

**KUWAIT PROJECTS COMPANY HOLDING
K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2025
WITH
INDEPENDENT AUDITOR'S REPORT**



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 2025, and the consolidated statement of income, 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 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards (IFRSs).

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 Accountant's Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as applicable to audits of consolidated financial statements of public interest entities, 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 a basis for our opinion.

Key Audit Matters

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

Key Audit Matters (continued)

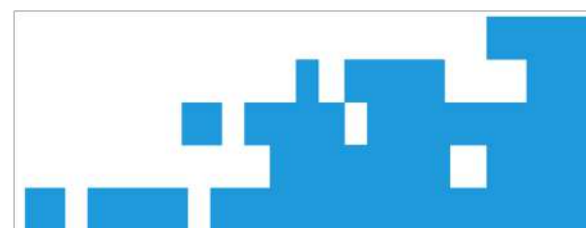
Expected credit losses (ECL) on loans and advances

Loans and advances of the Group's commercial banking subsidiaries represent a significant part of the total assets. 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 three different 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 material accounting judgments, estimates and assumptions disclosures and risk management objectives and policies of loans and advances in Notes 2.6, 4 and 27.2 of the accompanying consolidated financial statements.

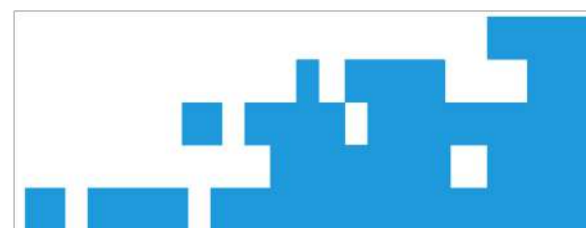
Valuation of investment properties

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 9 of the accompanying consolidated financial statements. The Group's policy on investment properties is disclosed in Note 2.5 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.

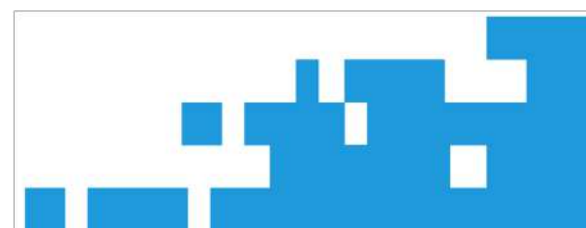
Furthermore, we assessed the adequacy of the Group's disclosures included in Note 10 of the accompanying consolidated financial statements related to those assumptions. The Group's policy on impairment testing is disclosed in Note 2.5 of the accompanying consolidated financial statements.

Other information included in the Annual Report of the Group for the year ended 31 December 2025

Management is responsible for the other information. Other information consists of the information included in the Group's 2025 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information attached to it, 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 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.

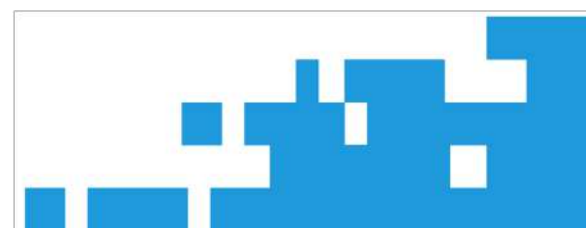
Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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)

- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

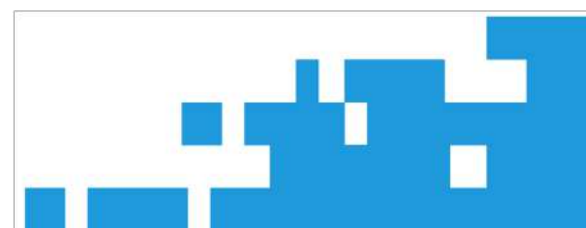
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements together with the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that 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, 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, 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 2025 that might have 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 and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, concerning the Capital Markets Authority and Organization of Security Activity, its amendments and Executive Regulations during the year ended 31 December 2025, that might have had a material effect on the business of the Parent Company or on its financial position.

State of Kuwait
29 March 2026

A blue ink signature of Nayef M. Al Bazie, consisting of a series of loops and a long horizontal stroke.

Nayef M. Al Bazie
License No. 91-A
RSM Albazie & Co.



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 KD 000's	2024 KD 000's
ASSETS			
Cash in hand and at banks	3	2,394,382	2,662,597
Treasury bills, bonds and other debt securities		1,462,323	1,164,852
Loans and advances	4	5,784,572	5,054,157
Financial assets at fair value through profit or loss ("FVTPL")	5	294,232	219,235
Financial assets at fair value through other comprehensive income ("FVOCI")	6	738,648	853,818
Other assets	7	1,051,115	923,965
Properties held for trading		39,398	79,116
Investment in associates	8	134,652	152,159
Investment properties	9	571,055	541,054
Property, plant and equipment		730,245	675,183
Intangible assets	10	617,227	646,938
TOTAL ASSETS		13,817,849	12,973,074
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions		1,904,916	1,816,595
Deposits from customers		7,219,735	6,763,221
Loans payable	11	1,568,082	1,063,873
Bonds	12	498,869	499,727
Medium term notes	13	205,220	305,889
Other liabilities	14	726,801	794,483
Total liabilities		12,123,623	11,243,788
Equity			
Share capital	15	504,848	504,848
Share premium	15	68,913	68,913
Treasury shares	15	(120,985)	(120,985)
Statutory reserve	15	116,282	114,644
Voluntary reserve	15	76,546	76,546
Cumulative changes in fair values		(45,932)	(36,591)
Revaluation surplus		20,983	22,505
Foreign currency translation reserve		(94,002)	(104,378)
Other reserve		(3,457)	(7,459)
Retained earnings		121,736	115,827
Equity attributable to the shareholders of the Parent Company		644,932	633,870
Perpetual capital securities	15	182,407	184,821
Non-controlling interest		866,887	910,595
Total equity		1,694,226	1,729,286
TOTAL LIABILITIES AND EQUITY		13,817,849	12,973,074

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

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2025

	<i>Notes</i>	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Income:			
Interest income		793,257	744,767
Investment income	17	41,983	26,865
Net fees and commission income	18	84,930	121,774
Share of results of associates		(8,844)	8,871
Energy income		63,033	42,551
Industrial and logistics income		303,856	291,911
Educational services income		28,417	27,982
Media and digital satellite network services income		72,386	73,249
Hospitality and real estate income		97,196	83,910
Other income		39,005	30,567
Foreign exchange gain		27,324	43,298
		<u>1,542,543</u>	<u>1,495,745</u>
Expenses:			
Interest expenses		606,335	593,101
Energy expenses		39,530	28,371
Industrial and logistics expenses		247,275	231,489
Educational services expenses		15,816	16,345
Media and digital satellite network services expenses		85,607	87,285
Hospitality and real estate expenses		70,425	57,377
General and administrative expenses	19	277,618	263,181
Depreciation and amortization		43,224	41,314
		<u>1,385,830</u>	<u>1,318,463</u>
Operating profit		156,713	177,282
Provision for credit losses	4, 24	(25,699)	(35,214)
Provision for impairment of other financial and non-financial assets	26	(16,804)	(13,187)
Net monetary loss	2.7	(17,376)	(24,080)
Board of Directors' remuneration	22	(50)	-
		<u>96,784</u>	<u>104,801</u>
Profit before taxation		96,784	104,801
Taxation	20	(27,398)	(34,411)
		<u>69,386</u>	<u>70,390</u>
Profit for the year			
		<u>69,386</u>	<u>70,390</u>
Attributable to:			
Shareholders of the Parent Company		16,332	15,649
Non-controlling interest		53,054	54,741
		<u>69,386</u>	<u>70,390</u>
		<i>Fils</i>	<i>Fils</i>
EARNINGS PER SHARE:			
Basic and diluted - attributable to the shareholders of the Parent Company	21	<u>1.8</u>	<u>1.8</u>

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 KD 000's	2024 KD 000's
Profit for the year	69,386	70,390
Other comprehensive loss:		
<i>Items that will not be reclassified subsequently to consolidated statement of income:</i>		
Net change in fair value of equity instruments at fair value through other comprehensive loss	(13,895)	(2,108)
Share of other comprehensive (loss) income from associates	(989)	1,633
	(14,884)	(475)
<i>Items that are or will be reclassified subsequently to consolidated statement of income:</i>		
Debt instruments at fair value through other comprehensive income:		
Net change in fair value during the year	16,980	5,838
Changes in allowance for expected credit losses	(49)	(26)
Net transfer to consolidated statement of income	(8,975)	(1,738)
Changes in fair value of cash flow hedge	(1,944)	(8,772)
Revaluation loss for Hotel class under property, plant and equipment	(1,876)	(201)
Foreign currency translation adjustment	(19,504)	(11,145)
	(15,368)	(16,044)
Other comprehensive loss for the year	(30,252)	(16,519)
Total comprehensive income for the year	39,134	53,871
Attributable to:		
Shareholders of the Parent Company	(10,340)	(264)
Non-controlling interest	49,474	54,135
	39,134	53,871

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 KD 000's	2024 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		96,784	104,801
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>			
Interest income		(793,257)	(744,767)
Investment income	17	(41,983)	(26,865)
Share of results of associates		8,844	(8,871)
Interest expense		606,335	593,101
Depreciation and amortization		71,240	63,117
Provision for credit losses	4, 24	25,699	35,214
Provision for impairment of other financial and non-financial assets	26	16,804	13,187
Net monetary loss	2.7	17,376	24,080
Foreign exchange loss on loans payable, bonds and medium-term notes		(1,482)	2,212
Employee stock based payments		-	(822)
		<u>6,360</u>	<u>54,387</u>
<i>Changes in operating assets and liabilities:</i>			
Deposits with original maturities exceeding three months		(363,150)	(85,758)
Treasury bills, bonds and other debt securities		(297,471)	(105,745)
Loans and advances		(815,872)	(411,612)
Financial assets at fair value through profit or loss		(63,962)	47,166
Financial assets at fair value through other comprehensive income		117,872	(76,108)
Other assets		(154,128)	(138,223)
Properties held for trading		4,309	(6,367)
Due to banks and other financial institutions		88,321	358,002
Deposits from customers		456,514	514,074
Other liabilities		(41,379)	(37,006)
Dividends received	17	8,327	14,821
Interest received		779,054	725,539
Interest paid		(614,079)	(623,445)
		<u>(889,284)</u>	<u>229,725</u>
Net cash flows (used in) from operating activities			
INVESTING ACTIVITIES			
Net movement in investment properties		(9,757)	(19,949)
Net movement in investment in associates		(295)	1,096
Dividends received from associates		2,750	8,568
Net cashflow from acquisition of subsidiaries		13	2,519
Net cash flow from disposal of discontinued operation		-	176,108
		<u>(7,289)</u>	<u>168,342</u>
Net cash flows (used in) from investing activities			
FINANCING ACTIVITIES			
Proceeds from (repayment of) loans payable, net		504,209	(162,091)
Repayment of medium-term notes, net		(97,072)	-
Repayment of bonds, net		-	(61,840)
Purchase of treasury shares		-	(576)
Proceeds from sale of treasury shares		-	1,552
Proceeds from issue of perpetual Capital securities		-	149,502
Repayment of perpetual capital securities		(2,414)	(150,917)
Interest payment on perpetual capital securities		(13,868)	(12,204)
Dividends paid to equity holders of the Parent Company		(444)	(14)
Dividends paid to non-controlling interest		(72,977)	(51,508)
Movement in non-controlling interest		(15,465)	9,650
		<u>301,969</u>	<u>(278,446)</u>
Net cash flows from (used in) financing activities			
Net foreign exchange differences		(36,761)	(14,408)
		<u>(631,365)</u>	<u>105,213</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(631,365)	105,213
Cash and cash equivalents as at 1 January		2,217,661	2,112,448
		<u>2,217,661</u>	<u>2,217,661</u>
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3	1,586,296	2,217,661

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	<i>Attributable to shareholders of the Parent Company</i>													
	<i>Share capital</i> <i>KD 000's</i>	<i>Share premium</i> <i>KD 000's</i>	<i>Treasury shares</i> <i>KD 000's</i>	<i>Statutory reserve</i> <i>KD 000's</i>	<i>Voluntary reserve</i> <i>KD 000's</i>	<i>Cumulative changes in fair values</i> <i>KD 000's</i>	<i>Revaluation surplus</i> <i>KD 000's</i>	<i>Foreign currency translation reserve</i> <i>KD 000's</i>	<i>Other reserve</i> <i>KD 000's</i>	<i>Retained earnings</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>	<i>Perpetual capital securities</i> <i>KD 000's</i>	<i>Non controlling interest</i> <i>KD 000's</i>	<i>Total equity</i> <i>KD 000's</i>
As at 1 January 2025	504,848	68,913	(120,985)	114,644	76,546	(36,591)	22,505	(104,378)	(7,459)	115,827	633,870	184,821	910,595	1,729,286
Profit for the year	-	-	-	-	-	-	-	-	-	16,332	16,332	-	53,054	69,386
Other comprehensive loss	-	-	-	-	-	(10,374)	(1,091)	(15,207)	-	-	(26,672)	-	(3,580)	(30,252)
Total comprehensive (loss) income	-	-	-	-	-	(10,374)	(1,091)	(15,207)	-	16,332	(10,340)	-	49,474	39,134
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(72,977)	(72,977)
Transfer to retained earnings on derecognition of equity investments carried at FVOCI and unwinding of interest rate swaps	-	-	-	-	-	1,033	-	-	-	(1,033)	-	-	-	-
Transfer of depreciation related to Hotel class in property, plant and equipment carried at revaluation	-	-	-	-	-	-	(431)	-	-	431	-	-	-	-
Repayment of perpetual capital securities (Note 15)	-	-	-	-	-	-	-	-	-	-	-	(2,414)	-	(2,414)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(8,183)	(8,183)	-	(5,685)	(13,868)
Impact of initial application of IAS 29 (Note 2.7)	-	-	-	-	-	-	-	25,583	-	-	25,583	-	6,730	32,313
Acquisition and ownership changes in subsidiaries	-	-	-	-	-	-	-	-	4,002	-	4,002	-	(21,250)	(17,248)
Transfer to statutory reserve	-	-	-	1,638	-	-	-	-	-	(1,638)	-	-	-	-
As at 31 December 2025	504,848	68,913	(120,985)	116,282	76,546	(45,932)	20,983	(94,002)	(3,457)	121,736	644,932	182,407	866,887	1,694,226

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2025

	<i>Attributable to shareholders of the Parent Company</i>												<i>Perpetual capital securities</i>	<i>Non controlling interest</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Cumulative changes in fair values</i>	<i>Revaluation surplus</i>	<i>Foreign currency translation reserve</i>	<i>ESOP reserve</i>	<i>Other reserve</i>	<i>Retained earnings</i>	<i>Total</i>			
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
As at 1 January 2024	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
Profit for the year	-	-	-	-	-	-	-	-	-	-	15,649	15,649	-	54,741	70,390
Other comprehensive loss	-	-	-	-	-	(5,357)	(172)	(10,384)	-	-	-	(15,913)	-	(606)	(16,519)
Total comprehensive (loss) income	-	-	-	-	-	(5,357)	(172)	(10,384)	-	-	15,649	(264)	-	54,135	53,871
Purchase of treasury shares	-	-	(576)	-	-	-	-	-	-	-	-	(576)	-	-	(576)
Sale of treasury shares	-	-	3,260	-	-	-	-	-	-	-	(1,708)	1,552	-	-	1,552
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(51,508)	(51,508)
Transfer to retained earnings on derecognition of equity investments carried at FVOCI and unwinding of interest rate swaps	-	-	-	-	-	(2,436)	-	-	-	-	2,436	-	-	-	-
Employees' share based payment	-	-	-	-	-	-	-	-	(822)	-	-	(822)	-	-	(822)
Transfer of depreciation related to Hotel class in property, plant and equipment carried at revaluation	-	-	-	-	-	-	(325)	-	-	-	325	-	-	-	-
Issue of perpetual capital securities (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-	150,000	-	150,000
Repayment of perpetual capital securities (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-	(150,917)	-	(150,917)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(7,287)	(7,287)	-	(4,917)	(12,204)
Perpetual capital securities issuance cost	-	-	-	-	-	-	-	-	-	-	(309)	(309)	-	(189)	(498)
Impact of initial application of IAS 29 (Note 2.7)	-	-	-	-	-	-	-	30,798	-	-	-	30,798	-	7,058	37,856
Acquisition and ownership changes in subsidiaries and associates	-	-	-	-	-	3,298	-	798	-	(5,804)	1,317	(391)	-	37,399	37,008
Transfer to statutory reserve	-	-	-	1,565	-	-	-	-	-	-	(1,565)	-	-	-	-
As at 31 December 2024	504,848	68,913	(120,985)	114,644	76,546	(36,591)	22,505	(104,378)	-	(7,459)	115,827	633,870	184,821	910,595	1,729,286

The attached notes 1 to 30 form part of these consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

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 2025 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 29 March 2026 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:

- 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.
- 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.
- 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.
- Owning real estate and moveable properties to conduct its operations within the limits as stipulated by law.
- 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 consolidated financial statements of the Group have been prepared in accordance with IFRS accounting 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 recognised 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 prior year amounts 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, consolidated statement of income and consolidated statement of cashflows such reclassifications do not affect previously reported assets, liabilities, equity and profit for the year, nor materially affect the consolidated statement of cash flows.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

Amendments to 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 the implementation of the following new amendments on the applied International Financial Reporting Standards as of 1 January 2025:

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Amendments to standards that are effective for the current year (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.

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.

The adoption of the above amendment did not have material impact on the disclosures or on the amounts reported in these consolidated financial statements.

2.3 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 18 Presentation and Disclosures in Financial Statements

The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss,
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements,
- improve aggregation and disaggregation.

IFRS 18 requires retrospective application with specific transition provisions. An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027 with earlier application permitted. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

The new standard, IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. An entity is required to apply IFRS 19 for annual reporting periods beginning on or after 1 January 2027. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

An entity is required to apply these amendments for annual reporting periods beginning on or after 1 January 2026. The amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments.
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

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

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

Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)

The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.

The amendments are required to be applied retrospectively with specific transition provisions. The amendments are applicable for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.

The 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 shareholders 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 statement of income
- ▶ Reclassifies the parent's share of components previously recognised in other comprehensive income (OCI) to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

2.4 BASIS OF CONSOLIDATION (continued)

The subsidiaries of the Group are as follows:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership interests as at 31 December *</i>	
			<i>2025</i>	<i>2024</i>
<i>Directly held</i>				
United Gulf Holding Company B.S.C (“UGH”)	Bahrain	Holding Company	83.22%	82.48%
Burgan Bank K.P.S.C. (“Burgan”)	Kuwait	Banking	62.08%	60.54%
United Real Estate Company K.S.C.P. (“URC”)	Kuwait	Real Estate	60.45%	61.91%
United Industries Company K.S.C. (Closed) (“UIC”)	Kuwait	Industrial	79.39%	79.22%
Overland Real Estate Company W.L.L. (“Overland”)	Kuwait	Real estate	92.63%	89.89%
United Gulf Management Incorporation	USA	Asset management	100.00%	100.00%
United Gulf Management Limited	UK	Asset management	100.00%	100.00%
Al Rawabi United Holding Company K.S.C.C. (Holding)	Kuwait	Holding Company	91.78%	99.99%
Pulsar Knowledge Centre	India	Consultancy	100.00%	100.00%
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	88.08%	69.61%
SAUDIA Dairy and Foodstuff Company (“SADAFSCO”)	Saudi Arabia	Dairy and foodstuff production	40.79%	40.74%
National Petroleum Services Company K.S.C.P (“NAPESCO”)	Kuwait	Support services for drilling and repairing oil wells	59.63%	59.63%
JTC Logistics Transportation and Stevedoring Company K.S.C.P (“JTC”)	Kuwait	Leasing of equipment and stevedoring operations	48.22%	47.41%
Insha’a Holding Company K.S.C. (Holding) (“INSHA”)	Kuwait	Holding	84.18%	84.76%
EPSCO Global General Trading Company W.L.L.	Kuwait	Manufacturing and trading rubber products	60.00%	60.00%
United Petrochemical Company K.S.C.(Closed)	Kuwait	Manufacturing of plastic materials	99.99%	99.99%
Qurain Plastic Industries Company K.S.C. (Closed)	Kuwait	Manufacturing of plastic materials	99.99%	99.99%
Qurain Basic Materials Industries Company K.S.C. (Closed)	Kuwait	Manufacturing of plastic chemicals	99.99%	99.99%
UGG Investment Holding Company Ltd.	British Virgin Islands	Holding Company	100.00%	100.00%
KIPCO Incuvest Holding Ltd.	Cayman Islands	Holding Company	100.00%	100.00%
PKC Holding Company	Cayman Islands	Holding Company	100.00%	100.00%
KIPCO Private Equity Company	Cayman Islands	Asset management	100.00%	100.00%
M-KPCO Holding Company Ltd.	British Virgin Islands	Holding Company	100.00%	100.00%
United Gulf Services Holding Ltd.	Cayman Islands	Holding Company	100.00%	100.00%
United Gulf Services Ltd.	Cayman Islands	Asset management	100.00%	100.00%
Wainwright Investments Inc.	USA	Asset management	100.00%	100.00%

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	Country of incorporation	Principal activities	Ownership interests as at 31 December *	
			2025	2024
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	80.02%	58.00%
United Networks Company K.S.C. (Closed) (“UNC”)	Kuwait	Satellite & media	80.99%	80.99%
Mena Homes Real Estate Company K.S.C (Closed) (“Mena Homes”)	Kuwait	Real estate	87.82%	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 Cayman	Special purpose entity	100.00%	100.00%
Kuwait Projects Company Sukuk Limited	Islands	Special purpose entity	100.00%	100.00%
Held through UGH				
Hatoon Real Estate Company W.L.L.	Kuwait	Real estate	100.00%	100.00%
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	100.00%	100.00%
United Gulf Financial Services “UGAS”	Tunisia	Financial Services	100.00%	100.00%
FIM Bank Group (“FIM Bank”)	Malta	Banking	88.89%	88.89%
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	80.99%	80.99%
Held Through FIM Bank				
London Forfaiting Company Limited	UK	Forfaiting Holding Company	100.00%	100.00%
FIM Factors B.V.	Netherlands	Property Management	100.00%	100.00%
FIM Property Investment Limited	Malta	Holding Company	100.00%	100.00%
London Forfaiting International Limited	UK	Marketing	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	99.56%	88.16%
The Egyptian Company for Factoring S.A.E.	Egypt	Factoring	100.00%	100.00%
Held through URC				
United Real Estate Jordan P.S.C.	Jordan	Real estate	100.00%	100.00%
United Building Company K.S.C. (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%
Souk Al -Muttaheda Joint venture – Salhia	Kuwait	Real estate Facilities	92.17%	92.17%
United International Project Management Company W.L.L.	Kuwait	management Facilities	100.00%	100.00%
United Facilities Management Company K.S.C (Closed)	Kuwait	management	99.28%	99.20%
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 Real Estate Company	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%

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	Country of incorporation	Principal activities	Ownership interests as at	
			31 December * 2025	2024
Held through URC (continued)				
United Company for Investment L.L.C	Syria	Real estate	100.00%	100.00%
United Real Estate Company L.L.C	Syria	Real estate	100.00%	100.00%
United Real Estate Investment Company S.A.E.	Egypt	Investment	100.00%	100.00%
Manazel United for Real Estate Investment Company S.A.E.	Egypt	Real estate	100.00%	100.00%
Aswar United Real Estate Company S.A.E.	Egypt	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%
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 (a)	Isle of Man	Real Estate	-	100.00%
United Arab Facility Management L.L.C. (a)	Jordan	Facilities management	-	100.00%
Areej United for Agricultural Investment Company	Egypt	Agriculture	100.00%	100.00%
United Kuwaiti Real Estate Development Company L.L.C	Oman	Real estate	100.00%	100.00%
Panorama Beauty Company	Jordan	Cosmetic Services	96.00%	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%
Mina United Real Estate Services W.L.L.	Kuwait	Real estate	100.00%	100.00%
Gulf Egypt for Agricultural Investment & Food Manufacturing Co.	Egypt	Agricultural Investment & Food Manufacturing	98.00%	98.00%
United Company for Services and Maintenance. L.L.C	Egypt	Facilities management	100.00%	100.00%
United Kuwait Healthcare Services Company S.P.C	Kuwait	Medical Services	99.20%	99.20%
United Facilities Management Services LLC (a)	Bahrain	Facilities management	-	100.00%
United Facilities Management Co. SAE	Egypt	Facilities management	100.00%	100.00%
Assoufid BV	Netherlands	Real estate	100.00%	100.00%
AlBahar AlAhmar Tourism Development Co. LTD (b)	Sudan	Real estate	80.00%	-
United Circle Group Company for Restaurant Management (b)	Kuwait	Hospitality	60.00%	-
United Masirah Real Estate Development Co. S.P.C (b)	Oman	Real estate	100.00%	-
Arab Company for Animal Produce	Egypt	Manufacturing	96.82%	96.82%
Al Jewar International for Lands and Real Estate Management and Development	Kuwait	Real estate	100.00%	100.00%
Mena United for General Trading and Contracting	Syria	Trading	100.00%	100.00%
Kuwaiti Real Estate Co	KSA	Real estate	100.00%	100.00%
United Project Management	Morocco	Real estate	100.00%	100.00%
Investment United Company	Syria	Real estate	75.00%	75.00%
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%
Stavebni S.A.	Morocco	Real Estate	100.00%	100.00%
Assoufid palace S.A	Morocco	Construction	100.00%	100.00%
22 Project Management Company	Morocco	Real Estate	100.00%	100.00%
Bhamdoun United Real Estate Company S.A.L.	Kuwait	Real estate	100.00%	100.00%
	Lebanon	Hotel management	100.00%	100.00%
Held through Mena Homes				
Al Awseda United Real Estate Company	Kuwait	Real estate	100.00%	100.00%

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

2.4 BASIS OF CONSOLIDATION (continued)

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership interests as at</i>	
			<i>31 December * 2025</i>	<i>2024</i>
<i>Held through Burgan</i>				
Tunis International Bank S.A. (“TIB”)	Tunisia	Banking	90.41%	90.41%
Algeria Gulf Bank S.P.A. (“AGB”)	Algeria	Banking	91.13%	91.13%
Burgan Senior SPC Limited	UAE	Special Purpose entity	100.00%	100.00%
Burgan Bank A.S. (“BBT”)	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 Teknoloji A.S. (b)	Turkey	Technology	99.89%	-
Redkeep Holding LTD (b)	UAE	Special Purpose entity	100.00%	-
Redkeep Property Holding LTD (b)	UAE	Special Purpose entity	100.00%	-
Redkeep Investment Holding LTD (b)	UAE	Special Purpose entity	100.00%	-
Voco Hotel LLC (b)	UAE	Hotel	100.00%	-
Burgan Bank Financial Services Limited (“BBFS”)	UAE	Financial Advisory Services	100.00%	100.00%
Burgan Asset Holding Limited	UAE	Special Purpose entity	100.00%	100.00%
United Gulf Bank B.S.C. (“UGB”)	Bahrain	Investment banking	100.00%	100.00%
<i>Held through UGB</i>				
KAMCO Investment Company K.S.C.P. (“KAMCO”)	Kuwait	Asset management	62.92%	62.92%
United Gulf Realty International Limited	British Virgin Islands	Real estate	100.00%	100.00%
Manafae Holding Company K.S.C.(Closed)	Kuwait	Holding Company	57.74%	58.71%
N.S.88 SPC	Bahrain	Real estate	79.52%	79.52%
Federal Street 176 Holdings, Inc. (a)	USA	Real estate	-	100.00%
United Gulf Investment Holdings Ltd.	Cayman Islands	Holding	100.00%	100.00%
Gulf Investment Company Ltd.	Cayman Islands	Investment management	100.00%	100.00%
United Gulf Investments Ltd.	Cayman Islands	Investment management	100.00%	100.00%
Accel VIII Holdings Ltd.	Cayman Islands	Holding	100.00%	100.00%
Accel Europe Holdings Ltd.	Cayman Islands	Holding	100.00%	100.00%
Accel KKR Holdings Ltd.	Cayman Islands	Holding	100.00%	100.00%
Private Equity 2012 Ltd.	Cayman Islands	Investment management	100.00%	100.00%
United Gulf Limited	Cayman Islands	Investment management	100.00%	100.00%
KIPCO PE 2018 Ltd	British Virgin Islands	Investment management	100.00%	100.00%
Private Equity Holdings Ltd II	Cayman Islands	Holding	100.00%	100.00%
<i>Held through KAMCO</i>				
Kuwait Private Equity Opportunities Fund	Kuwait	Fund	72.82%	72.82%
AL Jazi Money Market fund	Kuwait	Fund	96.94%	96.94%
KAMCO Global fund	Bahrain	Fund	98.00%	96.85%
KAMCO Investment Company (DIFC) Limited	UAE	Investment management	100.00%	100.00%
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%	99.53%
Buckeye Power Advisory Company LLC	USA	Advisory	47.83%	47.83%
Buckeye Power Manager Limited	Jersey	Investment management	100.00%	100.00%
KAMCO Mena Plus Fixed Income Fund (OECD) Limited	UAE	Fund	53.54%	55.69%

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

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2.4 BASIS OF CONSOLIDATION (continued)

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership interests as at 31 December *</i>	
			<i>2025</i>	<i>2024</i>
<i>Held through KAMCO (continued)</i>				
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%
KAMCO GCC Investment Funds Company B.S.C.	Bahrain	Investment management	99.90%	99.90%
KAMCO Capital Partners Ltd.	Cayman Islands	Investment management	100.00%	100.00%
KAMCO Capital Management Ltd.	Cayman Islands	Investment management	100.00%	100.00%
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.	USA	Investment management	100.00%	100.00%
Kamco Investment Advisor Limited	Jersey	Investment management	100.00%	100.00%
American Blvd Investor, Inc	USA	Investment management	100.00%	100.00%
Kamco Investment Company Ltd	UK	Investment management	100.00%	100.00%
Kuwait Future Project Management Co. WLL	Kuwait	Management services	99.00%	99.00%
National International for Management Consultancy	Kuwait	Management services	99.00%	99.00%
Al Rehab International for Printing and Photography Co.	Kuwait	Printing & Photography Management	98.67%	98.67%
11th Project Management Co. WLL	Kuwait	Management services	99.00%	99.00%
Arabian Horizon Real Estate Co. WLL	Kuwait	Real Estate	99.00%	99.00%
Arabian Gathering Project Management Co WLL	Kuwait	Management services	99.00%	99.00%
Ajyal Project Management Co. WLL	Kuwait	Management services	99.00%	99.00%
Al Maham United Real Estate Company (SPC)	Kuwait	Real Estate	100.00%	100.00%
Kamco Energy, Petrochemical and Downstream Industries Fund Company B.S.C	Bahrain	Fund Holding Company	99.99%	99.99%
Kamco Fund Company (Bahrain) EC	Bahrain	Fund Holding Company	99.99%	99.99%
Kamco GCC Islamic Fund Company B.S.C	Bahrain	Fund Holding Company	99.99%	99.99%
Kamco GCC Large Cap Company B.S.C	Bahrain	Fund Holding Company	99.99%	99.99%

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

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2.4 BASIS OF CONSOLIDATION (continued)

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership interests as at 31 December *</i>	
			<i>2025</i>	<i>2024</i>
<i>Held through KAMCO (continued)</i>				
Kamco European Logistics Company SARL	Luxembourg	Investment management	100.00%	100.00%
Multiservice General Trading Co SPC	Kuwait	Trading	100.00%	100.00%
Kamco Opportunistic Fund II Company B.S.C	Bahrain	Fund Holding Company	99.99%	99.99%
Kamco Real Estate Ijarah Fund Company B.S.C	Bahrain	Fund Holding Company	99.99%	99.99%
GCC Tech Invest Limited	Jersey	Investment management	100.00%	100.00%
KAMCO Freestyle Saudi Equity Fund (Shariah)	Saudi Arabia	Fund	95.18%	100.00%
Kamco SAR Murabaha Fund	Saudi Arabia	Fund	74.16%	100.00%
Solar Growth Capital Limited (b)	Jersey	Investment management	100.00%	-
EGLS Holdings, S.R.O. (b)	Czechia	Investment management	60.00%	-
EGLS, S.R.O. (b)	Czechia	Real Estate	100.00%	-
European Green Logistics Space Limited (b)	UK	Real Estate	100.00%	-
European Green Logistics Space Germany GmbH (b)	Germany	Real Estate	100.00%	-
European Green Logistics Space Poland SP Z O.O. (b)	Poland	Real Estate	100.00%	-
European Green Logistics Space France (b)	France	Real Estate	100.00%	-
European Green Logistics Space Spain, S.L. (b)	Spain	Real Estate	100.00%	-
EGLS CZ Project Co 1 S.R.O. (b)	Czechia	Real Estate	100.00%	-
EGLS CZ Project Co 2 S.R.O. (b)	Czechia	Real Estate	100.00%	-
<i>Held through UNC</i>				
Gulfsat Communications Company K.S.C. (Closed)	Kuwait	Satellite services	87.92%	87.92%
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%
Gulfsat Kuwait for Internet Services Provider Co W.L.L	Kuwait	Communication	100.00%	100.00%
Gulf Satellite International for Satellite Communication Activities Co. W.L.L	Kuwait	Satellite services	100.00%	100.00%
Marina Media International Advertising Co. W.L.L	Kuwait	Advertisement	100.00%	100.00%
<i>Held through KUCC</i>				
Qurain Integrated Investment Holding Company S.P.C	Kuwait	Holding	100.00%	100.00%
<i>Held through Overland</i>				
Amaken United Real Estate Company K.S.C. (Closed)	Kuwait	Real estate Industrial	99.99%	99.99%
United Industrial Gas and Energy Company K.S.C.(Closed)	Kuwait	Investment	99.99%	99.99%
Alternative Energy Projects Company K.S.C. (Closed)	Kuwait	Energy projects	99.99%	99.99%
Alternative Energy Projects Company	Jordan	Energy projects	100.00%	100.00%
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%
APEC Mena Sky ESG Holding Limited	UAE	Special purpose entity	100.00%	100.00%
Shams Al-Karak One for Renewable Energy Company W.L.L	Jordan	Energy projects Holding	100.00%	100.00%
North Africa Holding Industries Limited	Guernsey	Company	100.00%	100.00%

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

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As at 31 December 2025

2.4 BASIS OF CONSOLIDATION (continued)

Name of company	Country of incorporation	Principal activities	Ownership interests as at 31 December *	
			2025	2024
Held through Overland (continued)				
Renewable Energy Sources BV	Netherlands	Investment Holding Company	100.00%	100.00%
SACEM Electric Transformers Manufacturing Co. W.L.L. (b)	Kuwait	Investment Holding Company	100.00%	-
SACEM Electric Transformers Manufacturing Co. LLC (b)	Jordan	Manufacturing	100.00%	-
Green Sources for Investment and Electronics Holding B.V. (b)	Netherlands	Investment Holding Company	55.00%	-
Masader Al Haq for Energy Consultation Services L.P.C. (b)	Jordan	Energy projects	55.00%	-
Kuwait Furniture Manufacturing & Trading Co. (b)	Kuwait	Manufacturing	98.00%	-
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 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				
North Africa Holding Pharma Industry Ltd. (a)	Guernsey	Investment Holding company	-	100.00%
North Africa Aero General Trading L.L.C. (a)	UAE	Investment Holding company	-	100.00%
North Africa Management Services L.L.C. (a)	UAE	Investment Holding company	-	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%
North Africa Holding Real Estate	Morocco	Real Estate	100.00%	100.00%
Pacato SARL	Morocco	Real Estate Development	100.00%	100.00%
Nitshade Limited	Guernsey	Investment Holding company	100.00%	100.00%
Tiglio SARL	Morocco	Real Estate Development	100.00%	100.00%
Tolland Limited	Guernsey	Investment Holding company	100.00%	100.00%
Held through Rawabi				
Jordan Kuwait Bank P.L.C. ("JKB")	Jordan	Banking	51.19%	51.19%

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

2.4 BASIS OF CONSOLIDATION (continued)

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership interests as at 31 December *</i>	
			<i>2025</i>	<i>2024</i>
<i>Held through JKB</i>				
Ejarah for Finance Leasing Company	Jordan	Leasing	100.00%	100.00%
United Financial Investments Company	Jordan	Brokerage	89.79%	78.38%
Specialized Managerial Company for Investment and Financial Consultation	Jordan	Financial Services	100.00%	100.00%
Jordanian Investors for Commercial Complexes and Real Estate Development Company	Jordan	Real Estate	100.00%	100.00%
Bank of Baghdad P.J.S.C (“BOB”)	Iraq	Banking	53.44%	53.44%
<i>Held through PMGL</i>				
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%
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%
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 (a)	Saudi Arabia	Trading in electronic equipment	-	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. (a)	Egypt	Managing and operating systems	-	53.00%
Digital for Technology Systems W.L.L. (a)	Egypt	General Trading and Contracting	-	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 (a)	Jordan	Trading in satellite receiving equipment	-	100.00%

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

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2.4 BASIS OF CONSOLIDATION (continued)

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership interests as at</i>	
			<i>31 December *</i>	
			<i>2025</i>	<i>2024</i>
<i>Held through PMGL (continued)</i>				
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	UAE	Holding Company	100.00%	100.00%
OSN Streaming Limited	Cayman Islands	Intermediate holding company	90.08%	100.00%
OSN streaming Holding Company	UAE	Intermediate holding company	100.00%	100.00%
Anghami Inc	Cayman Islands	Online streaming of music & videos	67.01%	55.31%
<i>Held through Anghami Inc</i>				
Anghami Cayman	Cayman Islands	Music streaming	100.00%	100.00%
Anghami Technologies Ltd	UAE	Music streaming	100.00%	100.00%
Spotlight Recreational Services LLC	UAE	Live Event	100.00%	100.00%
Anghami FZ LLC	UAE	Music streaming	100.00%	100.00%
Digimusic SAL Offshore	Lebanon	Music streaming	100.00%	94.00%
Anghami KSA	KSA	Music streaming	100.00%	100.00%
Anghami for Digital Content	Egypt	Music streaming	98.00%	98.00%
<i>Held through SADAFCO</i>				
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%
Mlekoma sp. Z.o.o	Poland	Dairy products	100.00%	100.00%
SADAFCO Kuwait Foodstuff Company W.L.L.	Kuwait	Foodstuff and dairy products	100.00%	100.00%
<i>Held through NAPESCO</i>				
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) (“UOP”)	Kuwait	Trading of chemical products	55.59%	55.59%
United Qmax Drilling Fluids Company W.L.L	Kuwait	Petrochemical activities	100.00%	100.00%
<i>Held through JTC</i>				
Kuwait International Company for the Wholesale of Light and Heavy Equipment W.L.L (formerly 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%
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%

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

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2.4 BASIS OF CONSOLIDATION (continued)

Name of company	Country of incorporation	Principal activities	Ownership interests as at 31 December *	
			2025	2024
Held through Insha'a				
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	52.83%	52.83%
Bayan Establishment General Trading and Contracting Company W.L.L	Kuwait	General & contracting	52.80%	52.80%
EPO Gulf Specialties Company K.S.C. (Closed)	Kuwait	General & contracting	90.00%	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%
Afkari Sand Extraction and Refilling Company W.L.L. (b)	Kuwait	General & contracting	100.00%	-
Marseille United Company for General Contracting and Buildings W.L.L. (b)	Kuwait	General & contracting	100.00%	-

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

(a) These entities were disposed of, liquidated / under liquidation or merged during the year.

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION

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 includes legal, advisory, accounting and other professional and consulting fees. Those costs will be accounted as expenses within the consolidated statement of income with the exception of cost related to issue debt and or equity securities which shall be recognised 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 statement of income.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Business combinations and goodwill (continued)

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 statement of income 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 statement of income.

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

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

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 is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised 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 recognised.

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 statement of income or in consolidated statement of comprehensive income through cumulative changes in fair values in accordance with the policy applicable to the related instrument. Regular 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial Instruments (continued)

Classification and measurement of financial instruments (continued)

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in the consolidated statement of income. In those cases where fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in consolidated statement of income when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

Subsequent classification and measurement categories of financial instruments

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

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

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

Business model assessment

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

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

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

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial Instruments (continued)

Measurement categories of financial assets and liabilities (continued)

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 interest (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 statement of income when the asset is derecognised, modified or impaired.

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

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

Financial instruments at FVTPL

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

Subsequent classification and measurement categories of financial instruments at FVTPL

Financial assets carried at FVTPL are subsequently measured at fair value. The changes in fair value are recorded in the consolidated statement of income. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income using the effective interest rate method, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in the consolidated statement of income as other operating income when the right to the payment has been established.

Certain debt securities, equities and derivatives that are not designated as hedging instruments are classified as Financial assets carried at FVTPL.

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

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 statement of income, and an expected credit loss (ECL) allowances.

The premium received is recognised in the consolidated statement of income 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 24.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial Instruments (continued)

Measurement categories of financial assets and liabilities (continued)

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 statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the consolidated statement of income.

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 statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI.

Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition cumulative gains or losses will be reclassified from cumulative changes in fair values to retained earnings in the consolidated statement of changes in equity. Further, equity instruments whose value is fully provided for will be treated in line with derecognition.

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 held for trading derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of income.

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 statement of income. 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial Instruments (continued)

Derecognition due to substantial modification of terms and conditions

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

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

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

For financial assets, this assessment is based on qualitative factors. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises 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 flow 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial Instruments (continued)

Derecognition other than for substantial modification (continued)

Financial assets (continued)

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

Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for expected credit loss for all loans and advances 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 classifies its loans and advances and other debt financial assets 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 INFORMATION (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

The calculation of ECL

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

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

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

The mechanics of the ECL method are summarised below:

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

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

The calculation of ECL (continued)

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 statement of income. The accumulated loss recognised in OCI is recycled to the consolidated statement of income 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.

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 statement of income.

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 statement of income. 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 statement of income.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of income 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial Instruments (continued)

Hedge Accounting (continued)

Fair value hedges (continued)

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

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 statement of income.

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 statement of income.

Amounts recognised as other comprehensive income are transferred to the consolidated statement of income 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 statement of income. 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 statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of income.

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.

Cash in hand and at banks

Cash in hand and at banks in consolidated statement of financial position includes cash in hand, bank balances and deposits with banks and other financial institutions with original maturities up to three months and exceeding three months.

For the purpose of the consolidated statement of cash flows, 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

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 28.

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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

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 statement of income 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 statement of income 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 statement of income 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.

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 statement of income.

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 statement of income.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

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 statement of income 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 statement of income 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 statement of income 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.

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 statement of income, in which case the increase is recognised in the consolidated statement of income. A revaluation deficit is recognised in the consolidated statement of income, 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 statement of income.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Property, plant and equipment (continued)

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, fixtures & equipment	3 to 30 years
Motor vehicles	3 to 5 years
Plant and equipment	3 to 20 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”.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Leases (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of 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 statement of income 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 /contractual 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 statement of income in the expense category consistent with the function of the intangible asset.

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 statement of income when the asset is derecognised.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

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 statement of income 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 statement of income expense or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Share based payment transactions (continued)

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.

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 statement of income.

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 statement of income, all differences are recognised in the consolidated statement of income.

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 statement of incomes 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 statement of income.

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 INFORMATION (continued)

Revenue recognition

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). The Group has generally concluded that it is the principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

Interest income and expense are recognised in the consolidated statement of income 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.

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.

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 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 INFORMATION (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 statement of income.

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 statement of income, 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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (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. Consequent to the implementation of DMTT in the State of Kuwait, the Group is not liable to National Labour Support Tax effective from 1 January 2025.

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. Consequent to the implementation of DMTT in the State of Kuwait, the Group is not liable to Zakat effective from 1 January 2025.

Taxation on overseas subsidiaries

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be recognised, 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 recognised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current 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.

Pillar Two Income Taxes

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar Two, multinational entities (MNE Group) whose revenue exceeds EUR 750 million are liable to pay top-up tax at a minimum effective tax rate (ETR) of 15% in each jurisdiction they operate.

The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 (the Law) introducing domestic minimum top-up tax (DMTT) effective from the year 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within Kuwait. The taxable income and effective tax rate are computed in accordance with the Executive regulations issued through Ministerial Resolution No. 55 of 2025.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

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 statement of income.

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.

2.6 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

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).

Control assessment

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

Deferred tax assets

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

Hedge of net investment in foreign operations

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

Business combinations

At the time of Group's acquisition 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.

2.6 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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:

- ▶ 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.

2.6 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions (continued)

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 9.

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.

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

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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 3,513.87 as at 31 December 2025 (31 December 2024: 2,684.55). 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 statement of income under “Net monetary loss”.

3 CASH IN HAND AND AT BANKS

	2025 <i>KD 000's</i>	2024 <i>KD 000's</i>
Cash and bank balances	1,112,034	1,611,006
Deposits with original maturities up to three months	488,627	622,834
Expected credit losses	(14,365)	(16,179)
Cash and cash equivalents as per consolidated statement of cash flows	1,586,296	2,217,661
Add: deposits with original maturities exceeding three months	808,086	444,936
Cash in hand and at banks as per consolidated statement of financial position	2,394,382	2,662,597

Cash in hand and at banks includes cash and bank balances from the Parent Company amounting to KD 242,625 thousand as at 31 December 2025 (31 December 2024: KD 87,273 thousand).

4 LOANS AND ADVANCES

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

	2025 <i>KD 000's</i>	2024 <i>KD 000's</i>
Corporate	4,677,223	4,261,492
Banks and financial institutions	358,852	188,783
Retail	882,854	770,724
	5,918,929	5,220,999
Less: ECL allowances	(134,357)	(166,842)
	5,784,572	5,054,157

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 ECL allowances.

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	2025 <i>Total</i> <i>KD 000's</i>
Internal rating grade				
Performing				
High grade	2,401,568	37,020	-	2,438,588
Standard grade	2,777,431	279,034	-	3,056,465
Past due but not impaired	75,956	154,719	-	230,675
Non – performing				
Individually impaired	-	-	193,201	193,201
Total	5,254,955	470,773	193,201	5,918,929

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4 LOANS AND ADVANCES (continued)

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>2024</i> <i>Total</i> <i>KD 000's</i>
Internal rating grade				
<i>Performing</i>				
High grade	1,771,035	53,872	-	1,824,907
Standard grade	2,569,644	549,165	-	3,118,809
Past due but not impaired	18,107	67,128	-	85,235
<i>Non – performing</i>				
Individually impaired	-	-	192,048	192,048
Total	4,358,786	670,165	192,048	5,220,999

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

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Loans and advances	5,254,955	470,773	193,201	5,918,929
Less: ECL allowances	(18,366)	(36,406)	(79,585)	(134,357)
As at 31 December 2025	5,236,589	434,367	113,616	5,784,572
Loans and advances	4,358,786	670,165	192,048	5,220,999
Less: ECL allowances	(19,001)	(51,049)	(96,792)	(166,842)
As at 31 December 2024	4,339,785	619,116	95,256	5,054,157

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

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<i>ECL allowance</i>				
Balance as at 1 January 2025	19,001	51,049	96,792	166,842
Net transfers between stages	(640)	(9,765)	10,405	-
Charge /(recovery) during the year	98	(4,492)	26,339	21,945
Amounts written off during the year	-	-	(53,781)	(53,781)
Foreign exchange	(93)	(386)	(170)	(649)
As at 31 December 2025	18,366	36,406	79,585	134,357
<i>ECL allowance</i>				
Balance as at 1 January 2024	29,605	62,196	145,036	236,837
Net transfers between stages	(436)	(1,324)	1,760	-
(Recovery) /charge during the year	(10,968)	(9,477)	54,965	34,520
Amounts written off during the year	-	-	(102,716)	(102,716)
Foreign exchange	800	(346)	(2,253)	(1,799)
As at 31 December 2024	19,001	51,049	96,792	166,842

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4 LOANS AND ADVANCES (continued)

Provision for credit losses recognised in the consolidated statement of income also includes expected credit losses “ECL” recovery on cash in hand and at banks amounting to KD 1,814 thousand (2024: ECL charge amounting to KD 4,629 thousand), ECL charge on other debt securities amounting to KD 383 thousand (2024: ECL recovery amounting to KD 42 thousand) and ECL charge on other assets amounting to KD 3,409 thousand (2024: ECL recovery amounting to KD 4,573 thousand). ECL charge on non-cash facilities amounting to KD 1,776 thousand (2024: ECL charge amounting to KD 680 thousand) (Note 24).

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 KD 000's	2024 KD 000's
Quoted equity securities	14,883	6,360
Unquoted equity securities	6,584	7,911
Quoted debt securities	41,134	22,076
Unquoted debt securities	262	100
Managed funds	99,298	101,357
Forfeiting assets	132,071	81,431
	<u>294,232</u>	<u>219,235</u>

Refer to Note 27.4.3 for geographical distribution of equity securities and managed funds and Note 28 for fair value measurement.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 KD 000's	2024 KD 000's
Quoted financial assets		
Equity securities	17,081	14,926
Debt securities	333,207	450,874
	<u>350,288</u>	465,800
Unquoted financial assets		
Equity securities	372,905	387,717
Debt securities	15,100	-
Managed funds	355	301
	<u>738,648</u>	<u>853,818</u>

Refer to Note 27.4.3 for geographical distribution of equity securities and managed funds and Note 28 for fair value measurement.

7 OTHER ASSETS

	2025 KD 000's	2024 KD 000's
Net accounts receivable	246,337	237,488
Accrued interest and other income receivable	185,745	174,998
Prepayments	75,063	77,186
Assets pending sale *	319,705	236,737
Others	224,265	197,556
	<u>1,051,115</u>	<u>923,965</u>

* 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 valuers by using market comparable method. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. However, the impact on the consolidated statement of income would be immaterial if the relevant risk variables used to fair value were altered by 5%.

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8 INVESTMENT IN ASSOCIATES

Name of company	Country of incorporation	Principal activities	Ownership interest		Carrying value	
			2025	2024	2025 KD 000's	2024 KD 000's
Kuwait Aromatics Company K.S.C. (Closed) ("KARO")	Kuwait	Petrochemical activities	20.00%	20.00%	62,234	69,682
Advanced Technology Company K.S.C.P ("ATC")	Kuwait	Trading	46.18%	45.53%	30,759	38,382
United Precision Drilling Company W.L.L. ("UPDC")	Kuwait	Sale of oil drilling equipment	47.50%	47.50%	3,346	3,261
Al-Fujeira Real Estate Limited	U.A. E	Real estate	50.00%	50.00%	6,573	6,692
First Real Estate Investment Company K.S.C. (Closed) (a)	Kuwait	Real estate	-	19.80%	-	4,968
United Capital Transport Company K.S.C. (Closed)	Kuwait	Services	39.80%	39.80%	514	546
Al Thaniya Real Estate Company P.S.C (a)	Jordan	Real Estate	-	50.00%	-	2
Kamco Investment fund	Kuwait	Fund	44.40%	44.11%	16,276	13,676
KAMCO Real Estate Yield Fund	Kuwait	Real Estate Fund	35.77%	35.77%	1,694	1,743
Syria Gulf Bank S.A. ("SGB")	Syria	Banking	32.00%	32.00%	4,437	4,477
Shams Ad-Dhahira Generating Company SAOC	Oman	Manufacturing	10.00%	10.00%	4,272	4,533
Adhari Park Development Company B.S.C. (Closed) (a)	Bahrain	Financial Services	-	20.00%	-	-
Gardens Real Estate Co. W.L.L.	Kuwait	Real estate	25.00%	25.00%	4,134	4,135
Green Sources Company for Alternative Energy Investments	Jordan	Energy projects	50.00%	50.00%	94	61
Noor Al Aqaba for Energy Consulting Company	Jordan	Energy projects	50.00%	50.00%	24	1
Quantum Energy Holding Company K.S.C.C (b)	Kuwait	Holding Company	27.00%	-	295	-
					<u>134,652</u>	<u>152,159</u>

(a) These entities were liquidated, merged or sold during the year.

(b) This entity was acquired during this year.

Investment in associates include quoted associate (represents ATC) with a carrying value of KD 30,759 thousand (2024: KD 38,382 thousand) and having quoted market value of KD 53,512 thousand (2024: KD 26,565 thousand).

In accordance with IAS 36, 'Impairment of Assets', the Group's recoverable amount of the above associate was higher than its carrying value for the year ended 31 December 2025 (31 December 2024: higher) and accordingly no provision for impairment was recognised during the year ended 31 December 2025 (31 December 2024: KD Nil).

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8 INVESTMENT IN ASSOCIATES (continued)

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

	<i>ATC</i> <i>KD 000's</i>	<i>KARO</i> <i>KD 000's</i>
31 December 2025		
Associates' statement of financial position:		
Current assets	219,984	85,371
Non-current assets	100,531	330,387
Current liabilities	179,764	54,290
Non-current liabilities	95,094	3,369
Equity	45,657	358,099
Equity attributable to the shareholders of associates	53,080	358,099
Group's ownership interest	46.18%	20.00%
Proportion of equity attributable to Group's ownership interest *	24,512	71,620
Associates' revenue and results:		
Income	161,271	532,052
Total loss for the year	(21,310)	(27,883)
Group's share of the loss attributable to the shareholders	(7,465)	(5,577)
Dividends received during the year	-	1,287
Group's share of contingent liabilities and commitments	40,939	1,722
31 December 2024		
Associates' statement of financial position:		
Current assets	245,495	89,187
Non-current assets	98,878	357,479
Current liabilities	173,985	46,829
Non-current liabilities	102,269	4,100
Equity	68,119	395,737
Equity attributable to the shareholders of associates	70,443	395,737
Group's ownership interest	45.53%	20.00%
Proportion of equity attributable to Group's ownership interest *	32,073	79,147
Associates' revenue and results:		
Income	179,701	535,700
Total loss for the year	(2,156)	(1,745)
Group's share of the profit (loss) attributable to the shareholders	327	(349)
Dividends received during the year	1,378	5,526
Group's share of contingent liabilities and commitments	38,853	568

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

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9 INVESTMENT PROPERTIES

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Land for development	68,942	65,121
Projects under construction	54,365	144,788
Developed properties	447,748	331,145
	<u>571,055</u>	<u>541,054</u>

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

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
As at 1 January	541,054	492,706
Additions	25,472	55,172
Disposals	(127)	(4,328)
Change in fair value (Note 17)	7,556	(3,886)
Reclassification from properties held for trading to investment properties	-	962
Exchange adjustments	(2,900)	428
As at 31 December	<u>571,055</u>	<u>541,054</u>

Valuation of investment properties were conducted as at 31 December 2025 by independent appraisers with a recognised 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 63,065 thousand (2024: KD 68,933 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.

10 INTANGIBLE ASSETS

	<i>Goodwill</i> <i>KD 000's</i>	<i>Other intangibles</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Gross carrying amount:			
As at 1 January 2025	138,651	676,690	815,341
Acquisition of a subsidiary	-	1,792	1,792
Impairment	(3,166)	(9,208)	(12,374)
Exchange adjustment	23	(2,074)	(2,051)
As at 31 December 2025	<u>135,508</u>	<u>667,200</u>	<u>802,708</u>
Accumulated amortisation:			
As at 1 January 2025	-	(168,403)	(168,403)
Charge for the year	-	(17,078)	(17,078)
As at 31 December 2025	<u>-</u>	<u>(185,481)</u>	<u>(185,481)</u>
Net carrying amount:			
As at 31 December 2025	<u>135,508</u>	<u>481,719</u>	<u>617,227</u>

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10 INTANGIBLE ASSETS (continued)

	<i>Goodwill</i> <i>KD 000's</i>	<i>Other intangibles</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Gross carrying amount:			
As at 1 January 2024	144,326	649,633	793,959
Acquisition of a subsidiary	7,467	25,387	32,854
Impairment	(13,187)	-	(13,187)
Exchange adjustment	45	1,670	1,715
As at 31 December 2024	<u>138,651</u>	<u>676,690</u>	<u>815,341</u>
Accumulated amortisation:			
As at 1 January 2024	-	(151,427)	(151,427)
Charge for the year	-	(16,976)	(16,976)
As at 31 December 2024	<u>-</u>	<u>(168,403)</u>	<u>(168,403)</u>
Net carrying amount:			
As at 31 December 2024	<u>138,651</u>	<u>508,287</u>	<u>646,938</u>

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 26). The recoverable amount of each segment unit has been determined based on a value in use calculation or fair value less cost to sell approach. For value in use calculation cash flow projections used were approved by senior management covering a five-year period. The discount rates used range from 8% to 15% (2024: from 9.9% to 14.2%) 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 3.1% (2024: from 2.7% to 3.1%). 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 2025 consolidated revenue of the Group, less adjusted net debt at 31 December 2025.

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).

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10 INTANGIBLE ASSETS (continued)

Market share assumptions:

In addition to 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.

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

	<i>Remaining useful life as at 31 December 2025</i>	<i>2025 KD 000's</i>	<i>2024 KD 000's</i>
<i>Intangibles with indefinite life:</i>			
Licenses and brand/trade name	Indefinite	273,938	284,400
<i>Intangibles with definite life:</i>			
Licenses and software	Up to 12.5 years	24,651	26,164
Customer contracts and relationships, franchise / contractual rights, order backlog and students' relationship	Up to 22 years	183,130	197,723
		<u>481,719</u>	<u>508,287</u>

11 LOANS PAYABLE

	<i>2025 KD 000's</i>	<i>2024 KD 000's</i>
<i>By the Parent Company:</i>		
Loans with maturity within 1 year	38,038	92,250
Loans with maturity above 1 year	275,626	175,769
<i>By the subsidiaries:</i>		
Loans with maturity within 1 year	116,800	111,959
Loans with maturity above 1 year	1,137,618	683,895
	<u>1,568,082</u>	<u>1,063,873</u>

Loans payable by the subsidiaries amounting to KD 782,516 thousand (31 December 2024: KD 302,734 thousand) are secured against certain assets with a carrying value of KD 1,321,895 thousand (31 December 2024: KD 718,215 thousand).

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

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12 BONDS

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
<i>Issued by the Parent Company:</i>		
Fixed rate KD bonds at 6.75% per annum and maturing on 29 December 2028	54,952	54,894
Floating rate KD bonds at 3% per annum plus CBK discount rate (Capped at 7.75% per annum) and maturing on 29 December 2028	109,455	109,341
Fixed profit rate Sukuk at 6.5 % per annum and maturing on 5 July 2029	65,580	65,466
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	36,786	36,722
<i>Issued by subsidiaries:</i>		
Fixed rate KD bonds at 7 % per annum and maturing on 28 March 2028	54,600	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	25,400
Fixed rate USD 500 million bonds at 2.75% per annum and maturing on 15 December 2031	152,552	153,745
Fixed rate USD 50 million green bonds at 6.44 % and 7.99% per annum and maturing on 06 April 2028	15,294	15,407
	514,619	515,575
Less: inter-group eliminations	(15,750)	(15,848)
	498,869	499,727

13 MEDIUM TERM NOTES

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
<i>Euro medium term notes (EMTN) issued by the Parent Company through a SPE:</i>		
Fixed rate notes amounting to US\$ 346.651 million (originally 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.	105,857	153,923
Fixed rate notes amounting to US\$ 349.236 million (originally US\$ 500 million) having a term of 10 years maturing on 23 February 2027 and carrying a coupon interest rate of 4.5% per annum payable on a semi-annual basis. These notes are listed on the London Stock Exchange.	106,323	152,890
	212,180	306,813
Less: inter-group eliminations	(6,960)	(924)
	205,220	305,889

During the year, the Parent Company conducted cash tender offers on any and all basis resulting in a partial repurchase and cancellation of medium-term notes that are due on 29 October 2026 and 23 February 2027. The repurchase and cancellation amounted to KD 46,817 thousand (USD 153,349 thousand) for the 2026 Notes and KD 46,028 thousand (USD 150,764 thousand) for the 2027 Notes, representing 30.67% and 30.15% of the respective original issuances.

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14 OTHER LIABILITIES

	2025 KD 000's	2024 KD 000's
Accounts payable	329,136	393,271
Accrued interest and expenses	169,735	180,882
Taxation payable	27,398	34,411
Others	200,532	185,919
	<u>726,801</u>	<u>794,483</u>

15 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, RESERVES, DIVIDEND AND PERPETUAL CAPITAL SECURITIES

a) Share capital

	2025 KD 000's	2024 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) *	<u>504,848</u>	<u>504,848</u>

* This comprises 4,550,845,631 shares (31 December 2024: 4,550,845,631 shares) which are fully paid up in cash, whereas 497,630,638 shares (31 December 2024: 497,630,638 shares) were issued as bonus shares.

b) Share premium

The share premium is not available for distribution.

c) Treasury shares

	2025	2024
Number of treasury shares	495,516,794	495,516,794
Percentage of capital	9.82%	9.82%
Market value – KD 000's	39,394	47,074

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 the shareholders of the Parent Company before contribution to KFAS 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 the shareholders of the Parent Company before contribution to KFAS 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.

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15 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, RESERVES, DIVIDEND AND PERPETUAL CAPITAL SECURITIES (continued)

f) Dividend

The Board of Directors of the Parent Company has recommended the distribution of stock dividend (bonus shares) of 3% by using treasury shares, to the shareholders for the year ended 31 December 2025 (2024: No dividend). Subject to being approved by the shareholders' Annual General Assembly, the dividend shall be payable to the shareholders registered in the Parent Company's records as of the date of the Shareholders' Annual General Assembly meeting.

On 01 May 2025, Shareholders Annual General Assembly approved no distribution of dividends for the year ended 31 December 2024 (31 December 2023: Nil).

g) Perpetual capital securities issued by a subsidiary of the Group

On 9 May 2024, one of the subsidiaries of the Group – Burgan Bank K.P.S.C. ("Burgan Bank") issued Perpetual Capital Securities, amounting to KD 150,000 thousand in two tranches composed of:

- i) Fixed rate securities of KD 75,000 thousand with a coupon of 7.25% per annum for the first five years after the date of the issuance, and for the subsequent period, sum of the Reset rate plus 3.00% per annum, payable quarterly in arrears with interest payments starting three months from the issuance date of the securities, and
- ii) Floating rate securities of KD 75,000 thousand with a floating rate coupon determined quarterly on the interest determination date of 3.25% over CBK discount rate per annum (provided, however, that the floating rate of interest shall never exceed the prevailing interest rate attributable to the fixed rate securities at the time plus 1% per annum) payable quarterly in arrears, with interest payment starting three months from the issuance date of securities.

On 28 March 2016, the subsidiary, United Gulf Bank B.S.C. ("UGB") issued perpetual capital securities amounting to USD 33,000 thousand (equivalent to KD 9,960 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, UGB voluntarily repaid its perpetual capital securities on 20 May 2025.

During the year 2023, 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 27,636 thousand). A subsidiary of the Group subscribed to these securities amounting to USD 20,000 thousand (equivalent to KD 6,142 thousand) which are eliminated on consolidation.

These securities constitute direct, unconditional, subordinated and unsecured obligations of the related banking subsidiaries and are classified as equity in accordance with IAS 32: *Financial Instruments – Classification*. These securities do not have a maturity date. They are redeemable at its discretion or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

16 MATERIAL PARTLY - OWNED SUBSIDIARIES

The management has concluded that Burgan, URC, JKB and SADAFCO (2024: 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:

	2025 KD 000's	2024 KD 000's
Burgan	388,651	353,590
URC	50,303	49,531
JKB	179,438	168,893
SADAFCO	84,034	87,907

Profit allocated to material non-controlling interests:

	2025 KD 000's	2024 KD 000's
Burgan	11,250	19,175
URC	1,997	4,187
JKB	45,848	54,561
SADAFCO	23,036	23,484

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16 MATERIAL PARTLY - OWNED SUBSIDIARIES (continued)

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

Summarised income statement for the year ended 31 December:

	2025				2024			
	<i>Burgan*</i> <i>KD 000's</i>	<i>URC</i> <i>KD 000's</i>	<i>JKB</i> <i>KD 000's</i>	<i>SADAFCO</i> <i>KD 000's</i>	<i>Burgan*</i> <i>KD 000's</i>	<i>URC</i> <i>KD 000's</i>	<i>JKB</i> <i>KD 000's</i>	<i>SADAFCO</i> <i>KD 000's</i>
Income	750,384	115,337	197,345	261,341	681,966	87,800	231,199	247,453
Expenses	(692,124)	(108,490)	(122,560)	(220,393)	(613,508)	(82,466)	(130,729)	(205,833)
Taxation	(12,481)	(2,360)	(9,577)	(2,070)	(17,840)	(196)	(16,016)	(1,962)
Profit for the year	45,779	4,487	65,208	38,878	50,618	5,138	84,454	39,658
Total comprehensive income	16,541	5,443	65,725	39,866	16,194	11,303	82,206	39,496
Attributable to non-controlling interests	(13,517)	(1,376)	23,308	-	(8,518)	610	33,711	(43)
Dividends paid to non-controlling interests	9,834	-	29,840	26,371	8,226	-	8,113	27,741

Summarized statement of financial position for year ended 31 December:

	2025				2024			
	<i>Burgan*</i> <i>KD 000's</i>	<i>URC</i> <i>KD 000's</i>	<i>JKB</i> <i>KD 000's</i>	<i>SADAFCO</i> <i>KD 000's</i>	<i>Burgan*</i> <i>KD 000's</i>	<i>URC</i> <i>KD 000's</i>	<i>JKB</i> <i>KD 000's</i>	<i>SADAFCO</i> <i>KD 000's</i>
Total assets	9,098,815	687,602	2,355,850	219,039	8,158,486	671,968	2,446,996	217,676
Total liabilities	8,047,514	477,950	1,945,105	77,113	7,138,628	467,679	1,963,086	69,337
Equity	1,051,301	209,652	410,745	141,926	1,019,858	204,289	483,910	148,339
Attributable to:								
Equity holders of material Subsidiaries	871,150	203,116	297,912	141,926	873,535	196,377	367,859	148,339
Perpetual capital securities	150,000	-	38,402	-	150,000	-	38,685	-

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16 MATERIAL PARTLY - OWNED SUBSIDIARIES (continued)

Summarized cash flow information for year ended 31 December:

	2025				2024			
	<i>Burgan*</i> KD 000's	<i>URC</i> KD 000's	<i>JKB</i> KD 000's	<i>SADAFCO</i> KD 000's	<i>Burgan*</i> KD 000's	<i>URC</i> KD 000's	<i>JKB</i> KD 000's	<i>SADAFCO</i> KD 000's
Operating	(312,531)	30,830	(43,005)	36,420	488,948	24,715	168,948	38,613
Investing	23,185	6,943	(105,797)	10,699	(119,918)	(11,351)	(135,255)	20,597
Financing	48,213	(30,642)	(55,289)	(46,706)	(186,291)	(30,381)	(23,270)	(48,985)
Net (decrease) increase in cash and cash equivalents	(241,133)	7,131	(204,091)	413	182,739	(17,017)	10,423	10,225

* 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.

17 INVESTMENT INCOME

	2025 KD 000's	2024 KD 000's
Gain on sale of financial assets at fair value through profit or loss	7,195	7,194
Unrealised gain on financial assets at fair value through profit or loss	6,237	31
Gain on sale of debt instruments at fair value through other comprehensive income	8,648	1,364
Change in fair value of investment properties (Note 9)	7,556	(3,886)
Impairment of properties held for trading	(1,522)	(1,078)
Net gain on sale of properties held for trading	8,378	5,169
Dividend income	8,327	14,821
Gain on sale of investment properties	4	710
Revaluation gain on previously held interest	-	2,606
Loss on deemed disposal / sale of an associate	(2,840)	(66)
	41,983	26,865

18 NET FEES AND COMMISSION INCOME

	2025 KD 000's	2024 KD 000's
Fees from fiduciary activities	16,401	15,431
Credit related fees and commission	39,237	74,198
Advisory fees	2,764	3,063
Other fees	26,528	29,082
	84,930	121,774

19 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include staff cost for the year ended 31 December 2025 amounting to KD 168,913 thousand (2024: KD 150,634 thousand).

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20 TAXATION

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Taxation arising from overseas subsidiaries	<u>27,398</u>	<u>34,411</u>
Components of taxation arising from overseas subsidiaries are as follows:		
	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Current tax	<u>20,281</u>	28,160
Deferred tax	<u>7,117</u>	6,251
	<u>27,398</u>	<u>34,411</u>

The tax rate applicable to the overseas subsidiary companies is in the range of 0% to 44% (2024: 9% to 39%) whereas the effective income tax rate for the year ended 31 December 2025 is in the range of 0% to 50% (2024: 27% to 50%). 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.

The Parent Company does not have taxable profits for the year ended 31 December 2025 (31 December 2024: Nil) subject to KFAS in accordance with the applicable regulations in Kuwait and accordingly no provisions for KFAS have been accounted for in the accompanying consolidated financial statements.

The Parent Company does not have any unpaid amounts due to KFAS.

Pillar 2 Income Taxes

In 2021, the OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) agreed on a two-pillar solution to address tax challenges arising from the digitalization of the economy. They introduced a Global Anti-Base Erosion Model Rules (Pillar Two) ("GloBE Rules") under which multinational entities (MNE Groups) with consolidated revenue exceeding EUR750 million are subject to a minimum effective tax rate (ETR) of 15% in each jurisdiction where they operate.

The jurisdictions in which the Group operates, including the State of Kuwait, have joined the IF. The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 ("Law") introducing domestic minimum top-up tax ("DMTT") effective from the year 2025. The Law effectively replaces the existing National Labour Support Tax ("NLST") and Zakat tax regimes in Kuwait for entities that fall within the scope of the Law.

On 29 June 2025, the Ministry of Finance (MOF) of the State of Kuwait issued the Executive Regulations for Law No. 157 of 2024 (the "Regulations"). These Regulations are intended to clarify the provisions of the Law by establishing the mechanisms for calculating taxable income and the effective tax rate, as well as outlining the relevant procedures and implementation measures.

The Parent Company, as the Group Tax Function, is responsible for computing the Top-up Tax for each jurisdiction, leveraging its oversight and access to all entities across sub-groups. In line with the DMTT law and Pillar 2 regulation, the Parent Company has performed an estimated Top-Up Tax computation at each jurisdiction level, aggregating all the entities located in a jurisdiction. Based on the estimated calculation, no Top-Up Tax liability is recorded in the consolidated financial statements of the Group for the year ended 31 December 2025 since the jurisdiction either meet the OECD's Transitional CbCR Safe Harbour (TCSH) or is in a Globe loss position.

The Group continues to assess the impact of evolving Pillar 2 tax regulations on its future financial performance.

The Group applies the mandatory and temporary exception from recognising and disclosing information on the associated deferred tax assets and liabilities as required by the amendments to IAS 12 International Tax Reform Pillar Two Model Rules'.

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21 EARNINGS PER SHARE

Basic:

Basic earnings per share is computed by dividing the profit for the year attributable to the shareholders 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 shareholders 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.

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Basic and diluted earnings per share:		
Profit for the year attributable to the shareholders of the Parent Company	16,332	15,649
Less: interest payment on perpetual capital securities attributable to the shareholders of the Parent Company	<u>(8,183)</u>	<u>(7,287)</u>
Profit for the year attributable to the shareholders of the Parent Company after interest payment on perpetual capital securities	<u>8,149</u>	<u>8,362</u>
	<i>Shares</i>	<i>Shares</i>
Number of shares outstanding:		
Weighted average number of paid-up shares	5,048,476,269	5,048,476,269
Weighted average number of treasury shares	<u>(495,516,794)</u>	<u>(496,827,859)</u>
Weighted average number of outstanding shares	<u>4,552,959,475</u>	<u>4,551,648,410</u>
	<i>Fils</i>	<i>Fils</i>
Basic and diluted earnings per share	<u>1.8</u>	<u>1.8</u>

22 RELATED PARTY TRANSACTIONS

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

	<i>Major shareholder</i> <i>KD 000's</i>	<i>Associates</i> <i>KD 000's</i>	<i>Others</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
2025				
Consolidated statement of financial position:				
Loans and advances	92,162	269	97,013	189,444
Other assets	-	2,138	184	2,322
Due to banks and other financial institutions	-	3,949	1,073	5,022
Deposit from customers	6,642	6,311	9,561	22,514
Bonds	-	500	-	500
Other liabilities	7,717	1,225	-	8,942
Perpetual capital securities	-	-	1,200	1,200
Transactions:				
Interest income	5,922	134	3,919	9,975
Net fees and commission income	10	430	444	884
Interest expense	3	27	288	318
General and administration expenses	6,825	2	487	7,314
Commitments and guarantees:				
Letter of credit	-	1,222	-	1,222
Guarantees & acceptances	42	5,282	700	6,024
Undrawn lines of credit	10,005	1,231	15,277	26,513

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22 RELATED PARTY TRANSACTIONS (continued)

2024	Major shareholder KD 000's	Associates KD 000's	Others KD 000's	Total KD 000's
<i>Consolidated statement of financial position:</i>				
Loans and advances	88,475	2,593	108,119	199,187
Other assets	-	345	208	553
Due to banks and other financial institutions	-	3,854	77	3,931
Deposit from customers	4,534	1,679	15,148	21,361
Bonds	-	500	-	500
Other liabilities	12,993	1	1	12,995
Perpetual capital securities	-	-	2,106	2,106
<i>Transactions:</i>				
Interest income	7,455	15	5,610	13,080
Net fees and commission income	42	485	1,593	2,120
Interest expense	3	198	169	370
General and administration expenses	5,235	-	184	5,419
<i>Commitments and guarantees:</i>				
Letter of credit	-	1,232	329	1,561
Guarantees & acceptances	42	5,547	1,586	7,175
Undrawn lines of credit	11,525	1,068	9,743	22,336

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:

	2025 KD 000's	2024 KD 000's
Short-term employee benefits	20,419	19,766
Termination benefits	2,304	2,170
Share based payment	831	891
Total	23,554	22,827

The Board of Directors of the Parent Company has proposed Directors fees of KD 50 thousand for the year 2025 (2024: KD Nil), subject to the approval of the Shareholders' General Assembly.

23 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 gain amounting to KD 268 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 recognised in the consolidated statement of income during the year ended 31 December 2025.

Burgan Bank had entered into forward foreign exchange contracts between Turkish Lira (TRY) and United States Dollar (USD), rolled over on a monthly basis, which was designated as a hedge of the Bank's net investment in its Turkish subsidiary. This transaction had created a net long position in USD. Gain or losses on the retranslation of the aforesaid contracts were transferred to equity to offset any gains or losses on translation of the net investments in the Turkish subsidiary. During the year, the bank has discontinued the hedge of net investment foreign operations. As the bank has not sold / liquidated the corresponding investment in the foreign operation, the cumulative amount of hedge reserve is not recycled to the consolidated statement of income. No ineffectiveness from hedges of net investments in foreign operations was recognised in the consolidated statement of income for the year ended 31 December 2025.

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24 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.

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

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Credit related commitments and contingencies		
Letters of credit	403,794	309,676
Guarantees & acceptances	1,189,694	1,127,268
	<u>1,593,488</u>	<u>1,436,944</u>
Undrawn lines of credit	975,677	752,881
Investment related commitments	22,779	10,297
	<u>2,591,944</u>	<u>2,200,122</u>

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.

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>2025</i> <i>Total</i> <i>KD 000's</i>
Internal rating grade				
<i>Performing</i>				
High grade	1,543,867	2,950	-	1,546,817
Standard grade	913,805	91,070	-	1,004,875
Past due but not impaired	-	105	-	105
<i>Non – performing</i>				
Individually impaired	-	-	17,368	17,368
Total	<u>2,457,672</u>	<u>94,125</u>	<u>17,368</u>	<u>2,569,165</u>

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24 COMMITMENTS AND CONTINGENCIES (continued)

Impairment losses on credit related commitments (continued)

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>2024</i> <i>Total</i> <i>KD 000's</i>
Internal rating grade				
<i>Performing</i>				
High grade	1,183,554	4,582	-	1,188,136
Standard grade	883,307	102,041	-	985,348
Past due but not impaired	-	161	-	161
<i>Non – performing</i>				
Individually impaired	-	-	16,180	16,180
Total	2,066,861	106,784	16,180	2,189,825

An analysis of changes in ECLs is, as follows:

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
ECL at 1 January 2025	3,754	4,874	14,697	23,325
Charge / (recovery) during the year	1,223	(569)	1,122	1,776
Foreign exchange	(17)	(26)	(2)	(45)
At 31 December 2025	4,960	4,279	15,817	25,056

	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
ECL at 1 January 2024	4,776	4,422	13,562	22,760
(Recovery) / charge during the year	(1,000)	448	1,232	680
Foreign exchange	(22)	4	(97)	(115)
At 31 December 2024	3,754	4,874	14,697	23,325

Operating lease – Group as a lessor

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

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Within one year	27,233	28,323
After one year but not more than three years	56,415	55,110
	83,648	83,433

25 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 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 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.

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25 DERIVATIVES (continued)

	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount KD 000's</i>	<i>Notional amounts by term to maturity</i>	
				<i>Within 1 year KD 000's</i>	<i>1 – 5 Years KD 000's</i>
2025					
<i>Derivatives held for trading: (including non-qualifying hedges)</i>					
Forward foreign exchange contracts	11,629	(18,376)	1,827,615	1,800,701	26,914
Interest rate swaps	4,056	(3,721)	64,494	31,034	33,460
Options	2,220	(1,764)	200,874	178,185	22,689
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Derivatives held for hedging: Fair value hedges:</i>					
Forward foreign exchange contracts	1,190	(10)	185,768	185,768	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Cash flow hedges:</i>					
Interest rate swaps	7,662	(5,195)	152,266	63,104	89,162
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
				<i>Notional amounts by term to maturity</i>	
	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount KD 000's</i>	<i>Within 1 year KD 000's</i>	<i>1 – 5 Years KD 000's</i>
2024					
<i>Derivatives held for trading: (including non-qualifying hedges)</i>					
Forward foreign exchange contracts	10,454	(15,313)	1,104,858	1,095,610	9,248
Interest rate swaps	1,761	(1,444)	32,167	16,603	15,564
Options	390	(195)	50,591	50,591	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Derivatives held for hedging: Fair value hedges:</i>					
Forward foreign exchange contracts	803	-	266,326	266,326	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Cash flow hedges:</i>					
Interest rate swaps	29,424	(3,207)	164,976	32,803	132,173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26 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 include 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 music and video streaming.

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 SEGMENT INFORMATION (continued)

	<i>Commercial banking KD 000's</i>	<i>Asset management and investment banking KD 000's</i>	<i>Media & Satellite Services KD 000's</i>	<i>Energy KD 000's</i>	<i>Industrial and Logistics KD 000's</i>	<i>Hospitality and real estate KD 000's</i>	<i>Others KD 000's</i>	<i>Inter- segmental eliminations KD 000's</i>	<i>Total KD 000's</i>
As at 31 December 2025									
Assets and liabilities:									
Segment assets	11,763,325	1,224,004	151,192	499,836	608,163	856,528	665,116	(1,950,315)	13,817,849
Segment liabilities	10,263,719	1,475,726	108,207	433,858	112,370	578,003	470,097	(1,318,357)	12,123,623
For the year ended 31 December 2025									
Segment revenues	968,218	68,853	70,362	66,199	312,592	123,176	34,566	(101,423)	1,542,543
Profit (loss) for the year	157,478	(67,833)	(51,713)	6,038	38,073	11,384	(22,296)	(1,745)	69,386
Other segmental information:									
Investment in associates (Note 8)	4,437	17,085	-	69,970	-	12,401	30,759	-	134,652
Goodwill (Note 10)	84,428	15,680	14,422	-	-	-	20,978	-	135,508
Other intangibles (Note 10)	120,610	2,721	45,174	27,231	266,638	1,258	18,087	-	481,719
Interest income	779,971	9,250	-	697	2,875	431	33	-	793,257
Interest expenses	524,024	55,395	1,190	100	1,186	17,751	6,689	-	606,335
Provision for credit losses	22,525	275	36	89	115	2,659	-	-	25,699
Share of results of associates	-	2,698	-	(4,467)	-	390	(7,465)	-	(8,844)
Provision for impairment of other financial and non-financial assets	-	-	12,374	2,910	-	1,520	-	-	16,804
Depreciation and amortization	21,150	2,532	3,193	2,880	10,127	938	2,404	-	43,224

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 SEGMENT INFORMATION (continued)

	<i>Commercial banking KD 000's</i>	<i>Asset management and investment banking KD 000's</i>	<i>Media & Satellite Services KD 000's</i>	<i>Energy KD 000's</i>	<i>Industrial and Logistics KD 000's</i>	<i>Hospitality and real estate KD 000's</i>	<i>Others KD 000's</i>	<i>Inter- segmental eliminations KD 000's</i>	<i>Total KD 000's</i>
As at 31 December 2024									
Assets and liabilities:									
Segment assets	11,029,801	1,206,402	173,856	497,398	615,259	869,972	616,297	(2,035,911)	12,973,074
Segment liabilities	9,494,958	1,589,195	111,166	19,865	104,188	604,805	487,636	(1,168,025)	11,243,788
For the year ended 31 December 2024									
Segment revenues	973,921	65,745	75,722	61,246	297,749	100,471	41,217	(120,326)	1,495,745
Profit (loss) for the year	131,056	(67,137)	(47,980)	25,040	38,789	9,998	(16,700)	(2,676)	70,390
Other segmental information:									
Investment in associates (Note 8)	4,477	14,222	-	77,538	-	17,540	38,382	-	152,159
Goodwill (Note 10)	84,181	15,814	17,678	-	-	-	20,978	-	138,651
Other intangibles (Note 10)	122,123	2,803	56,631	27,997	277,969	1,388	19,376	-	508,287
Interest income	728,204	10,876	-	309	4,255	989	134	-	744,767
Interest expenses	498,023	64,133	3,007	100	1,665	18,625	7,548	-	593,101
Provision for (recovery) of credit losses	36,567	522	1,154	243	(626)	(2,646)	-	-	35,214
Share of results of associates	3,364	1,720	-	2,679	-	781	327	-	8,871
Provision for impairment of other financial and non-financial assets	-	-	13,187	-	-	-	-	-	13,187
Depreciation and amortization	20,932	2,142	2,287	2,777	10,134	795	2,247	-	41,314

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 SEGMENT INFORMATION (continued)

Geographic information

2025	<i>Income</i> <i>KD 000's</i>	<i>Non-current</i> <i>assets</i> <i>KD 000's</i>
Kuwait	552,372	3,886,073
Rest of GCC	284,032	452,593
Rest of Middle East, Asia and North Africa	307,023	1,575,897
Europe	396,959	585,642
North America	2,157	68,456
	<u>1,542,543</u>	<u>6,568,661</u>
2024	<i>Income</i> <i>KD 000's</i>	<i>Non-current</i> <i>assets</i> <i>KD 000's</i>
Kuwait	484,317	3,518,134
Rest of GCC	292,827	407,563
Rest of Middle East, Asia and North Africa	340,367	1,549,998
Europe	374,374	547,703
North America	3,860	79,277
	<u>1,495,745</u>	<u>6,102,675</u>

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 27.3.

27 RISK MANAGEMENT OBJECTIVES AND POLICIES

27.1 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.

27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.1 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.

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.

27.2 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 or each subsidiary.

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.

27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.2 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 advances and these are mitigated by the same control processes and policies.

27.2.1 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 unlikelihood to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- ▶ breaches of covenants
- ▶ customer having past due liabilities to public creditors or employees
- ▶ customer is deceased
- ▶ customer 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 the updated credit grade still 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 Probability 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.

27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.2 CREDIT RISK (continued)

27.2.1 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.

27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**27.2 CREDIT RISK (continued)****27.2.1 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.

27.2.2 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.

	2025	2024
	KD 000's	KD 000's
Cash at banks	2,319,142	2,601,517
Treasury bills, bonds and other debt securities	1,462,323	1,164,852
Loans and advances	5,784,572	5,054,157
Financial assets at fair value through profit or loss	173,467	103,607
Financial assets at fair value through other comprehensive income	348,307	450,874
Other assets including positive value of derivatives (excluding prepayments, assets pending for sale and others)	432,082	412,486
Total	10,519,893	9,787,493
Credit related commitments	2,544,109	2,166,500
Total	13,064,002	11,953,993

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.

27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**27.2 CREDIT RISK (continued)****27.2.3 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 3,669,601 thousand (2024: KD 3,500,779 thousand).

27.2.4 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:

<i>Region</i>	<i>Assets</i>	<i>Credit related commitments</i>	<i>Assets</i>	<i>Credit related commitments</i>
	<i>2025</i>	<i>2025</i>	<i>2024</i>	<i>2024</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
MENA	9,516,032	2,353,990	8,775,504	2,092,627
North America	238,312	16,187	379,431	16,334
Europe	517,672	130,777	457,389	37,767
Asia	171,724	15,923	122,174	8,870
Others	76,153	27,232	52,995	10,902
Total	10,519,893	2,544,109	9,787,493	2,166,500

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

	<i>2025</i>	<i>2024</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Sovereign	1,372,429	1,349,373
Banking	2,762,519	2,600,040
Investment	630,150	484,079
Trade and commerce	1,197,741	1,073,256
Real estate	1,405,517	1,355,507
Personal	2,137,102	2,086,133
Industrial and logistics	994,143	944,343
Construction	824,452	787,423
Others	1,739,949	1,273,839
	13,064,002	11,953,993

27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**27.3 LIQUIDITY RISK**

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

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

	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
2025				
<i>Financial liabilities</i>				
Due to banks and other financial institutions	959,572	810,836	358,903	2,129,311
Deposits from customers	5,137,003	2,098,667	196,498	7,432,168
Loans payable, Bonds, and Medium-term notes	16,172	355,528	2,366,650	2,738,350
Other liabilities *	367,707	236,641	122,453	726,801
	<u>6,480,454</u>	<u>3,501,672</u>	<u>3,044,504</u>	<u>13,026,630</u>
	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
2024				
<i>Financial liabilities</i>				
Due to banks and other financial institutions	1,394,908	379,254	110,353	1,884,515
Deposits from customers	4,360,420	2,412,260	194,919	6,967,599
Loans payable, Bonds, and Medium-term notes	75,841	228,406	2,046,780	2,351,027
Other liabilities *	281,149	269,933	243,401	794,483
	<u>6,112,318</u>	<u>3,289,853</u>	<u>2,595,453</u>	<u>11,997,624</u>

* Other liabilities include the negative fair value of derivative financial liabilities.

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27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.3 LIQUIDITY RISK (continued)

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

	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
2025				
Credit related commitments	899,260	1,052,726	617,179	2,569,165
Investment related commitments	-	3,816	18,963	22,779
	<u>899,260</u>	<u>1,056,542</u>	<u>636,142</u>	<u>2,591,944</u>
2024				
Credit related commitments	853,299	857,401	479,125	2,189,825
Investment related commitments	-	373	9,924	10,297
	<u>853,299</u>	<u>857,774</u>	<u>489,049</u>	<u>2,200,122</u>

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

	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
2025				
ASSETS				
Cash in hand and at banks	2,011,518	380,070	2,794	2,394,382
Treasury bills, bonds and other debt securities	80,843	286,203	1,095,277	1,462,323
Loans and advances	2,064,867	1,648,507	2,071,198	5,784,572
Financial assets at fair value through profit or loss	61,727	56,194	176,311	294,232
Financial assets at fair value through other comprehensive income	72,594	128,962	537,092	738,648
Other assets	159,762	258,543	632,810	1,051,115
Properties held for trading	-	39,398	-	39,398
Investment in associates	-	-	134,652	134,652
Investment properties	-	-	571,055	571,055
Property, plant and equipment	-	-	730,245	730,245
Intangible assets	-	-	617,227	617,227
Total assets	<u>4,451,311</u>	<u>2,797,877</u>	<u>6,568,661</u>	<u>13,817,849</u>
LIABILITIES AND EQUITY				
Due to banks and other financial institutions	939,745	777,303	187,868	1,904,916
Deposits from customers	5,041,577	1,985,654	192,504	7,219,735
Loans payable, Bonds, and Medium-term notes	14,580	244,750	2,012,841	2,272,171
Other liabilities	367,707	236,641	122,453	726,801
Equity	-	-	1,694,226	1,694,226
Total liabilities and equity	<u>6,363,609</u>	<u>3,244,348</u>	<u>4,209,892</u>	<u>13,817,849</u>

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27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.3 LIQUIDITY RISK (continued)

2024	<i>1 to 3 months KD 000's</i>	<i>3 to 12 months KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
ASSETS				
Cash in hand and at banks	2,459,902	202,539	156	2,662,597
Treasury bills, bonds and other debt securities	211,265	254,821	698,766	1,164,852
Loans and advances	2,150,634	951,598	1,951,925	5,054,157
Financial assets at fair value through profit or loss	40,465	59,453	119,317	219,235
Financial assets at fair value through other comprehensive income	10,873	101,877	741,068	853,818
Other assets	235,261	112,595	576,109	923,965
Properties held for trading	-	79,116	-	79,116
Investment in associates	-	-	152,159	152,159
Investment properties	-	-	541,054	541,054
Property, plant and equipment	-	-	675,183	675,183
Intangible assets	-	-	646,938	646,938
Total assets	5,108,400	1,761,999	6,102,675	12,973,074
LIABILITIES AND EQUITY				
Due to banks and other financial institutions	1,377,896	329,579	109,120	1,816,595
Deposits from customers	4,357,105	2,207,382	198,734	6,762,221
Loans payable, Bonds, and Medium-term notes	52,339	151,870	1,665,280	1,869,489
Other liabilities	281,149	269,933	243,401	794,483
Equity	-	-	1,729,286	1,729,286
Total liabilities and equity	6,068,489	2,958,764	3,945,821	12,973,074

27.4 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.

27.4.1 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).

27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**27.4 MARKET RISK (continued)****27.4.1 Interest rate risk (continued)**

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

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

Currency	<i>Increase of 25 basis points</i>	
	<i>Increase (decrease) in profit before taxation</i>	
	2025	2024
	KD 000's	KD 000's
KD	2,014	2,372
USD	(444)	(538)
EURO	(328)	(13)
GBP	9	6

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

27.4.2 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 23).

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

Currency	<i>Change in currency rate by + 5%</i>			
	<i>Effect on equity</i>		<i>Effect on profit before taxation</i>	
	2025	2024	2025	2024
	KD 000's	KD 000's	KD 000's	KD 000's
USD	2,440	2,545	(16,485)	(4,248)
EURO	20	65	(4,804)	(3,082)
SAR	1,320	1,560	-	-
JOD	-	-	(4)	(4)
GBP	-	-	18	69

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

27.4.3 Equity price risk

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

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

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27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.4 MARKET RISK (continued)

27.4.3 Equity price risk (continued)

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

	<i>Financial assets at fair value through profit or loss KD 000's</i>	<i>Financial assets at fair value through other comprehensive income KD 000's</i>
2025		
Energy	-	289,000
Banking	68,196	24,078
Investment	21,541	14,794
Trade and commerce	5	1,188
Real estate	6,518	46,705
Industrial and logistics	3,651	2,450
Others	20,854	12,126
	<u>120,765</u>	<u>390,341</u>
	<i>Financial assets at fair value through profit or loss KD 000's</i>	<i>Financial assets at fair value through other comprehensive income KD 000's</i>
2024		
Energy	-	299,240
Banking	76,687	18,856
Investment	23,439	8,458
Trade and commerce	21	6,587
Real estate	4,289	52,635
Industrial and logistics	1,452	719
Others	9,740	16,449
	<u>115,628</u>	<u>402,944</u>

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27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.4 MARKET RISK (continued)

27.4.3 Equity price risk (continued)

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

	<i>MENA</i> 2025 <i>KD 000's</i>	<i>Europe</i> 2025 <i>KD 000's</i>	<i>North</i> <i>America</i> 2025 <i>KD 000's</i>	<i>Asia</i> 2025 <i>KD 000's</i>	<i>Total</i> 2025 <i>KD 000's</i>	<i>Total</i> 2024 <i>KD 000's</i>
Financial assets at fair value through profit or loss						
Equity securities	15,046	224	5,956	241	21,467	14,271
Managed funds	20,792	8,632	69,874	-	99,298	101,357
	35,838	8,856	75,830	241	120,765	115,628
Financial assets at fair value through other comprehensive income						
Equity securities	366,860	13,011	9,629	486	389,986	402,643
Managed funds	355	-	-	-	355	301
	367,215	13,011	9,629	486	390,341	402,944

27 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

27.5 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.

27.6 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.

28 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 201,513 thousand (2024: KD 284,832 thousand) (Note 13). 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.

The fair value details of the investment properties is mentioned in Note 9.

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.

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28 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 2025:

	<i>Level 1</i> <i>KD 000's</i>	<i>Level 2</i> <i>KD 000's</i>	<i>Level 3</i> <i>KD 000's</i>	<i>Total fair value</i> <i>KD 000's</i>
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	14,883	16	6,568	21,467
Debt securities	41,134	-	262	41,396
Managed funds	-	-	99,298	99,298
Forfeiting assets	-	-	132,071	132,071
<i>Financial assets fair value through other comprehensive income:</i>				
Equity securities	17,081	19,823	353,082	389,986
Debt securities	333,207	15,100	-	348,307
Managed funds	202	13	140	355
Derivatives (Note 25)	-	26,757	-	26,757
Liabilities measured at fair value				
Derivatives (Note 25)	-	(29,066)	-	(29,066)

Fair value measurement hierarchy as at 31 December 2024:

	<i>Level 1</i> <i>KD 000's</i>	<i>Level 2</i> <i>KD 000's</i>	<i>Level 3</i> <i>KD 000's</i>	<i>Total fair value</i> <i>KD 000's</i>
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
Equity securities	6,360	16	7,895	14,271
Debt securities	22,076	-	100	22,176
Managed funds	-	12,515	88,842	101,357
Forfeiting assets	-	-	81,431	81,431
<i>Financial assets fair value through other comprehensive income:</i>				
Equity securities	14,926	14,213	373,504	402,643
Debt securities	450,874	-	-	450,874
Managed funds	142	13	146	301
Derivatives (Note 25)	-	42,832	-	42,832
Liabilities measured at fair value				
Derivatives (Note 25)	-	(20,159)	-	(20,159)

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%.

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29 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 2025 and 31 December 2024.

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 shareholders 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 shareholders 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.

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Loans payable	313,664	268,019
Bonds	266,773	266,423
Medium term notes	212,180	306,813
Total debt	792,617	841,255
Less: Cash & cash equivalents of Parent Company	242,625	87,273
Net Debt	549,992	753,982
Equity attributable to the shareholders of the Parent Company	644,932	633,870
Leverage	0.85	1.19

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.

30 SUBSEQUENT EVENTS

Significant geopolitical tension escalated in Middle east, impacting GCC countries, including State of Kuwait. In late February 2026, the conflict has caused regional disruption including airspace closure, flight cancellations, supply-chain disturbances, and heightened geopolitical uncertainty due to which business and economic uncertainties have arisen. The existing and anticipated effects of the Geopolitical conflict is expected to continue to evolve.

Although the Group's 31 December 2025 financial position is not impacted, it has created uncertainty regarding the Group's future operations, supply chain, customer demand, and overall economic conditions in the region. As the situation remains new and still evolving, management is currently unable to determine with reasonable certainty the extent or duration of the conflict or its ultimate financial effect on the accompanying consolidated financial statements of the Group. Management continues to monitor the market outlook and assess potential impact, if any, in response to future developments.