Closed)	Kuwait	Real estate	**63.50%**	63.50%
United Company for Investment W.L.L.	Syria	Real estate	**95.00%**	95.00%
United Real Estate Holding for Financial Investments	Egypt	Investment	**100.00%**	100.00%
Manazel United for Real Estate Investment Company S.A.E.	Egypt	Real estate	**91.49%**	91.49%
Aswar United Real Estate Company S.A.E.	Egypt	Real estate	**100.00%**	100.00%
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	**100.00%**	100.00%
Universal United Real Estate W.L.L.	Kuwait	Real estate	**63.00%**	63.00%
Gulf Egypt Hotels & Tourism S.A.E.	Egypt	Real estate	**100.00%**	100.00%
Bhamdoun United Real Estate Company S.A.L.	Lebanon	Hotel management	**100.00%**	100.00%
Rouche Holding Company S.A.L.	Lebanon	Real estate	**100.00%**	100.00%
Al Dhiyafa – Lebanon SAL (Holding Company)	Lebanon	Real estate	**100.00%**	100.00%
United Lebanese Real Estate Company S.A.L.	Lebanon	Real estate	**100.00%**	100.00%
Abdali Mall Company P.S.C.	Jordan	Real estate	**100.00%**	100.00%
United Facilities Management L.L.C.	Oman	Facilities management	**100.00%**	100.00%
Egypt United Project Management Company W.L.L.	Egypt	Facilities management	**100.00%**	100.00%
Dhow Holdings Limited	Isle of Man	Real Estate	**100.00%**	100.00%
United Arab Facility Management L.L.C.	Jordan	Facilities management	**100.00%**	100.00%
Areej United for Agricultural Investment Company	Egypt	Agriculture	**100.00%**	100.00%
Panorama Beauty Company	Jordan	Cosmetic Services	**80.00%**	80.00%
United Al Manazel Real Estate Development Company 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	**100.00%**	100.00%
Mina United Real Estate Services W.L.L	Kuwait	Real estate	**100.00%**	100.00%
Medius Real Estate Development L.L.C *(c)*	Egypt	Real estate	**-**	100.00%
UFM Facilities Management Services L.L.C.	UAE	Facilities management	**100.00%**	100.00%
Held through UIC				
Kuwait National Industrial Projects Company K.S.C. (Closed) (“KNIP")	Kuwait	Industrial Investment	**99.95%**	99.95%
Eastern Projects General Trading Company W.L.L.	Kuwait	Industrial Investment	**99.00%**	99.00%
United Gulf Industries Company W.L.L.	Saudi Arabia	Industrial Investment	**95.00%**	95.00%
United Education Company K.S.C. (Closed) (“UEC”)	Kuwait	Education	**63.89%**	63.89%

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2023	*2022*
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 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%
United Industrial Gas K.S.C. (Closed)	Kuwait	Industrial 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%
AEPC Mena Sky Holding Limited	UAE	Special purpose entity	**100.00%**	100.00%
AEPC IBRI II Holding Limited	UAE	Special purpose entity	**100.00%**	100.00%
Shams Al-Karak One for Renewable Energy Company W.L.L	Jordan	Energy projects	**100.00%**	100.00%
North Africa Holding Industries Limited	Guernsey	Holding Company	**100.00%**	-
Held through KUCC				
Qurain Integrated Investment Holding Company S.P.C	Kuwait	Holding	**100.00%**	-
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%
STE SACEM Training	Tunisia	Industrial Training	**100.00%**	100.00%
SACEM International	Tunisia	Trading	**100.00%**	100.00%
SACEM Smart	Tunisia	Research & 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%
Assoufid Properties Management S.A.	Morocco	Facilities management	**100.00%**	100.00%
Assoufid Golf Operations S.A.	Morocco	Facilities 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%
Held through Rawabi				
Jordan Kuwait Bank P.L.C. (“JKB”)	Jordan	Banking	**51.19%**	51.19%

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2023	*2022*
Held through United Education Company				
Al Rayan Holding Company K.S.C (Closed)	Kuwait	Educational	**99.69%**	99.69%
AUS Education Company W.L. L.	Kuwait	Educational	**100.00%**	100.00%
AlRayan Educational Services Company (ARESC)	Kuwait	Educational	**100.00%**	100.00%
Al-Nouri Educational Establishment Company S.P.C	Kuwait	Educational	**100.00%**	100.00%
Held through NAH				
Cheraga North Africa General Trading L.L.C. *(d)*	UAE	Investment Holding company	**-**	100.00%
North Africa Holding Glass Industries Ltd. *(d)*	Guernsey	Investment Holding company	**-**	100.00%
North Africa Holding Pharma Industry Ltd.	Guernsey	Investment Holding company	**100.00%**	100.00%
North Africa Aero General Trading L.L.C.	UAE	Investment Holding company	**100.00%**	100.00%
North Africa Management Services L.L.C.	UAE	Investment Holding company	**100.00%**	100.00%
North Africa Pharmaceutical Industries L.L.C.	Egypt	Investment Holding company	**100.00%**	100.00%
North Pharma Distribution L.L.C.	Egypt	Investment Holding company	**100.00%**	100.00%
Suntrana Investment Ltd. *(d)*	Cyprus	Investment Holding company	**-**	100.00%
Kivalina Investments Ltd	Cyprus	Investment Holding company	**100.00%**	100.00%
North Africa Holding Real Estate	Morocco	Real Estate	**100.00%**	100.00%
Pacato SARL	Morocco	Real Estate Development	**100.00%**	100.00%
Niteshade Limited	British Virgin Islands	Investment Holding company	**100.00%**	100.00%
Tiglio SARL	Morocco	Real Estate Development	**100.00%**	100.00%
Tolland Limited	British Virgin Islands	Investment Holding company	**100.00%**	100.00%
Held through JKB				
Ejarah for Finance Leasing Company	Jordan	Leasing	**100.00%**	100.00%
United Financial Investments Company *(e)*	Jordan	Brokerage	**78.30%**	78.30%
Specialized Managerial Company for Investment and Financial Consultation	Jordan	Financial Services	**100.00%**	100.00%
Al-Mawarid Financial Brokerage Company	Jordan	Brokerage	**100.00%**	100.00%
Arabian Financial Investment Company	Jordan	Brokerage	**100.00%**	100.00%
Bank of Baghdad P.J.S.C ("BOB")	Iraq	Banking	**53.45%**	-
Held through PMGL				
Panther Media Holding Limited	UAE	Intermediate holding company	**100.00%**	100.00%
Gulf DTH FZ L.L.C.	UAE	Broadcasting TV 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	**100.00%**	100.00%
Entertainment Distribution Company Limited	British Virgin Islands	Intermediate holding company	**100.00%**	100.00%

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2023	*2022*
Held through PMGL (continued)				
Digital Media Distribution Systems Limited	British Virgin Islands	Intermediate holding company	**100.00%**	100.00%
Digital Trading Systems Ltd.	British Virgin Islands	Intermediate holding company	**100.00%**	100.00%
Walston Investments Inc.	British Virgin Islands	Intermediate holding company	**100.00%**	100.00%
Panther Media FINCO Ltd.	Cayman Islands	Intermediate holding company	**100.00%**	100.00%
Al Shasha Entertainment Distribution Company	Saudi Arabia	Trading in electronic equipment	**100.00%**	100.00%
Electronic Preparations International Company Limited	Saudi Arabia	Trading in electronic equipment	**100.00%**	100.00%
Global Direct Televisions General Trading and Contracting Company W.L.L.	Kuwait	General Trading and Contracting	**100.00%**	100.00%
Digital Systems Company for Electrical and Electronic Equipment W.L.L.	Kuwait	Trading in electronic equipment	**100.00%**	100.00%
Global Direct TV Company Ltd.	Egypt	Trading in electronic equipment	**100.00%**	100.00%
Nile Communications Network S.A.E.	Egypt	Managing and operating systems	**53.00%**	53.00%
Digital for Technology Systems W.L.L.	Egypt	General Trading and Contracting	**100.00%**	100.00%
Orbit Communications Company W.L.L.	Bahrain	Broadcasting TV and IP streaming	**100.00%**	100.00%
Digital Media Systems W.L.L.	Bahrain	Trading in satellite receiving equipment	**100.00%**	100.00%
Digital System Company for Trading	Jordan	Trading in satellite receiving equipment	**100.00%**	100.00%
Digital Media Satellite Company	Qatar	Trading in satellite receiving equipment	**100.00%**	100.00%
Digital Media System SARL	Lebanon	Trading in satellite receiving equipment	**100.00%**	100.00%
OSN IP Holding Limited *(b)*	UAE	Holding Company	**100.00%**	-
Orionplus2 *(b)*	Cayman Islands	Intermediate holding company	**100.00%**	-
Held through SADAFCO				
SADAFCO Bahrain Company L.L.C.	Bahrain	Foodstuff and dairy products	**100.00%**	100.00%
SADAFCO Jordan Foodstuff Company L.L.C.	Jordan	Foodstuff and dairy products	**100.00%**	100.00%
SADAFCO Poland sp. Z.o.o	Poland	Holding Company	**100.00%**	100.00%
Mlekoma sp. Z.o.o	Poland	Dairy products	**100.00%**	76.00%
Foodexo sp. Z.o.o	Poland	Dairy products	**100.00%**	76.00%
SADAFCO Qatar W.L.L	Qatar	Foodstuff and dairy products	**75.00%**	75.00%
SADAFCO Kuwait Foodstuff Company W.L.L.	Kuwait	Foodstuff and dairy products	**49.00%**	49.00%

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2023	*2022*
Held through NAPESCO				
Napesco International Petroleum Service S.P.C	Kuwait	Drilling and Maintenance of Oil wells	**100.00%**	100.00%
Napesco India L.L.P	India	Support services for petroleum and natural gas mining	**99.99%**	99.99%
United Oil Projects Company K.S.C. (Closed)	Kuwait	Trading of chemical products	**52.92%**	-
Held through INSHA				
Bubiyan for Ready Mix Company W.L.L	Kuwait	Ready mix concrete and contracting	**100.00%**	100.00%
Sandco General Trading and Contracting Company W.L.L	Kuwait	General & contracting	**50.00%**	50.00%
Bayan Establishment General Trading and Contracting Company W.L.L	Kuwait	General & contracting	**50.00%**	50.00%
EPO Gulf Specialties Company K.S.C. (Closed)	Kuwait	General & contracting	**50.00%**	50.00%
Combined Construction Company for General Trading and Contracting W.L.L	Kuwait	General & contracting	**51.00%**	51.00%
Bubyian Aggregate Company W.L.L	Kuwait	Aggregate and contracting	**100.00%**	100.00%
Held through JTC				
JTC Fuel Transport Company W.L.L.	Kuwait	Logistics	**100.00%**	100.00%
JTC Heavy and Light Equipment and Machinery Leasing Company W.L.L.	Kuwait	Leasing vehicles and equipment rental	**100.00%**	100.00%
Al Mushtari Public Transport, Equipment Leasing, Marine Services & Warehousing Company W.L.L.	Iraq	Leasing & Logistics	**100.00%**	100.00%
JTC Logistics Company L.L.C.	Saudi Arabia	Leasing & Logistics	**100.00%**	100.00%
Road Junction Transport and Equipment Company W.L.L	Qatar	Leasing	**100.00%**	100.00%

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

(a) During the year , the Group through one of its subsidiaries "UGB" acquired 19.74% additional equity interest in Manafae and established control through major board representation. Also, Manafae and KAMCO jointly own 77.04 % equity interest in NS 88 . Accordingly, both Manafae and NS88 have been reclassified from investment in associates and consolidated in the consolidated financial statement of the Group. The acquisition resulted in a bargain gain amounting to KD 1,729 thousand (Note 19).

(b) These entities were newly acquired / incorporated during the year.

(c) During the year URC, one of the subsidiaries of the Group disposed of Medius Real Estate Development and recognised a gain on sale of KD 2,575 thousand in the consolidated income statement (Note 19).

(d) These entities were disposed of, liquidated during the year.

(e) This entity has been classified as in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" (Note 8).

(f) As at 31 December 2022, the Group's subsidiaries, "Burgan Bank" classified their investments in Bank of Baghdad ("BoB") as disposal group held for sale in accordance with IFRS 5 – "Non-Current assets held for sale and discontinued operations", classified under "Other assets" and "Other liabilities".

2.4 BASIS OF CONSOLIDATION (continued)

During the year, "Burgan Bank" sold its entire stake in BoB to "Jordan Kuwait Bank" ("JKB"), a subsidiary of the group. As a result of this intra group transaction, the Group determined that its investment in BoB no longer meets the criteria of IFRS 5. All gains and losses arising on this inter-group transaction were eliminated upon consolidation.

(g) During the year," Burgan Bank" sold 52% of its stake in BBT to Al Rawabi United Holding Company. As a result of this intra group transaction the Group's effective ownership in BBT increased from 61.6% to 81.5%.

During the current year JKB, a subsidiary of the Group acquired 76.97% equity interest in BHM Capital, a joint stock company listed in Dubai Financial Market. This acquisition has been accounted for in accordance with IFRS 3: Business combinations. This resulted in a bargain purchase gain amounting to KD 2,870 thousand in the consolidated income statement (Note 19).

On 04 October 2023, JKB sold 66.97% of its investment in BHM capital for an amount of JOD 30.6 million (equivalent to KD 13.36 million) and recognised a gain on sale of subsidiary amounting to KD 2,068 thousand in the consolidated income statement (Note 19).

2.5 SUMMARY OF MATERIAL 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.

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.

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 re-assesses 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.
The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
The Group also assesses the characteristics of the contractual cashflow of the financial asset to identify whether the contractual cashflow is Solely for purpose of Payment of Principal and Interest ('SPPI test').

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

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

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Fair value through other comprehensive income (FVOCI) (continued)

Equity instruments at FVOCI (continued)

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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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.

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

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'.

During the year ended 31 December 2023, this position was reconsidered by Fim Bank in the context of developments in market interpretations of IFRS 9 requirements in respect of reclassifications of financial instruments between different classification and measurement categories. In this respect, Fim Bank reperformed the assessment relating to the reclassification of this portfolio of financial instruments in the context of these developments. Based on this assessment, the Group concluded that the reclassification criteria emanating from IFRS 9 are no longer deemed to have been met during the financial year ended 31 December 2022. In this respect, Fim Bank decided to reverse the effects of the reclassification on the Group's financial position. The comparative financial information presented within these financial statements is being restated to apply this reversal retrospectively.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Change in business model of long-term debt securities by a subsidiary (continued)

Based on the assessments undertaken the comparative financial statements have been restated as of 1 January 2023 resulting in a decrease in 'treasury bills, bonds and other debt securities' by KD 51,670 thousand, increase in 'FVOCI' by KD 43,859 thousand, decrease in 'equity attributable to equity holders of the parent company' by KD 5,701 thousand and decrease in 'non-controlling' interest by KD 2,110 thousand.

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 the 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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

Overview of the ECL principles (continued)

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

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

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

The mechanics of the ECL method are summarised below:

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

  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 guarantee contracts — The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure.

2.5 SUMMARY OF MATERIAL 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 MATERIAL 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 MATERIAL 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 MATERIAL 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.

2.5 SUMMARY OF MATERIAL 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 MATERIAL 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:

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

Leasehold improvements are depreciated over the period of lease.

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

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

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

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

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

The Group presents right-of-use assets in " Other Assets" & "Property Plant and Equipment".

2.5 SUMMARY OF MATERIAL 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 MATERIAL 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. 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 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF MATERIAL 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.

2.5 SUMMARY OF MATERIAL 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.

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 MATERIAL 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.

2.6 MATERIAL 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).

2.6 MATERIAL 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:

2.6 MATERIAL 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 MATERIAL 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 1,859.38 as at 31 December 2023 (31 December 2022: 1,128.45). 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"), 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 from GIG which has been presented as "discontinued operation" in the consolidated income statement.

2.8 ADOPTION OF IFRS 17

During the current period one of the Group's associates Gulf Insurance Group ("GIG") completed its transition procedures for the adoption of IFRS 17 - 'Insurance contracts' which has been applied with effect from 1 January 2023. The Group adopted IFRS 17 by applying modified retrospective approach and alternative transition methods where the full retrospective approach was impracticable. Based on the assessments undertaken the comparative financial statements have been restated as of 1 January 2022 resulting in a decrease in the 'investment in associates' by KD 961 thousand, decrease in 'equity attributable to equity holders of the parent company' by KD 949 thousand and decrease in 'non-controlling' interest by KD 12 thousand.

The restatement also resulted in an increase in the share of results of GIG, presented as "discontinued operation" by KD 108 thousand, profit attributable to the equity holders of the Parent Company by KD 106 thousand and non-controlling interest by KD 2 thousand in the consolidated income statements for the year ended 31 December 2022.

2.8 ADOPTION OF IFRS 17 (continued)

As of 1 January 2023, the impact of IFRS 17 resulted in an increase in the ‘investment in associates’ by KD 3,078 thousand, increase in ‘equity attributable to equity holders of the parent company’ by KD 2,986 thousand and increase in ‘non-controlling’ interest by KD 92 thousand.

3 DISCONTINUED OPERATIONS

The Group owned 46.32% equity interest in Gulf Insurance Group K.S.C.P (“GIG”)”, an entity incorporated and registered in the state of Kuwait, engaged in providing insurance related services across the Middle East and North Africa region. The Group had recognised its interest in GIG as an investment in associate and accounted for it using the equity method in accordance with IAS 28 – “Investment in Associates and Joint Ventures”.

On 18 April 2023, the Board of Directors of the Parent Company approved to sell its entire stake of 46.32% in GIG by entering into a binding agreement with Fairfax Financial Holding Limited. As a result, the Group reclassified its investment to “Assets held for sale” in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”.

The Group reclassified its ‘share of results of associates’ amounting to KD 4,373 thousand until 18 April 2023 – ‘the date of classification to assets held for sale and discontinued operation’ and subsequent dividend received amounting to KD 7,119 thousand to “profit from discontinued operation”.

On 13 December 2023, the Group completed the sale of GIG and recognised a gain on sale amounting to KD 73,080 thousand in the consolidated income statement as “profit from discontinued operation”.

The comparative amounts for ‘share of results of associates' amounting to KD 17,846 thousand for the year ended 31 December 2022 have also been reclassified to “profit from discontinued operation”.

The business of GIG represents the entirety of the Group’s insurance operating segment. Due to the sale of GIG, the insurance segment is no longer presented in the segment note (note 28).

4 CASH IN HAND AND AT BANKS

	2023 ***KD 000’s***	*(Restated)* *2022* *KD 000’s*
Cash and bank balances	**907,254**	737,965
Deposits with original maturities up to three months	**695,543**	734,023
Expected credit losses	**(11,550)**	(1,848)
Cash and cash equivalents	**1,591,247**	1,470,140
Add: deposits with original maturities exceeding three months	**66,162**	53,758
Cash in hand and at banks as per consolidated statement of financial position	**1,657,409**	1,523,898
Cash and cash equivalents attributable to disposal group held for sale	**1,813**	-
Less: deposits with original maturities exceeding three months	**(66,162)**	(53,758)
	1,593,060	1,470,140

Cash in hand and at banks includes cash and bank balances from the Parent Company amounting to KD 117,002 thousand as at 31 December 2023 (31 December 2022: KD 139,879 thousand).

5 LOANS AND ADVANCES

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

	2023 ***KD 000's***	*(Restated)* *2022* *KD 000's*
Corporate	**4,763,705**	4,332,944
Banks and financial institutions	**253,436**	154,895
Retail	**659,342**	589,542
	5,676,483	5,077,381
Less: allowance for ECL	**(187,014)**	(196,502)
	5,489,469	4,880,879

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***	***2023*** ***Total*** ***KD 000's***
Internal rating grade				
Performing				
High grade	1,236,139	65,789	-	**1,301,928**
Standard grade	3,637,493	377,384	-	**4,014,877**
Past due but not impaired	31,522	108,680	-	**140,202**
Non – performing				
Individually impaired	-	-	219,476	**219,476**
Total	**4,905,154**	**551,853**	**219,476**	**5,676,483**

	Stage 1 *KD 000's*	*Stage 2* *KD 000's*	*Stage 3* *KD 000's*	*(Restated)* *2022* *Total* *KD 000's*
Internal rating grade				
Performing				
High grade	996,044	37,460	-	1,033,504
Standard grade	3,171,913	560,508	-	3,732,421
Past due but not impaired	10,597	60,464	-	71,061
Non – performing				
Individually impaired	-	-	240,395	240,395
Total	4,178,554	658,432	240,395	5,077,381

5 LOANS AND ADVANCES (continued)

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

	Stage 1 *KD 000's*	*Stage 2* *KD 000's*	*Stage 3* *KD 000's*	*Total* *KD 000's*
Loans and advances	4,905,154	551,853	219,476	**5,676,483**
ECL allowances	(25,793)	(47,947)	(113,274)	**(187,014)**
As at 31 December 2023	**4,879,361**	**503,906**	**106,202**	**5,489,469**
Loans and advances	4,178,554	658,432	240,395	5,077,381
ECL allowances	(29,793)	(55,547)	(111,162)	(196,502)
As at 31 December 2022 (Restated)	4,148,761	602,885	129,233	4,880,879

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				
Balance as at 1 January 2023	29,793	55,547	111,162	**196,502**
Net transfers between stages	(4,741)	11,427	(6,686)	**-**
Charge (recovery) during the year	1,350	(19,323)	49,397	**31,424**
Amounts written off during the year	-	-	(43,820)	**(43,820)**
Foreign exchange	(609)	296	3,221	**2,908**
As at 31 December 2023	**25,793**	**47,947**	**113,274**	**187,014**

	Stage 1 *KD 000's*	*Stage 2* *KD 000's*	*Stage 3* *KD 000's*	*Total* *KD 000's*
ECL allowance				
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

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" charge on cash in hand and at banks amounting to KD 9,702 thousand (2022: ECL recovery amounting to KD 842 thousand), ECL charge on other debt securities amounting to KD 1,089 thousand (2022: ECL charge amounting to KD 668 thousand) and ECL recovery on other assets amounting to KD 1,623 thousand (2022: ECL charge amounting to KD 3,117 thousand). ECL charge on non-cash facilities amounting to KD 1,432 thousand (2022: ECL charge amounting to KD 2,287 thousand) (Note 26).

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	*2022*
	KD 000's	*KD 000's*
Quoted equity securities	**17,210**	11,596
Unquoted equity securities	**10,844**	3,505
Quoted debt securities	**13,264**	11,797
Unquoted debt securities	**100**	100
Managed funds	**103,784**	106,020
Forfaiting assets	**114,760**	136,176
	259,962	269,194

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

		(Restated)
	2023	*2022*
	KD 000's	*KD 000's*
Quoted financial assets		
Equity securities	**16,589**	12,864
Debt securities	**369,739**	353,379
	386,328	366,243
Unquoted financial assets		
Equity securities	**385,773**	390,221
Managed funds	**202**	12
	772,303	756,476

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

8 OTHER ASSETS

		(Restated)
	2023	*2022*
	KD 000's	*KD 000's*
Net accounts receivable	**364,085**	229,982
Accrued interest and other income receivable	**177,847**	117,174
Prepayments	**70,704**	69,246
Assets pending sale *	**197,760**	139,662
Others **	**240,820**	281,997
	1,051,216	838,061

* 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%.

** As at 31 December 2023, a Group's banking subsidiary, "JKB", classified its investments in "United Financial Investments Company" as disposal group held for sale. The Group has carried this investment at the lower of carrying value or fair value less cost to sell amounting to KD 9,931 thousand. As at 31 December 2022 the Group classified its investment in an associate "Kandil Glass" held through one of its subsidiaries "NAH" amounting to KD 3,447 thousand. Other assets also include inventories amounting to KD 47,858 thousand (2022: KD 54,623 thousand) which are stated at the lower of cost or net realisable value.

9 INVESTMENT IN ASSOCIATES

Name of company	Country of incorporation	Principal activities	Effective interest 2023	Effective interest 2022	Carrying value 2023 KD 000's	Carrying value (Restated) 2022 KD 000's
Gulf Insurance Group K.S.C.P. ("GIG") *(a)*	Kuwait	Insurance	**-**	46.46%	**-**	138,600
Kuwait Aromatics Company K.S.C. (Closed) ("KARO")	Kuwait	Petrochemical activities	**20.00%**	20.00%	**75,238**	69,437
Advanced Technology Company K.S.C.P ("ATC")	Kuwait	Trading	**45.96%**	44.06%	**39,248**	37,575
United Precision Drilling Company W.L.L. ("UPDC")	Kuwait	Sale of oil drilling equipment	**47.50%**	47.50%	**2,985**	2,752
United Qmax Drilling Fluids Company W.L.L	Kuwait	Petrochemical activities	**51.00%**	51.00%	**1,601**	879
Al-Fujeira Real Estate Limited	U.A. E	Real estate	**50.00%**	50.00%	**6,595**	6,643
Manafae Holding Company K.S.C.(Closed) *(b)*	Kuwait	Investment	**-**	38.97%	**-**	3,308
First Real Estate Investment Company K.S.C. (Closed)	Kuwait	Real estate	**19.80%**	19.80%	**4,722**	4,557
United Capital Transport Company K.S.C. (Closed)	Kuwait	Services	**39.80%**	39.80%	**976**	1,052
N.S.88 SPC *(b)*	Bahrain	Real Estate	**-**	30.00%	**-**	4,848
Al Thaniya Real Estate Company P.S.C	Jordan	Real Estate	**50.00%**	50.00%	**6**	6
Kamco Investment fund	Kuwait	Fund	**43.83%**	35.31%	**11,882**	12,197
KAMCO Real Estate Yield Fund	Kuwait	Real Estate Fund	**35.77%**	35.77%	**1,721**	1,909
Syria Gulf Bank S.A. ("SGB")	Syria	Banking	**31.00%**	31.00%	**1,099**	4,704
Shams Ad-Dhahira Generating Company SAOC	Oman	Manufacturing	**10.00%**	10.00%	-	-
Adhari Park Development 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%	**4,126**	4,510
Green Sources Company for Alternative Energy Investments (*c*)	Jordan	Energy projects	**50.00%**	-	**42**	-
					150,241	292,977

a) On 13 December 2023, the Group completed the sale of its entire stake in GIG to Fairfax Financial Holding Limited and recognised a gain on sale of KD 73,080 thousand in the consolidated income statement as "profit from discontinued operation" (Note 3).

b) During the year, the Group through one of its subsidiaries "UGB" acquired 19.74% additional equity interest in Manafae and established control through major board representation. Also, Manafae and KAMCO jointly own 77.04 % equity interest in NS 88. Accordingly, both Manafae and NS88 have been reclassified from investment in associates to investment in subsidiaries and consolidated in the consolidated financial statement of the Group (Note 2).

c) This entity was acquired during the year.

9 INVESTMENT IN ASSOCIATES (continued)

Investment in associates include quoted associates with a carrying value of KD 39,248 thousand (2022: KD 176,175 thousand) having quoted market value of KD 32,330 thousand (represents ATC) (2022: KD 162,878 thousand (ATC: KD 29,082 thousand, GIG: KD 133,796 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 higher than their carrying values for the year ended 31 December 2023 (31 December 2022: lower) and accordingly no provision for impairment expense was recognized during the year (31 December 2022: KD 12,871 thousand).

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

31 December 2023	***ATC KD 000's***	***KARO KD 000's***
Associates' statement of financial position:		
Current assets	**255,528**	**131,884**
Non-current assets	**91,478**	**362,642**
Current liabilities	**200,166**	**62,566**
Non-current liabilities	**74,533**	**8,647**
Equity	**72,307**	**423,313**
Equity attributable to shareholders of associates	**71,765**	**423,313**
Group's ownership interest	**45.96%**	**20.00%**
Proportion of equity attributable to Group's ownership interest *	**32,983**	**84,663**
Associates' revenue and results:		
Income	**170,160**	**605,217**
Total profit for the year	**3,507**	**41,032**
Group's share of the profit attributable to the equity holders	**1,986**	**8,206**
Dividends received during the year	**1,322**	**2,452**
Group's share of contingent liabilities and commitments	**46,605**	**906**

31 December 2022	*ATC KD 000's*	*KARO KD 000's*
Associates' statement of financial position:		
Current assets	265,941	126,880
Non-current assets	41,813	371,496
Current liabilities	186,525	81,190
Non-current liabilities	51,791	23,152
Equity	69,438	394,034
Equity attributable to shareholders of associates	69,438	394,034
Group's ownership interest	44.06%	20.00%
Proportion of equity attributable to Group's ownership interest *	30,594	78,807
Associates' revenue and results:		
Income	166,052	686,010
Total profit for the year	7,013	17,861
Group's share of the profit attributable to the equity holders	531	302
Group's share of contingent liabilities and commitments	45,640	1,271

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

9 INVESTMENT IN ASSOCIATES (continued)

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

	2023 KD 000's	*2022 KD 000's*
Associates' statement of financial position:		
Total assets	**151,720**	253,724
Total liabilities	**56,372**	114,890
Equity	**95,348**	138,834
Associates' revenue and results:		
Income	**20,581**	44,066
Total (loss) profit for the year	**(503)**	9,172

10 INVESTMENT PROPERTIES

	2023 KD 000's	*2022 KD 000's*
Land for development	**67,388**	61,980
Projects under construction	**93,903**	93,876
Developed properties	**323,537**	328,337
	484,828	484,193

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

	2023 KD 000's	*2022 KD 000's*
As at 1 January	**484,193**	487,722
Additions	**212**	1,813
Disposals	**(505)**	(946)
Due to acquisition of subsidiaries	**8,149**	-
Change in fair value (Note 19)	**(1,709)**	(22,174)
Reclassification from properties held for trading to investment properties	**885**	22,843
Reclassification to property, plant and equipment from investment properties	**(2,193)**	-
Exchange adjustments	**(4,204)**	(5,065)
As at 31 December	**484,828**	484,193

Valuation of investment properties were conducted as at 31 December 2023 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 63,855 thousand (2022: KD 68,618 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.

11 INTANGIBLE ASSETS

	Goodwill KD 000's	***Other intangibles KD 000's***	***Total KD 000's***
Gross carrying amount:			
As at 1 January 2023	208,928	647,892	856,820
Impairment	(65,019)	-	(65,019)
Exchange adjustment	417	1,741	2,158
As at 31 December 2023	**144,326**	**649,633**	**793,959**

	Goodwill KD 000's	***Other intangibles KD 000's***	***Total KD 000's***
Accumulated amortisation:			
As at 1 January 2023	-	(132,303)	(132,303)
Charge for the year	-	(19,124)	(19,124)
As at 31 December 2023	**-**	**(151,427)**	**(151,427)**
Net carrying amount:			
As at 31 December 2023	**144,326**	**498,206**	**642,532**

	Goodwill KD 000's	*Other intangibles KD 000's*	*Total KD 000's*
Gross carrying amount:			
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)	-	(198,108)
Exchange adjustment	3,505	(1,689)	1,816
As at 31 December 2022	208,928	647,892	856,820
Accumulated amortisation:			
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	515,589	724,517

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 9.5% to 16% (2022: from 9.4% to 16.4%) 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 2% to 3% (2022: 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 2023 consolidated revenue of the Group, less adjusted net debt at 31 December 2023.

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.

11 INTANGIBLE ASSETS (continued)

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

	Remaining useful life as at 31 December 2023	***2023 KD 000's***	*2022 KD 000's*
Intangibles with indefinite life:			
Licenses and brand/trade name	Indefinite	**273,687**	273,254
Intangibles with definite life:			
Licenses and software	Up to 14.5 years	**27,524**	28,764
Customer contracts and relationship, Order backlogs, franchise rights and students' relationship	Up to 24 years	**196,995**	213,571
		498,206	515,589

12 LOANS PAYABLE

	2023 KD 000's	*2022 KD 000's*
By the Parent Company:		
Loans with maturity within 1 year	**59,936**	15,815
Loans with maturity above 1 year	**181,974**	78,508
By the subsidiaries:		
Loans with maturity within 1 year	**123,481**	222,531
Loans with maturity above 1 year	**860,573**	1,006,499
	1,225,964	1,323,353

During the year, the Parent Company made a partial prepayment of USD 330 million (equivalent to KD 101.4 million) of the USD 525 million syndicated facility.
Subsequent to the year ended 31 December 2023, on 24 January 2024, the Parent company settled the balance in full amounting to USD 195 million (equivalent to KD 60 million).

13 BONDS

	31 December 2023 KD 000's	*31 December 2022 KD 000's*
Issued by the Parent Company:		
Fixed rate KD bonds at 6.75% per annum and maturing on 29 December 2028	**54,841**	54,702
Floating rate KD bonds at 3% per annum plus CBK discount rate (Capped at 7.75% per annum) and maturing on 29 December 2028	**109,234**	108,958
Fixed rate KD bonds at 5.25% per annum and maturing on 28 December 2024	**26,585**	26,497
Floating rate KD bonds at 2.25% per annum above the CBK discount rate and maturing on 28 December 2024	**39,828**	39,695
Fixed rate KD bonds at 5.50% per annum and matured and repaid on 8 November 2023	**-**	5,292
Floating rate KD bonds at 2.25% per annum plus CBK discount rate (Capped at 6.5% per annum) and matured and repaid on 8 November 2023	**-**	23,167
Fixed profit rate Sukuk at 6.5 % per annum and maturing on 5 July 2029	**65,372**	-
Floating profit rate Sukuk at 3% per annum above the CBK discount rate (Capped at 7.5% per annum) and maturing on 5 July 2029	**36,670**	-
Issued by subsidiaries:		
Fixed rate KD bonds at 5.75% per annum matured and were repaid on 19 April 2023	**-**	32,150
Floating rate KD bonds at 2.5% per annum above the CBK discount rate matured and were repaid on 19 April 2023	**-**	27,850
Fixed rate KD bonds at 6% per annum matured and were repaid on 26 July 2023	**-**	14,900
Floating rate KD bonds at 2.75% per annum above the CBK discount rate (capped at 7% per annum) and matured and were repaid on 26 July 2023	**-**	25,100
Fixed rate JOD 11 million bond at 5% per annum matured and repaid on 15 October 2023	**-**	4,756
Fixed rate KD bonds at 7 % per annum and maturing on 28 March 2028	**54,600**	**-**
Floating rate KD bonds at 3% per annum above the CBK discount rate (Capped at 8% per annum) and maturing on 28 March 2028	**25,400**	**-**
Fixed rate USD 500 million bonds at 2.75% per annum and maturing on 15 December 2031	**152,919**	152,542
Fixed rate USD 50 million green bonds at 6.44 % and 7.99% per annum and maturing on 06 April 2028	**15,341**	**-**
	580,790	515,609
Less: inter-group eliminations	**(20,450)**	(20,742)
	560,340	494,867

14 MEDIUM TERM NOTES

	2023 *KD 000's*	*2022* *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 Exchange.	**151,732**	151,070
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. These notes were repaid on 15 March 2023.	**-**	153,150
Fixed rate notes amounting to US$ 500 million having a term of 7 years maturing on 29 October 2026 and carrying a coupon interest rate of 4.229% per annum payable on a semi-annual basis. These notes are listed on the London Stock Exchange.	**153,198**	152,950
	304,930	457,170
Less: inter-group eliminations	**(920)**	(912)
	304,010	456,258

15 OTHER LIABILITIES

	2023 *KD 000's*	*(Restated)* *2022* *KD 000's*
Accounts payable	**410,462**	422,076
Accrued interest and expenses	**184,482**	168,026
Taxation payable	**35,603**	31,055
Others *	**233,021**	238,330
	863,568	859,487

* The Group's subsidiary "JKB" classified its investment in "United Financial Investments Company" as disposal group held for sale. As at 31 December 2023, the Group has classified KD 7,835 thousand (2022: KD: Nil) 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

	2023 *KD 000's*	*2022* *KD 000's*
Authorised share capital (shares of 100 fils each)	**504,848**	504,848
Issued and fully paid-up capital (shares of 100 fils each) *	**504,848**	504,848

* This comprises 4,550,845,631 shares (31 December 2022: 4,550,845,631 shares) which are fully paid up in cash, whereas 497,630,638 shares (31 December 2022: 497,630,638 shares) were issued as bonus shares.

b) Share premium

The share premium is not available for distribution.

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

c) Treasury shares

	2023	*2022*
Number of treasury shares	**503,531,498**	499,981,498
Percentage of capital	**9.97%**	9.90%
Market value – KD 000's	**52,871**	55,998

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 replenished 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 2023 (2022: No dividend), subject to Shareholders' Annual General Assembly approval.

On 19 April 2023, Shareholders Annual General Assembly approved no distribution of dividends for the year ended 31 December 2022 (Distribution of cash dividend of 5 fils per share for the year ended 31 December 2021).

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.

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

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.

During the year, one of the subsidiaries of the Group, Jordan Kuwait Bank ("JKB") issued perpetual capital securities of JOD 25,200 thousand (equivalent to KD 10,913 thousand) and USD 90,000 thousand (equivalent to KD 27,635 thousand). A subsidiary of the Group subscribed to these securities amounting to USD 20,000 thousand (equivalent to KD 6,142 thousand) which were eliminated on consolidation.

h) Capital Increase for the year ended 2022

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.

17 EMPLOYEE STOCK OPTION PLAN RESERVE

Outstanding stock options exercisable as at 31 December 2023 are 5,205,675 shares (31 December 2022: 5,205,675 shares). No stock options were granted in the year 2023.

18 MATERIAL PARTLY - OWNED SUBSIDIARIES

The management has concluded that Burgan, URC, JKB and SADAFCO (2022: Burgan, URC, JKB and SADAFCO) 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:

	2023 KD 000's	*2022 KD 000's*
Burgan	**331,391**	361,034
URC	**38,762**	19,243
JKB	**138,501**	82,857
SADAFCO	**92,191**	81,441

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

	2023 KD 000's	*2022 KD 000's*
Burgan	**16,830**	22,228
URC	**1,458**	(7,077)
JKB	**22,965**	3,239
SADAFCO	**20,753**	3,835

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

18 MATERIAL PARTLY - OWNED SUBSIDIARIES (continued)

Summarised income statement for the year ended 31 December:

	2023				*2022*			
	*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*	*SADAFCO* KD 000's*
Income	**535,184**	**89,084**	**180,455**	**175,585**	403,914	97,782	88,454	162,334
Expenses	**(467,562)**	**(84,137)**	**(127,809)**	**(146,970)**	(328,924)	(94,216)	(76,633)	(142,919)
Taxation	**(22,527)**	**(555)**	**(13,682)**	**(2,035)**	(16,440)	116	(3,722)	(1,424)
Profit (loss) for the year	**45,095**	**4,392**	**38,964**	**26,580**	58,550	3,682	8,099	17,991
Total comprehensive income (loss)	**31,217**	**(1,912)**	**41,313**	**26,360**	8,601	(7,846)	8,192	17,973
Attributable to non-controlling interests	**792**	**2,237**	**11,995**	**(214)**	7,241	(889)	5	129
Dividends paid to non-controlling interests	**10,853**	-	**2,536**	**9,344**	7,913	-	2,220	-

** Summarised income statement presented are for the nine months period ended 31 December.*

Summarized statement of financial position for year ended 31 December:

	2023				*2022*			
	*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*	*SADAFCO KD 000's*
Total assets	**7,426,131**	**665,479**	**2,269,567**	**228,295**	7,165,960	667,715	1,533,413	199,786
Total liabilities	**6,425,227**	**478,847**	**1,954,730**	**72,744**	6,218,545	479,171	1,326,956	62,372
Equity	**1,000,904**	**186,632**	**314,837**	**155,551**	947,415	188,544	206,457	137,414
Attributable to:								
Equity holders of material Subsidiaries	**862,217**	**184,040**	**227,516**	**155,526**	746,066	188,189	205,712	135,561
Perpetual capital securities	**153,375**	-	**38,520**	-	153,150	-	-	-

*** 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.*

18 MATERIAL PARTLY - OWNED SUBSIDIARIES (continued)

Summarized cash flow information for year ended 31 December:

	2023				*2022*			
	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*	*SADAFCO KD 000's*
Operating	**399,400**	**19,477**	**527,690**	**45,370**	(188,089)	24,227	117,580	17,794
Investing	**(66,973)**	**4,962**	**(258,087)**	**(24,546)**	(110,549)	(9,095)	(65,805)	(29,580)
Financing	**(269,348)**	**(15,334)**	**102,189**	**(16,144)**	134,316	(14,236)	20,515	(8,581)
Net increase (decrease) in cash and cash equivalents	**63,079**	**9,105**	**371,792**	**4,680**	(164,322)	896	72,290	(20,367)

19 INVESTMENT INCOME

	2023 ***KD 000's***	*2022* *KD 000's*
Gain on sale of financial assets at fair value through profit or loss	**3,766**	10,319
Unrealised gain (loss) on financial assets at fair value through profit or loss	**534**	(711)
Gain on sale of debt instruments at fair value through other comprehensive income	**3,044**	139
Change in fair value of investment properties (Note 10)	**(1,709)**	(22,174)
Impairment of properties held for trading	**(3,448)**	(2,331)
Dividend income	**8,924**	4,936
Loss on sale of investment in associates	-	(14,879)
Gain on sale of investment properties	**6**	63
Net gain on sale /acquisition of subsidiaries (Note 2.4)	**9,242**	-
Gain on bargain purchase *	**-**	307,255
Loss on sale of non-current assets held for sale**	**(3,001)**	-
	17,358	282,617

* Gain on bargain purchase was a result of the merge by amalgamation between the Parent Company and Qurain Petrochemical Industries Company ("QPIC") happened during the prior year.

** During the year one of the Group's subsidiary "NAH", sold its entire stake in Kandil Glass S.A.E, classified as non-current assets held for sale.

20 NET FEES AND COMMISSION INCOME

	2023 ***KD 000's***	*(Restated)* *2022* *KD 000's*
Fees from fiduciary activities	**13,909**	15,295
Credit related fees and commission	**42,657**	17,354
Advisory fees	**3,838**	2,716
Other fees	**33,981**	32,249
	94,385	67,614

21 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include staff cost for the year ended 31 December 2023 amounting to KD 131,138 thousand (2022: KD 109,028 thousand).

22 TAXATION

	2023 ***KD 000's***	*2022* *KD 000's*
Taxation arising from overseas subsidiaries	**35,603**	31,055

Components of taxation arising from overseas subsidiaries are as follows:

	2023 ***KD 000's***	*2022* *KD 000's*
Current tax	**28,312**	40,068
Deferred tax	**7,291**	(9,013)
	35,603	31,055

The tax rate applicable to the taxable subsidiary companies is in the range of 26% to 35% (2022: 15% to 35%) whereas the effective income tax rate for the year ended 31 December 2023 is in the range of 27% to 43% (2022: 15% to 34%). For the purpose of determining the taxable results for the year, the accounting profit of the overseas subsidiary companies was adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies' jurisdiction. Deferred tax assets / liabilities are included as part of other assets / liabilities in the consolidated financial statements.

Kuwait 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. The Parent Company does not have taxable profits for the year subject to KFAS, in accordance with the applicable regulations in Kuwait and accordingly no provision for KFAS has been accounted for in the accompanying consolidated financial statements. The Parent Company doesn't have any unpaid amounts due to KFAS.

The Parent Company does not have taxable profits for the year subject to 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.

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.

	2023 ***KD 000's***	*(Restated)** *2022* *KD 000's*
Basic and diluted earnings per share:		
(Loss) profit for the year attributable to the equity holders of the Parent Company from continuing operations	**(52,538)**	7,823
Profit for the year attributable to the equity holders of the Parent Company from a discontinued operation	**82,563**	17,437
Profit for the year attributable to the equity holders of the Parent Company	**30,025**	25,260
Less: interest payment on perpetual capital securities attributable to the equity holders of the Parent Company	**(6,817)**	(6,848)
Profit for the year attributable to the equity holders of the Parent Company after interest payment on perpetual capital securities	**23,208**	18,412
	Shares	*Shares*
Number of shares outstanding:		
Weighted average number of paid-up shares	**5,048,476,269**	2,890,745,475
Weighted average number of treasury shares	**(500,371,958)**	(230,952,112)
Weighted average number of outstanding shares	**4,548,104,311**	2,659,793,363
	Fils	*Fils*
Basic and diluted earnings per share	**5.1**	6.9
Basic and diluted (loss) earnings per share from continuing operations	**(13.1)**	0.4
Basic and diluted earnings per share from discontinued operation	**18.2**	6.5

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:

2023	*Major shareholder KD 000's*	*Associates KD 000's*	*Others KD 000's*	***Total KD 000's***
Consolidated statement of financial position:				
Loans and advances	129,700	10,497	185,614	**325,811**
Other assets	-	4,292	2,534	**6,826**
Due to banks and other financial institutions	-	3,643	69	**3,712**
Deposit from customers	4,394	4,477	13,036	**21,907**
Bonds	-	500	-	**500**
Other liabilities	31,096	3	-	**31,099**
Perpetual capital securities	-	-	906	**906**
Transactions:				
Interest income	7,885	697	8,167	**16,749**
Net fees and commission income	68	861	3,741	**4,670**
Interest expense	3	183	79	**265**
General and administration expenses	5,170	-	1,346	**6,516**
Commitments and guarantees:				
Letter of credit	-	1,227	120	**1,347**
Guarantees & acceptances	35	16,087	942	**17,064**
Undrawn lines of credit	10,300	1,149	2,404	**13,853**

2022	*Major shareholder KD 000's*	*Associates KD 000's*	*Others KD 000's*	*Total 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

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:

	2023	*2022*
	KD 000's	*KD 000's*
Short-term employee benefits	**18,628**	14,191
Termination benefits	**2,884**	2,567
Share based payment	**436**	859
Total	**21,948**	17,617

The Board of Directors of the Parent Company has proposed Nil Directors fees for the year 2023 (2022: KD Nil), 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 Panther Media Group limited, United Gulf Holding Company B.S.C. and Saudia Dairy and Foodstuff Company) and EMTN as a hedge of a net investment in foreign operations. The Group's EMTN is used to hedge the Group's exposure on these US$ denominated investments. During the year, net loss amounting to KD 337 thousand on the retranslation of this borrowing were transferred to the 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 hedge of net investments in foreign operations was recognized in the consolidated income statement during the year ended 31 December 2023.

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 2023.

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.

26 COMMITMENTS AND CONTINGENCIES (continued)

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

	2023 ***KD 000's***	*2022* *KD 000's*
Credit related commitments and contingencies		
Letters of credit	**297,218**	268,213
Guarantees & acceptances	**1,107,423**	1,062,729
	1,404,641	1,330,942
Undrawn lines of credit	**748,127**	756,403
Investment related commitments	**11,624**	6,740
	2,164,392	2,094,085

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.

	Stage 1 ***KD 000's***	***Stage 2*** ***KD 000's***	***Stage 3*** ***KD 000's***	***2023*** ***Total*** ***KD 000's***
Internal rating grade				
Performing				
High grade	**1,130,799**	**18,459**	**-**	**1,149,258**
Standard grade	**883,219**	**104,104**	**-**	**987,323**
Past due but not impaired	**-**	**160**	**-**	**160**
Non – performing				
Individually impaired	**-**	**-**	**16,027**	**16,027**
Total	**2,014,018**	**122,723**	**16,027**	**2,152,768**

	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	1,074,368	21,049	-	1,095,417
Standard grade	872,559	102,913	-	975,472
Past due but not impaired	-	147	-	147
Non – performing				
Individually impaired	-	-	16,309	16,309
Total	1,946,927	124,109	16,309	2,087,345

26 COMMITMENTS AND CONTINGENCIES (continued)

Impairment losses on guarantees and other commitments (continued)

An analysis of changes in ECLs is, as follows:

	Stage 1 KD 000's	*Stage 2* KD 000's	*Stage 3* KD 000's	*Total* KD 000's
ECL at 1 January 2023	**4,550**	**2,391**	**14,256**	**21,197**
Charge / (Recovery) during the year	**244**	**2,032**	**(844)**	**1,432**
Foreign exchange	**(18)**	**(1)**	**150**	**131**
At 31 December 2023	**4,776**	**4,422**	**13,562**	**22,760**

	Stage 1 KD 000's	*Stage 2* KD 000's	*Stage 3* KD 000's	*Total* 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

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:

	2023 ***KD 000's***	*2022* *KD 000's*
Within one year	**27,763**	26,562
After one year but not more than three years	**57,362**	53,940
	85,125	80,502

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 assets and liabilities or to provide interest rate risk management solutions to customers. Similarly, the Group deals in forward foreign exchange contracts for customers and manages 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	
2023	***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***
Derivatives held for trading: (including non-qualifying hedges)					
Forward foreign exchange contracts	**14,121**	**(11,313)**	**1,224,747**	**1,135,168**	**89,579**
Interest rate swaps	**1,446**	**(1,303)**	**27,361**	**24,630**	**2,731**
Options	**96**	**(83)**	**15,769**	**15,769**	**-**
Derivatives held for hedging:					
Fair value hedges:					
Forward foreign exchange contracts	**796**	**(40)**	**263,068**	**263,068**	**-**
Cash flow hedges:					
Interest rate swaps	**34,982**	**(2,477)**	**322,176**	**56,159**	**266,017**

				Notional amounts by term to maturity	
2022	*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*
Derivatives held for trading: (including non-qualifying hedges)					
Forward foreign exchange contracts	3,496	(9,212)	1,652,606	1,394,042	258,564
Interest rate swaps	2,652	(581)	20,113	19,537	576
Options	1,570	(3,188)	186,004	186,004	-
Derivatives held for hedging:					
Fair value hedges:					
Forward foreign exchange contracts	1,206	(281)	273,945	273,945	-
Cash flow hedges:					
Interest rate swaps	43,778	(2,992)	357,780	44,359	313,421

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*
2023				
Foreign exchange derivatives	**142,405**	**1,255,831**	**89,579**	**1,487,815**
Interest rate swaps	**-**	**80,789**	**268,748**	**349,537**
Options	**-**	**15,769**	**-**	**15,769**
	142,405	**1,352,389**	**358,327**	**1,853,121**

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*
2022				
Foreign exchange derivatives	143,087	1,524,900	258,564	1,926,551
Interest rate swaps	15,315	48,581	313,997	377,893
Options	-	186,004	-	186,004
	158,402	1,759,485	572,561	2,490,448

28 SEGMENT INFORMATION

For management purposes, the Group is organised into six main business segments based on internal reporting provided to the chief operating decision maker as follows:

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

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

Media & Satellite services – represents Group's activities in providing digital satellite services, Media Pay TV services via satellite, cable, radio channels 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 the Group's activities in the hospitality and real estate sector.

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

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 from continuing operations in the consolidated financial statements.

	Commercial banking KD 000's	*Asset management and investment banking KD 000's*	*Media & Satellite Services KD 000's*	*Energy KD 000's*	*Industrial and Logistics KD 000's*	*Hospitality and real estate KD 000's*	*Others KD 000's*	*Inter-segmental eliminations KD 000's*	*Total KD 000's*
As at 31 December 2023									
Assets and liabilities:									
Segment assets	10,256,230	1,222,007	153,759	490,167	633,082	904,458	588,390	(1,920,947)	**12,327,146**
Segment liabilities	8,802,899	1,664,405	140,566	18,820	112,016	658,959	474,781	(1,210,824)	**10,661,622**
For the year ended 31 December 2023									
Segment revenues	788,381	88,036	77,640	59,856	281,141	85,627	54,668	(150,429)	**1,284,920**
Profit (loss) for the year	96,215	(23,528)	(114,933)	21,109	32,348	(5,965)	(7,009)	(16,323)	**(18,086)**
Other segmental information:									
Investment in associates	5,821	12,858	-	79,866	-	12,448	39,248	-	**150,241**
Goodwill (Note 11)	84,258	15,724	23,366	-	-	-	20,978	-	**144,326**
Other intangibles (Note 11)	123,481	3,269	32,381	30,628	286,287	1,495	20,665	-	**498,206**
Interest income	561,284	7,264	-	978	3,382	1,332	177	-	**574,417**
Interest expense	342,236	64,254	5,969	81	2,583	18,211	9,254	-	**442,588**
Provision for (recovery) of credit losses	43,714	-	234	-	(819)	(1,105)	-	-	**42,024**
Share of results of associates	165	(274)	-	9,093	-	(23)	1,986	-	**10,947**
Provision for impairment of other financial and non-financial assets	26,085	-	38,934	-	-	-	-	-	**65,019**
Depreciation and amortization	19,947	1,612	3,218	3,840	11,615	874	2,302	-	**43,408**

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

28 SEGMENT INFORMATION (continued)

	Commercial banking KD 000's	*Asset management and investment banking KD 000's*	*Insurance KD 000's*	*Media & Satellite Services KD 000's*	*Energy KD 000's*	*Industrial and Logistics KD 000's*	*Hospitality and real estate KD 000's*	*Others KD 000's*	*Inter-segmental eliminations KD 000's*	*(Restated) Total KD 000's*
As at 31 December 2022										
Assets and liabilities:										
Segment assets	9,250,117	992,714	138,600	203,982	513,805	599,066	908,410	629,175	(1,849,657)	11,386,212
Segment liabilities	7,937,763	1,564,547	-	158,954	20,782	93,099	653,660	492,163	(1,116,917)	9,804,051
For the year ended 31 December 2022										
Segment revenues	513,337	358,828	-	84,664	14,256	83,389	68,843	18,571	(97,025)	1,044,863
Profit (loss) for the year	67,037	227,029	-	(258,349)	3,405	19,045	(26,593)	(15,086)	(17,642)	(1,154)
Other segmental information:										
Investment in associates	9,261	21,405	138,600	-	73,068	-	13,068	37,575	-	292,977
Goodwill (Note 11)	109,942	15,757	-	62,251	-	-	-	20,978	-	208,928
Other intangibles (Note 11)	124,722	3,650	-	34,413	33,259	295,988	1,603	21,954	-	515,589
Interest income	380,522	3,260	-	-	154	377	780	150	-	385,243
Interest expense	208,654	42,090	-	6,293	15	388	12,633	3,979	-	274,052
Provision for (recovery) of credit losses	30,828	611	-	1,487	16	(23)	1,269	-	-	34,188
Share of results of associates	3,711	1,072	-	-	544	10,837	167	531	-	16,862
Provision for impairment of other financial and non-financial assets	5,756	12,871	-	192,352	-	-	-	-	-	210,979
Depreciation and amortization	17,193	1,747	-	9,632	715	2,909	771	134	-	33,101

Inter segmental elimination represents 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

2023	***Income*** ***KD 000's***	***Non-current assets*** ***KD 000's***
Kuwait	**466,143**	**3,470,442**
Rest of GCC	**277,287**	**347,027**
Rest of Middle East, Asia and North Africa	**277,190**	**1,525,351**
Europe	**259,842**	**544,380**
North America	**4,458**	**79,525**
	1,284,920	**5,966,725**

2022	*(Restated) Income KD 000's*	*(Restated) Non-current assets KD 000's*
Kuwait	568,586	3,458,762
Rest of GCC	113,851	383,885
Rest of Middle East, Asia and North Africa	190,729	1,055,342
Europe	168,548	386,152
North America	3,149	3,887
	1,044,863	5,288,028

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.

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 117,737 thousand (2022: KD 98,887 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.

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:

- 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.

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.

	2023	*(Restated)* *2022*
	KD 000's	*KD 000's*
Cash at banks	**1,609,475**	1,425,086
Treasury bills, bonds and other debt securities	**1,059,107**	900,128
Loans and advances	**5,489,469**	4,880,879
Financial assets at fair value through profit or loss	**128,124**	148,073
Financial assets at fair value through other comprehensive income	**369,739**	353,379
Other assets including positive value of derivatives (excluding prepayments, assets pending for sale and others)	**541,932**	347,156
Total	**9,197,846**	8,054,701
Credit related commitments	**2,130,008**	2,066,148
Total	**11,327,854**	10,120,849

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.

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 3,240,086 thousand (2022: KD 3,827,893 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:

Region	***Assets 2023 KD 000's***	***Credit related commitments 2023 KD 000's***	*(Restated) Assets 2022 KD 000's*	*Credit related commitments 2022 KD 000's*
MENA	8,331,676	2,037,849	7,390,364	1,992,387
North America	59,244	3,332	104,061	17,162
Europe	511,619	65,126	366,972	49,375
Asia	43,103	2,214	154,478	3,173
Others	252,204	21,487	38,826	4,051
Total	**9,197,846**	**2,130,008**	8,054,701	2,066,148

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:

	2023 KD 000's	*(Restated) 2022 KD 000's*
Sovereign	**1,361,273**	1,268,337
Banking	**2,187,229**	1,514,192
Investment	**407,068**	392,973
Trade and commerce	**1,001,148**	997,538
Real estate	**1,340,078**	1,336,444
Personal	**2,033,090**	1,702,961
Industrial and logistics	**958,212**	916,138
Construction	**774,163**	768,413
Others	**1,265,593**	1,223,853
	11,327,854	10,120,849

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.

	1 to 3 months KD 000's	***3 to 12 months KD 000's***	***Over 1 year KD 000's***	***Total KD 000's***
2023				
Financial liabilities				
Due to banks and other financial institutions	1,157,006	246,791	124,496	**1,528,293**
Deposits from customers	4,743,718	1,592,838	171,020	**6,507,576**
Loans payable	27,559	160,139	1,132,207	**1,319,905**
Bonds	-	106,283	667,099	**773,382**
Medium term notes	3,450	9,936	333,472	**346,858**
Other liabilities *	281,976	280,459	293,298	**855,733**
	6,213,709	**2,396,446**	**2,721,592**	**11,331,747**

	1 to 3 months KD 000's	*3 to 12 months KD 000's*	*Over 1 year KD 000's*	*(Restated) 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	1,056,494	147,547	5,641,172
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	388,111	258,707	859,487
	5,866,940	1,999,492	2,512,603	10,379,035

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

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*
2023				
Credit related commitments	863,607	781,342	507,819	**2,152,768**
Investment related commitments	-	1,210	10,414	**11,624**
	863,607	**782,552**	**518,233**	**2,164,392**
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

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.

2023	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*Over 1 year KD 000's*	*Total KD 000's*
ASSETS				
Cash in hand and at banks	1,590,321	64,393	2,695	**1,657,409**
Treasury bills, bonds and other debt securities	220,208	296,283	542,616	**1,059,107**
Loans and advances	2,190,724	1,125,114	2,173,631	**5,489,469**
Financial assets at fair value through profit or loss	44,978	82,972	132,012	**259,962**
Financial assets at fair value through other comprehensive income	25,678	36,704	709,921	**772,303**
Other assets	392,179	172,530	486,507	**1,051,216**
Properties held for trading	-	118,337	-	**118,337**
Investment in associates	-	-	150,241	**150,241**
Investment properties	-	-	484,828	**484,828**
Property, plant and equipment	-	-	641,742	**641,742**
Intangible assets	-	-	642,532	**642,532**
Total assets	**4,464,088**	**1,896,333**	**5,966,725**	**12,327,146**
LIABILITIES AND EQUITY				
Due to banks and other financial institutions	1,098,902	172,784	186,907	**1,458,593**
Deposits from customers	3,682,075	1,535,436	1,031,636	**6,249,147**
Loans payable, Bonds, and Medium-term notes	221,342	28,488	1,840,484	**2,090,314**
Other liabilities	289,811	280,459	293,298	**863,568**
Equity	-	-	1,665,524	**1,665,524**
Total liabilities and equity	**5,292,130**	**2,017,167**	**5,017,849**	**12,327,146**

29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.3 LIQUIDITY RISK (continued)

2022	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*Over 1 year KD 000's*	*(Restated) Total KD 000's*
ASSETS				
Cash in hand and at banks	1,470,341	45,268	8,289	1,523,898
Treasury bills, bonds and other debt securities	397,282	170,522	332,324	900,128
Loans and advances	2,668,155	586,592	1,626,132	4,880,879
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	666,955	756,476
Other assets	205,248	221,519	411,294	838,061
Properties held for trading	-	87,680	-	87,680
Investment in associates	-	-	292,977	292,977
Investment properties	-	-	484,193	484,193
Property, plant and equipment	-	-	628,209	628,209
Intangible assets	-	-	724,517	724,517
Total assets	4,823,309	1,274,875	5,288,028	11,386,212
LIABILITIES AND EQUITY				
Due to banks and other financial institutions	1,055,021	40,772	182,549	1,278,342
Deposits from customers	3,964,066	983,748	443,930	5,391,744
Loans payable, Bonds, and Medium-term notes	298,972	225,737	1,749,769	2,274,478
Other liabilities	212,669	388,111	258,707	859,487
Equity	-	-	1,582,161	1,582,161
Total liabilities and equity	5,530,728	1,638,368	4,217,116	11,386,212

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*	
	2023	*2022*
	KD 000's	*KD 000's*
KD	**3,327**	3,805
US$	**(973)**	(1,614)
EURO	**(125)**	(126)
GBP	**11**	26

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 on equity*		*Effect on profit before taxation*	
	2023	*2022*	***2023***	*2022*
	KD 000's	*KD 000's*	***KD 000's***	*KD 000's*
US$	**753**	26	**(18,070)**	(30,675)
EURO	**9**	9	**(502)**	163
SAR	**1,560**	1,478	**-**	-
JOD	**-**	-	**(47)**	(57)
GBP	-	-	**113**	95

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.

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:

2023	***Financial assets at fair value through profit or loss KD 000's***	***Financial assets at fair value through other comprehensive income KD 000's***
Energy	**-**	**295,904**
Banking	**76,750**	**20,430**
Investment	**32,209**	**6,102**
Trade and commerce	**20**	**6,998**
Real estate	**4,822**	**40,790**
Industrial and logistics	**1,041**	**1,224**
Others	**16,996**	**31,116**
	131,838	**402,564**

2022 (Restated)	*Financial assets at fair value through profit or loss KD 000's*	*Financial 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	432	1,215
Others	4,965	28,982
	121,121	403,097

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:

	MENA 2023 KD 000's	***Europe 2023 KD 000's***	***North America 2023 KD 000's***	***Asia 2023 KD 000's***	***Total 2023 KD 000's***	*Total 2022 KD 000's*
Financial assets at fair value through profit or loss						
Equity securities	23,572	24	4,432	26	**28,054**	15,101
Managed funds	90,605	10,593	2,586	-	**103,784**	106,020
	114,177	**10,617**	**7,018**	**26**	**131,838**	121,121
Financial assets at fair value through other comprehensive income						
Quoted equity securities	15,715	-	874	-	**16,589**	12,864
Unquoted equity securities	369,178	6,102	8,070	2,423	**385,773**	390,221
Managed funds	202	-	-	-	**202**	12
	385,095	**6,102**	**8,944**	**2,423**	**402,564**	403,097

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 270,674 thousand (2022: KD 412,215 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.

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 2023:

	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	17,210	16	10,828	**28,054**
Debt securities	13,264	-	100	**13,364**
Managed funds	1,224	12,702	89,858	**103,784**
Forfaiting assets	-	-	114,760	**114,760**
Financial assets fair value through other comprehensive income:				
Equities	16,589	13,661	372,112	**402,362**
Debt securities	369,739	-	-	**369,739**
Managed funds	153	20	29	**202**
Derivatives (Note 27)	-	51,441	-	**51,441**
Liabilities measured at fair value				
Derivatives (Note 27)	-	(15,216)	-	**(15,216)**

Fair value measurement hierarchy as at 31 December 2022:

	Level 1 KD 000's	*Level 2 KD 000's*	*Level 3 KD 000's*	*(Restated) 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:				
Equity securities	12,864	14,281	375,940	403,085
Debt securities	353,379	-	-	353,379
Managed funds	-	-	12	12
Derivatives (Note 27)	-	52,702	-	52,702
Liabilities measured at fair value				
Derivatives (Note 27)	-	(16,254)	-	(16,254)

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%.

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 2023 and 31 December 2022.

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.

	2023	*(Restated)* *2022*
	KD 000’s	*KD 000’s*
Loans	**241,910**	94,323
Bonds	**332,530**	258,311
Medium term notes	**304,930**	457,170
Total debt	**879,370**	809,804
Less: Cash & cash equivalents of Parent Company	**117,002**	139,879
Net Debt	**762,368**	669,925
Equity attributable to the equity holders of the Parent Company	**611,169**	587,808
Leverage	**1.25**	1.14

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. Compliance with such capital adequacy and/or other regulatory requirements is monitored by each of the regulated subsidiaries on a regular basis.

32 SIGNIFICANT EVENT

On 21 November 2023, the Group’s subsidiary, “PMGL” has signed a conditional binding agreement to combine its streaming platform “OSN+” with “Anghami Inc” and to inject up to USD 50 million (equivalent to KD 15.4 million) for a majority stake in Anghami Inc. Anghami Inc is a leading music and entertainment streaming platform in the MENA region and listed in NASDAQ.

This deal is expected to bring together over 120 million registered users, more than 2.5 million paying subscribers with over USD 100 million in revenues transforming Anghami Inc. into one of the region’s largest streaming platforms.

Execution of this transaction is subject to obtaining customary, regulatory, and anti-trust approvals.