Interim condensed consolidated financial information and review report

Noor Financial Investment Company – KPSC and Subsidiaries

Kuwait

30 June 2018 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
Noor Financial Investment Company – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Noor Financial Investment Company KPSC (the "Parent Company") and its subsidiaries (together "the Group") as of 30 June 2018 and the related interim condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Report on review of other legal and regulatory requirements
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2018 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provision of law no 7 of 2010 concerning the Capital Market Authority and its related regulations during the six-months period ended 30 June 2018 that might have had a material effect on the business or financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
14 August 2018

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 June 2018 (Unaudited) KD	Three months ended 30 June 2017 (Unaudited) KD	Six months ended 30 June 2018 (Unaudited) KD	Six months ended 30 June 2017 (Unaudited) KD
Revenue from hotel operations and IT Services		**2,451,056**	3,877,482	**7,841,501**	8,768,717
Realised (loss)/ gain on investments at fair value through profit or loss		**(995)**	39,255	**925,647**	74,267
Unrealised gain/(loss) on investments at fair value through profit or loss		**14,440**	(312,791)	**423,780**	(158,150)
Realised gain on sale of available for sale investments		**-**	584	**-**	36,026
Dividend income		**1,284,412**	815,739	**1,431,396**	1,088,291
Share of results of associates		**1,744,852**	1,831,355	**4,890,292**	4,139,136
Rental Income		**361,938**	264,492	**692,029**	601,580
Realized gain on partial disposal of an associate	20	**2,536,337**	-	**2,536,337**	-
Realised gain on sale of investment property		**-**	-	**-**	50,000
Management and placement fees		**5,093**	5,273	**13,480**	10,787
Total income		**8,397,133**	6,521,389	**18,754,462**	14,610,654
Cost of sales and services from hotel operations and IT services		**(1,829,069)**	(3,066,610)	**(6,496,103)**	(6,987,783)
General, administrative and other expenses		**(1,025,863)**	(1,157,330)	**(2,097,185)**	(2,537,864)
Operating profit		**5,542,201**	2,297,449	**10,161,174**	5,085,007
Interest and other income		**79,012**	123,667	**94,740**	165,690
Foreign exchange gain / (loss)		**23,665**	(36,354)	**47,390**	(42,937)
Finance costs		**(1,442,056)**	(1,417,636)	**(2,825,974)**	(2,668,579)
Impairment in value of available for sale investments		**-**	-	**-**	(331,138)
Impairment in value of accounts receivables and other assets		**(37,935)**	-	**(466,504)**	(220,821)
Profit before taxes		**4,164,887**	967,126	**7,010,826**	1,987,222
Provision for KFAS contribution		**(32,908)**	(5,873)	**(57,845)**	(15,159)
Provision for Zakat		**(15,114)**	(2,552)	**(66,179)**	(14,500)
Provision for National Labour Support Tax		**(48,893)**	(16,987)	**(48,893)**	(46,856)
Profit for the period		**4,067,972**	941,714	**6,837,909**	1,910,707
Attributable to:					
Owners of the Parent Company		**3,865,288**	762,572	**6,637,476**	1,739,494
Non-controlling interests		**202,684**	179,142	**200,433**	171,213
Profit for the period		**4,067,972**	941,714	**6,837,909**	1,910,707
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	4	**9.66**	1.89	**16.53**	4.32

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Six months ended	
	30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD
Profit for the period	**4,067,972**	941,714	**6,837,909**	1,910,707
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences arising from translation of foreign operations	**(2,566,591)**	(462,283)	**(5,502,685)**	(673,115)
Transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	**2,309,615**	-	**2,309,615**	-
Available for sale investments:				
-Net changes in fair value arising during the period	-	(964,500)	-	(1,836,136)
-Transferred to interim condensed consolidated statement of profit or loss on sale	-	(584)	-	(36,026)
-Transferred to interim condensed consolidated statement of profit or loss on impairment	-	-	-	331,138
Share of other comprehensive income of associates (net)	**529,940**	(238,172)	**(193,584)**	(1,017,438)
Total other comprehensive income / (loss) for the period	**272,964**	(1,665,539)	**(3,386,654)**	(3,231,577)
Items not to be reclassified to profit or loss in subsequent periods:				
Net changes in fair value of investments in equity instruments designated at FVOCI	**(1,667,067)**	-	**(4,465,449)**	-
	(1,667,067)	-	**(4,465,449)**	-
Total other comprehensive loss for the period	**(1,394,103)**	(1,665,539)	**(7,852,103)**	(3,231,577)
Total comprehensive income / (loss) for the period	**2,673,869**	(723,825)	**(1,014,194)**	(1,320,870)
Total comprehensive income/(loss) attributable to:				
Owners of the Parent Company	**2,971,321**	(1,043,175)	**(57,467)**	(1,374,168)
Non-controlling interests	**(297,452)**	319,350	**(956,727)**	53,298
	2,673,869	(723,825)	**(1,014,194)**	(1,320,870)

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 June 2018 (Unaudited)	31 Dec. 2017 (Audited)	30 June 2017 (Unaudited)
		KD	KD	KD
Assets				
Cash and bank balances	5	**6,043,348**	8,491,863	12,334,060
Short-term deposits	5	**17,611,264**	5,258,181	9,529,031
Murabaha wakala and sukuk investments	5	**1,152,965**	1,152,965	1,172,966
Investments at fair value through profit or loss	6	**13,100,504**	10,905,180	12,335,540
Accounts receivable and other assets	7	**11,085,165**	10,901,343	17,743,184
Inventories		**760,977**	771,994	884,295
Available for sale investments	8	**-**	33,721,451	32,238,299
Investments at fair value through other comprehensive income	9	**23,993,707**	-	-
Investment in associates	20	**52,606,736**	61,985,767	61,380,905
Investment properties	10	**33,277,237**	30,054,977	32,428,327
Property and equipment		**2,958,484**	3,083,632	3,230,946
Goodwill and other Intangible asset		**4,672,761**	4,786,265	5,220,555
Total assets		**167,263,148**	171,113,618	188,498,108
Liabilities and equity				
Liabilities				
Due to banks	5	**924,107**	917,504	1,302,503
Accounts payable and other liabilities		**6,692,960**	7,118,614	10,162,016
Borrowings from banks and other financial institutions	11	**99,468,803**	99,773,371	109,182,036
Provision for end of service indemnity		**855,682**	881,971	767,892
Total liabilities		**107,941,552**	108,691,460	121,414,447
Equity				
Share capital	12	**41,316,276**	41,316,276	41,316,276
Share premium		**3,410,573**	3,410,573	3,410,573
Treasury shares	13	**(3,535,366)**	(3,410,573)	(3,410,573)
Legal reserve		**2,058,597**	2,058,597	1,763,896
Voluntary reserve		**2,058,597**	2,058,597	1,763,896
Cumulative changes in fair value		**(3,558,483)**	3,808,238	3,461,617
Foreign currency translation reserve		**(17,066,328)**	(13,873,258)	(10,416,872)
Retained earnings		**17,346,625**	7,067,935	6,778,315
Equity attributable to the owners of the Parent Company		**42,030,491**	42,436,385	44,667,128
Non-controlling interests		**17,291,105**	19,985,773	22,416,533
Total equity		**59,321,596**	62,422,158	67,083,661
Total liabilities and equity		**167,263,148**	171,113,618	188,498,108

Fahad Sulaiman Al-Khaled
Chairman

Abdulghani M.S. Behbehani
Vice Chairman

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total equity KD
Balance as at 1 January 2018	41,316,276	3,410,573	(3,410,573)	2,058,597	2,058,597	3,808,238	(13,873,258)	7,067,935	42,436,385	19,985,773	62,422,158
Adjustment arising on adoption of IFRS 9 on 1 January 2018 (note 3.1)	-	-	-	-	-	(4,545,428)	-	4,104,080	(441,348)	(221,257)	(662,605)
Balance as at 1 January 2018 (restated)	41,316,276	3,410,573	(3,410,573)	2,058,597	2,058,597	(737,190)	(13,873,258)	11,172,015	41,995,037	19,764,516	61,759,553
Redumption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(5,819)	(5,819)
Increase in non-controlling interests of subsidiary due to capital increase	-	-	-	-	-	-	-	-	-	22,000	22,000
Amount payable to non-controlling interest on capital reduction of a subsidiary (Note 12)	-	-	-	-	-	-	-	-	-	(1,069,497)	(1,069,497)
Other change in non-controlling interest of subsidiaries	-	-	-	-	-			217,714	217,714	(217,714)	-
Dividend paid to non-controlling interest by a subsidiary	-	-	-	-	-	-	-	-	-	(245,654)	(245,654)
Purchase of treasury shares	-	-	(124,793)	-	-	-	-	-	(124,793)	-	(124,793)
Transactions with owners	-	-	(124,793)	-	-	-	-	217,714	92,921	(1,516,684)	(1,423,763)
Profit for the period	-	-	-	-	-	-	-	6,637,476	6,637,476	200,433	6,837,909
Total other comprehensive loss for the period	-	-	-	-	-	(3,501,873)	(3,193,070)	-	(6,694,943)	(1,157,160)	(7,852,103)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(3,501,873)	(3,193,070)	6,637,476	(57,467)	(956,727)	(1,014,194)
Realised loss on equity investments at FVOCI		-	-	-	-	680,580	-	(680,580)	-	-	-
Balance as at 30 June 2018	41,316,276	3,410,573	(3,535,366)	2,058,597	2,058,597	(3,558,483)	(17,066,328)	17,346,625	42,030,491	17,291,105	59,321,596

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
Balance as at 1 January 2017	41,316,276	3,410,573	(3,410,573)	1,763,896	1,763,896	5,896,895	(9,738,488)	5,038,821	46,041,296	22,874,518	68,915,814
Acqusition of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	2,199	2,199
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(513,482)	(513,482)
Transactions with owners	-	-	-	-	-	-	-	-	-	(511,283)	(511,283)
Profit for the period	-	-	-	-	-	-	-	1,739,494	1,739,494	171,213	1,910,707
Total other comprehensive loss for the period	-	-	-	-	-	(2,435,278)	(678,384)	-	(3,113,662)	(117,915)	(3,231,577)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(2,435,278)	(678,384)	1,739,494	(1,374,168)	53,298	(1,320,870)
Balance as at 30 June 2017	41,316,276	3,410,573	(3,410,573)	1,763,896	1,763,896	3,461,617	(10,416,872)	6,778,315	44,667,128	22,416,533	67,083,661

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2018 (Unaudited) KD	Six months ended 30 June 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before taxes		**7,010,826**	1,987,222
Adjustments:			
Realised loss on sale of available for sale investments		**-**	(36,026)
Dividend income		**(1,431,396)**	(1,088,291)
Share of results of associates		**(4,890,292)**	(4,139,136)
Interest income and income from murabaha and wakala investments		**(50,657)**	(48,063)
Realised gain on partial disposal of investments in associates		**(2,536,337)**	-
Depreciation		**166,008**	173,536
Amortization of intangible assets		**113,504**	125,606
Realised gain on sale of investment properties		**-**	(50,000)
Net gain recognised on sale of a subsidiary		**(21,709)**	-
Provision for end of service indemnity		**95,579**	51,086
Finance costs		**2,825,974**	2,668,579
Impairment in value of receivable and available for sale investments		**466,504**	551,959
		1,748,004	196,472
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**1,177,063**	(1,067,025)
Accounts receivable and other assets		**(1,733,143)**	(2,320,707)
Accounts payable and other liabilities		**(547,957)**	3,358,063
Inventories		**11,017**	(109,509)
Cash from operation		**654,984**	57,294
Payment of end of service indemnity		**(54,505)**	(769)
KFAS,Zakat and NLST paid		**(34,956)**	(8,533)
Net cash from operating activities		**565,523**	47,992
INVESTING ACTIVITIES			
Change in blocked deposits		**213,107**	8,833
Change in short term deposits maturing after 3 Months		**(600,000)**	-
Decrease in Murabaha and wakala investments		**-**	(8,520)
Proceeds from sale of investment at fair value through other comprehensive income		**1,889,113**	-
Proceeds from sale of available for sale investments		**-**	998,721
Acquisition and improvement of investment properties		**(3,136,510)**	(1,419,355)
Proceeds from disposal of investment property		**-**	2,650,000
Acquisition of property, plant and equipment		**(44,632)**	(7,035)
Dividend received from associate		**1,521,545**	1,805,761
Dividend received		**1,431,396**	622,551
Proceeds from a partial disposal of investment in an associate		**11,822,894**	-
Interest income & income from murabaha and wakala investments received		**50,657**	48,063
Net cash from investing activities		**13,147,570**	4,699,019
FINANCING ACTIVITIES			
Repayments of borrowings (net)		**(304,568)**	3,009,211
(Redemption) / acqusition of units by non-controlling interests		**(5,819)**	2,199
Payment to subsidiaries shareholders on capital reduction		**(609,898)**	(24,476)
Investment made by non-controlling interest in the capital of a subsidiary		**22,000**	-
Purchase of Treasury shares		**(124,793)**	-
Net cash flow from sale of subsidiary		**(46,341)**	-
Dividend paid to non-controlling interests by a subsidiary		**(212,300)**	(520,161)
Finance costs paid		**(2,920,302)**	(2,667,294)
Net cash used in financing activities		**(4,202,021)**	(200,521)
Net increase in cash and cash equivalents		**9,511,072**	4,546,490
Cash and cash equivalents at beginning of the period		**12,613,443**	15,697,135
Cash and cash equivalents at end of the period	5	**22,124,515**	20,243,625

The notes set out on pages 8 to 28 form an integral part of this interim consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Noor Financial Investment Company KPSC ("the Parent Company") was incorporated in Kuwait on 1 February 1997 and during May 2006 its shares were listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries are together referred to as "the Group". The Parent Company is regulated by the Central Bank of Kuwait and also by the Capital Market Authority (CMA), as an investment Company and is a subsidiary of National Industries Group Holding KPSC ("the Ultimate Parent Company").

The principal objectives of the Parent Company are as follows:

- Invest in various economic sectors through the establishment of specialized companies or purchase of shares or stakes in those companies;
- Perform the functions of investment trustees and manage all kinds of investment portfolios for third parties;
- Facilitate in lending and borrowing transactions for commission or remuneration;
- Fund and facilitate in international trade operations;
- Conduct research, studies and other technical services related to investment operations and manage funds for third parties;
- Create and manage various investment funds according to the law;
- Perform the functions of lead manager for the bonds issued by companies and bodies;
- Prepare studies and provide financial advice related to investment for privatization projects.
- Carry out all the services and activities that help developing the financial and monetary market in the State of Kuwait;
- Trade, by selling and buying, in shares, bonds, Sukuks and other securities unlisted or listed in Boursa Kuwait and foreign stock markets for the Company's account or the account of its clients for commission or remuneration;
- Invest in real estate, industrial and agricultural sectors of the economy in all types of investment;
- Facilitate in selling or buying financial assets and other assets for commission or remuneration;
- Provide funding operations to third parties to buy or lease fixed assets and movables through contracts.
- Provide technical services for the incorporation of companies and restructure, merge or dispose of the existing companies;
- Prepare studies and research and provide the necessary consultation in all matters relating to the objectives of the Company;
- Acquire industrial property rights, patents, trade and industrial marks, literary and intellectual property right;
- Represent foreign companies the objectives of which are identical with the objectives of the Company in order to market their products and services in accordance with the relevant Kuwaiti legislation;
- To act as an investment controller.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

The Parent Company has the right to perform the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also purchase these entities or affiliate them therewith. Further, the Parent Company may practice works similar or complementary or necessary or related to its above mentioned objectives and may utilize its surplus funds by investing same in portfolios and funds managed by specialized companies and bodies.

The address of the Parent Company's registered office is NIG Building, Ground Floor, Shuwaikh, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

The Board of Directors of the Parent Company approved this interim condensed consolidated financial information for issue on 14 August 2018.

The annual consolidated financial statements for the year ended 31 December 2017 were authorised for issuance by the Board of Directors on 11 March 2018 and approved by the shareholders at Annual General Meeting held on 9 May 2018.

2 Basis of preparation

This interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2018 has been prepared in accordance with IAS 34, Interim Financial Reporting except as noted below.

The annual consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). The accounting polices used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the changes described in Note 3 arising from the partial adoption of IFRS 9 "Financial Instruments" effective from 1 January 2018 and adoption of IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018.

Fundamental accounting concept

The Group has prepared these interim condensed consolidated financial information under the going concern concept of accounting. As detailed in note 11 though certain loan instalments/loans had fallen due, the Parent Company is actively engaged with all its lenders to restructure its loans (totalling KD89,818,625) and is confident that based on the constructive discussions held to date they will be able to achieve an acceptable rescheduling / settlement plan within a short period of time. As of 30 June 2018 the Group's total current liabilities exceeded current assets by KD24,725,811. However Group's total assets exceeded its total liabilities by KD 59,321,596 and, a significant amount of the current liabilities (borrowing from banks and financial institutions in Parent Company) amounting to KD89,818,625 are being currently negotiated by the Group's management which is referred to in note 11 and the management doesn't expect such liabilities to be called upon until the loan restructuring is completed.

Based on these facts, the Parent Company's management believes that the Group has adequate resources to continue for a foreseeable future and accordingly, the going concern basis continues to be adopted in preparing these interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017, other than the changes described in Note 3.

Operating results for the six-month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2017.

The subsidiaries are consolidated and share of results of associates are recorded based on the management accounts for the period ended 30 June 2018.

3 Changes in accounting policies

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 7 Financial Instruments: Disclosures, relating to disclosures about the initial application of IFRS 9.	1 January 2018

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the interim condensed consolidated financial information of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but is not yet effective.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9, Financial Instruments effective from 1 January 2018 with the exception of requirements of the expected credit losses (ECL) on credit facilities which have been replaced by the provisioning requirements of Central Bank of Kuwait.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)
The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets which were classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in other comprehensive income (presented in the "cumulative change in fair value" reserve in equity), and transferred to retained earnings on derecognition and are not recycled to profit or loss. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the interim condensed consolidated financial statements of the Group as follows:

Classification and measurement:
Group holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost. However, certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

Equity investments are to be measured at FVTPL as well as FVOCI as certain existing investments in equity instruments qualify for designation as FVOCI category. The gains and losses on these investments will no longer be recycled to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)
Cash & bank balances, short terms deposits, Murabha, Wakala and Sukuk investments, accounts receivables & other assets are all held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Groups' s financials assets at 1 January 2018:

	Original Classification under IAS 39	New classification under IFRS 9	Original Carrying amount under IAS 39	Re-measurement –ECL	Re-measurement –Others	New carrying amount under IFRS 9
	KD	KD	KD	KD	KD	KD
Financial assets						
Cash and bank balances	Loans & receivables	Financial assets at amortize cost	8,491,863	(14,389)	-	8,477,474
Short-term deposits	Loans & receivables	Financial assets at amortize cost -	5,258,181	(1,030)	-	5,257,151
Murabaha, wakala and sukuk investments	Loans & receivables	Financial assets at amortize cost -	1,152,965	-	-	1,152,965
Accounts receivable and other assets	Loans & receivable	Financial assets at amortize cost	10,309,931	(239,883)	-	10,070,048
Equity Investments						
- Private equity funds	AFS	FVTPL	1,851,966	-	-	1,851,966
- Private equity funds	AFS	FVOCI	1,934,173	-	-	1,934,173
- Private equity funds (previously held at cost)	AFS	FVOCI	157,168	-	(20,652)	136,516
- Quoted equity securities	AFS	FVTPL	4,097,714	-	-	4,097,714
- Quoted equity securities	AFS	FVOCI	6,978,315	-	-	6,978,315
- Unquoted equity securities	AFS	FVOCI	17,509,689	-	-	17,509,689
- Unquoted equity securities (previously held at cost)	AFS	FVOCI	1,192,426	-	(298,908)	893,518
- Quoted equity securities	FVTPL	FVTPL	8,327,884	-	-	8,327,884
- Quoted equity securities	FVTPL	FVOCI	1,199,264	-	-	1,199,264
- Unquoted equity securities	FVTPL	FVOCI	1,378,032	-	-	1,378,032
			69,839,571	(255,302)	(319,560)	69,264,709

(AFS - Available for sale, FVOCI – Fair value through other comprehensive income, FVTPL - Fair value through profit or loss).

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)
The following table summarises the new measurement categories under IFRS 9 by class of financial asset as at 1 January 2018:

	IFRS 9 Categories		
	Financial assets at Fair Value Through Profit or Loss (FVTPL) KD	Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) KD	Financial Assets at Amortised cost KD
Cash and bank balances	-	-	8,477,474
Short-term deposits	-	-	5,257,151
Murabaha ,wakala and sukuk investments	-	-	1,152,965
Accounts receivable and other assets	-	-	10,070,048
Investments	14,277,564	30,029,507	-
Balance at 1 January 2018	**14,277,564**	**30,029,507**	**24,957,638**

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Impairment:
The Group records expected credit losses (ECL) for debt instruments measured at amortised cost or FVOCI. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Under IFRS 9, the Group measures ECL as follows:

-12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
-lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Group has applied simplified approach to impairment for trade receivables and contracts receivables as required or permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The measurement of receivables under IFRS 9 did not have a material impact on the interim condensed consolidated statement of profit or loss of the Group.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Impairment of Credit facilities
The adoption of IFRS 9 did not result in any change in the classification and measurement of loans and advances to customers. These credit facilities are carried at amortised cost less amounts written off and provision for impairment, in accordance with the existing accounting policies for financial assets at amortised cost as detailed in the annual consolidated financial statements for the year ended 31 December 2017. The provision for impairment is based on the provisioning requirements of Central Bank of Kuwait.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowances as follows (excluding credit facilities):

	Provision as at 31 Dec. 2017 KD	Adjustments KD	Provision as at 1 Jan. 2018 KD
Accounts receivable and other assets	(783,270)	(239,883)	(1,023,153)
Bank balances and short term deposits	-	(15,419)	(15,419)
	(783,270)	**(255,302)**	**(1,038,572)**

Summary of impact on application of IFRS 9:
As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in the retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The implementation of IFRS 9 has resulted in the following impact:

	Balance at 31 Dec. 2017 as reported KD	Adjustment KD	Balance at 1 Jan. 2018 as restated KD
Assets			
Cash and bank balances	8,491,863	(14,389)	8,477,474
Short-term deposits	5,258,181	(1,030)	5,257,151
Murabaha ,wakala and sukuk investments	1,152,965	-	1,152,965
Investments at fair value through profit or loss	10,905,180	3,372,385	14,277,565
Accounts receivable and other assets *	10,901,343	(239,883)	10,661,460
Available for sale investments	33,721,451	(33,721,451)	-
Investments at fair value through other comprehensive income	-	30,029,507	30,029,507
Investments in associates**	61,985,767	(87,743)	61,898,024

* Accounts receivable and other assets include non-financial assets of KD 591,412.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

* * The adjustments to "investment in associates" represents the Group's share of the IFRS 9 impact related to the associate on 1 January 2018.

The following table analyses the impact on transition to IFRS 9 to retained earnings, reserves and non-controlling interest:

	Cumulative changes in fair value	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling Interest	Total equity
	KD	KD	KD	KD	KD
Closing balance under IAS 39 – 31 December 2017	**3,808,238**	**7,067,935**	**42,436,385**	**19,985,773**	**62,422,158**
Impact of reclassifications & remeasurements:					
Equities, funds & other investments from FVTPL to FVOCI	(2,401,853)	2,401,853	-	-	-
Equities, funds & other investments from available for sale to FVTPL	(1,179,013)	1,179,013	-	-	-
Equity securities and funds which were carried at cost from Available for sale to FVOCI	(158,999)	-	(158,999)	(160,561)	(319,560)
Group share of the IFRS 9 adjustments for investmetns in associates	(805,563)	805,563	-	-	-
Recognition of expected credit loss under IFRS 9 for financials assets of associates	-	(87,743)	(87,743)	-	(87,743)
Recognition of expected credit losses under IFRS 9 for financials assets	-	(194,606)	(194,606)	(60,696)	(255,302)
	(4,545,428)	4,104,080	(441,348)	(221,257)	(662,605)
Opening balance under IFRS 9 – 1 January 2018	**(737,190)**	**11,172,015**	**41,995,037**	**19,764,516**	**61,759,553**

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licensing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

The adoption of this standard does not have any material effect on the Group's interim condensed consolidated financial information.

4 Basic & diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Six months ended	
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)	**30 June 2018 (Unaudited)**	30 June 2017 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD)	**3,865,288**	762,572	**6,637,476**	1,739,494
Weighted average number of shares outstanding during the period	**413,162,761**	413,162,761	**413,162,761**	413,162,761
Less: Weighted average number of treasury shares outstanding during the period	**(12,953,429)**	(10,359,065)	**(11,705,024)**	(10,359,065)
	400,209,332	402,803,696	**401,457,737**	402,803,696
Basic and diluted earnings per share (Fils)	**9.66**	1.89	**16.53**	4.32

Notes to the interim condensed consolidated financial information (continued)

5 Cash and cash equivalents, murabaha, wakala and sukuk investments

a) Cash and cash equivalents for the purpose of the interim condensed consolidated statement of cash flows are made up as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Cash and bank balances	**6,043,348**	8,491,863	12,334,060
Short term deposits	**17,611,264**	5,258,181	9,529,031
	23,654,612	13,750,044	21,863,091
Less: Due to banks	**(924,107)**	(917,504)	(1,302,503)
Less: Blocked balances	**(5,990)**	(219,097)	(316,963)
Less: Short term deposits maturing after three months	**(600,000)**	-	-
Cash and cash equivalents as per statement of cash flows	**22,124,515**	12,613,443	20,243,625

Cash and bank balances include call accounts which earn interests.

Due to banks represent bank overdraft facilities utilised by subsidiary and are secured by short term deposit of KD975,006 (31 December 2017: KD1,008,181 and 30 June 2017: KD994,031).

Cash and cash equivalents include bank balances of KD1,412,524 (31 December 2017: KD909,817 and 30 June 2017: KD913,594) which are designated for the purpose of payment on account of capital reduction and dividend payments to non-controlling interest of two subsidiaries.

Short term deposits of KD1,500,000 (31 December 2017: KD1,000,000) are secured against bank loans.

b) Murabaha, wakala and Sukuk investments

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Murabaha and wakala investments			
Placed with local Islamic banks	**1,000,000**	1,000,000	1,020,001
Sukuk investments	**152,965**	152,965	152,965
	1,152,965	1,152,965	1,172,966

6 Investments at fair value through profit or loss

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Held for trading:			
Quoted shares	**12,172,123**	9,527,148	10,871,948
- Local	**7,723,449**	5,798,764	6,349,764
- Foreign	**4,448,674**	3,728,384	4,522,184
Designated:			
-Unquoted foreign fund and shares	**928,381**	1,378,032	1,463,592
	13,100,504	10,905,180	12,335,540

Quoted shares with a fair value of KD262,699 (31 December 2017: KD1,199,264 and 30 June 2017: KD913,822) are secured against bank borrowings (refer note 11).

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other assets

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Financial assets:			
Accounts receivable (net of impairment provision)	**4,459,617**	4,646,693	4,927,975
Due from the Ultimate Parent Company	**1,856**	1,822	1,794
Due from other related parties	**1,997,705**	3,851,906	5,257,560
Due from investment brokerage companies	**2,838,744**	578,196	2,003,993
Due from future trade customers	**-**	-	1,166,008
Accrued income	**797,472**	952,908	1,416,419
Other financial assets	**309,498**	278,406	529,863
	10,404,892	10,309,931	15,303,612
Non-financial assets			
Other assets	**680,273**	591,412	2,439,572
	680,273	591,412	2,439,572
	11,085,165	10,901,343	17,743,184

8 Available for sale investments

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Quoted shares	**-**	11,076,029	9,842,418
- Local	**-**	8,460,400	7,181,172
- Foreign	**-**	2,615,629	2,661,246
Unquoted shares	**-**	18,702,115	18,325,533
- Local	**-**	8,163,847	7,708,229
- Foreign	**-**	10,538,268	10,617,304
Foreign funds	**-**	3,943,307	4,070,348
	-	33,721,451	32,238,299

The Group has partially applied, IFRS 9 "Financial Instruments" as described in note 2 and 3 effective from 1 January 2018. Accordingly, the management of the Group has classified/re-measured its existing available for sale investments as described in note 3.

Notes to the interim condensed consolidated financial information (continued)

9 Investments at fair value through other comprehensive income

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Quoted shares	**7,308,857**	-	-
- Local	**6,609,555**		
- Foreign	**699,302**	-	-
Unquoted shares	**15,707,837**	-	-
- Local	**7,781,868**		
- Foreign	**7,925,969**	-	-
Foreign funds	**977,013**	-	-
	23,993,707	-	-

Quoted shares with a fair value of KD6,492,120 (Available for sale investments at 31 December 2017: KD4,937,674 and 30 June 2017: KD4,095,690) and unquoted shares with a fair value of KD6,531,628.(Available for sale investment at 31 December 2017: KD6,887,878 and 30 June 2017: KD6,367,878) are secured against bank borrowings (refer note 11).

10 Investment properties

The movement of investment properties is as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Fair value as at beginning of the period/year	**30,054,977**	33,819,875	33,819,875
Developments and construction costs	**3,236,629**	1,709,589	1,602,170
Addition due to acquisition of a subsidiary	-	1,326,890	-
Disposals	-	(4,700,000)	(3,000,000)
Changes in fair value	-	(2,094,860)	-
Foreign currency translation	**(14,369)**	(6,517)	6,282
	33,277,237	30,054,977	32,428,327

Investment properties comprise land ,buildings and property under developments in the following countries:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Kuwait	**29,358,324**	27,001,675	30,945,925
Outside Kuwait	**3,918,913**	3,053,302	1,482,402
	33,277,237	30,054,977	32,428,327

Notes to the interim condensed consolidated financial information (continued)

10 Investment properties (continued)

Investments properties amounting to KD8,859,000(31 December 2017: KD8,859,000 and 30 June 2017: KD11,091,000) and KD17,262,649 (31 December 2017: KD14,906,000 and 30 June 2017: KD16,488,170) are secured against bank loans, Ijara and Murabaha Financing facilities respectively (refer note 11).

The above investment properties include jointly controlled investment properties with a carrying value of KD13,957,649 (31 December 2017: KD11,601,000 and 30 June 2017: KD12,950,170) which are partly financed from Murabaha / Ijara financing arrangement and the related Group's share of the jointly controlled liabilities of KD6,750,075(31 December 2017: KD6,750,075 and 30 June 2017: KD8,250,075) has been included under borrowings.

During the period/year, borrowing cost of KD85,750 (31 December 2017: KD240,749 and 30 June 2017: KD182,815) has been capitalised to investment properties under development.

As of the reporting date, the Group has contingent liability in respect of Ijara payable of KD6,750,075(31 December 2017: KD6,750,075 and 30 June 2017; KD8,250,075)

11 Borrowings from banks and financial institutions

	Security	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Short term *				
Ijara financing - Kuwaiti Dinar	Secured	**1,100,000**	1,100,000	1,100,000
Loan Payable - Kuwaiti Dinar	Secured	**-**	-	1,000,000
Murabaha and Tawaruq payables	Secured	**612,476**	746,252	671,914
		1,712,476	1,846,252	2,771,914
Long term **				
Loans payable – Kuwaiti Dinar	Secured	**62,318,625**	62,318,625	69,193,625
Wakala payable – Kuwaiti Dinar	Secured	**27,500,000**	27,500,000	27,500,000
Ijara and Murabaha financing - Kuwaiti Dinar	Secured	**7,937,702**	8,108,494	9,716,497
		97,756,327	97,927,119	106,410,122
Total		**99,468,803**	99,773,371	109,182,036

* Short term loan as of 30 June 2017 carry effective interest rate of 4.75% and short term Ijara financing, Murabha and Tawaraq payable carry effective profit rate of 5.25% to 5.75% p.a. (31 December 2017: 4.00% to 5.75% p.a and 30 June 2017: 4.75% to 5.75% p.a)

**Long term loan payable carry effective interest rate of 4.75% to 6.00% p.a. (31 December 2017: 4.00% to 5.75% and 30 June 2017: 4.75% to 5.75% p.a) and long term Ijara financing and Wakala payable carry effective profit rate of 5.00% to 7% p.a. (31 December 2017: 4.75% to 6.75% and 30 June 2017: 4.75% to 6.75% p.a).

11.1 During the years 2011 and 2012, the Parent Company restructured its financing arrangements with some local banks and accordingly loans amounting to KD154,710,000 (out of which KD64,891,375 has been settled till reporting date) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 30 June 2018, 31 December 2017 and 30 June 2017, these are partly secured (notes 5, 6, 9 and 10) and the identification and securitization of the required balance is still in process.

Notes to the interim condensed consolidated financial information (continued)

11 Borrowings from banks and financial institutions (continued)

The process of rescheduling the Parent Company's remaining loans amounting to KD89,818,625 as of the reporting date is ongoing. However, based on the previous agreements, a loan amounting to KD39,059,250 fell due on 30 September 2017, a loan amounting to KD 27,500,000 fell due on 31 March 2018 and another loan amounting to KD 1,687,500 fell due on 31 May 2018. A loan amounting to KD21,571,875 is fallling due in September 2018.

The Parent Company had submitted a debt rescheduling plan to all its lenders and is still in process and under negotiation to reach an acceptable debt restructuring solution. As of reporting date, the lenders have confirmed that they will continue to negotiate the terms and conditions of the restructuring to bring it to a successful closure. Accordingly, the Parent Company's management expects to finalize the debt rescheduling within the next few months.

Debt rescheduling may involve upfront settlement of part of the debts, providing collateral to financers over the Group assets, renegotiation of pricing and repayments period of credit facilities and other terms and restrictions usually associated with such debt rescheduling process.

11.2 Ijara and Murabaha financing contracts and loan amounting to KD8,862,075(31 December 2017: KD8,956,365 and 30 June 2017: KD11,487,868) are secured by investments properties (Note 9).

11.3 Long term loans and wakala amounting to KD89,819,625 (31 December 2017: KD89,819,625 and 30 June 2017: KD96,693,625) are secured by short term deposits (note 5), investment at fair value through profit or loss (note 6), investment at fair value through other comprehensive income (note 9) and investment properties (note 10) and against shares of two unlisted subsidiaries of the Parent Company.

11.4. The above loans are due as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Short term Ijara Financing	**1,100,000**	1,100,000	1,100,000
Short term loans	**-**	-	1,000,000
Short term Tawaruq Payable	**612,476**	746,252	671,914
Long term loans and Wakala payable			
- Current portion due within one year	**89,818,625**	89,818,625	75,121,750
- Due after more than one year	**-**	-	21,571,875
Long term ijara and murabaha financing			
- Current portion due within one year	**704,000**	656,564	460,500
- Due after more than one year	**7,233,702**	7,451,930	9,255,997
	99,468,803	99,773,371	109,182,036

12 Share capital and non-controlling interest

Share capital

The authorised, issued and paid up share capital of the Parent Company comprise of 413,162,761 shares of 100 Fils each (31 December 2017: 413,162,761 and 30 June 2017: 413,162,761 of 100 Fils each), fully paid in cash.

Notes to the interim condensed consolidated financial information (continued)

12 Share capital and non-controlling interest (continued)

Non-controlling interest

Capital reduction by subsidiary
On 18 December 2017, the shareholders of one of the subsidiaries of the Group, (Noor Telecommunication Company - KSC) decided to decrease its share capital from KD33,500,000 to KD14,136,754 (by KD19,363,246) by setting off of accumulated losses of KD17,113,246 and distribution to shareholders an amount of KD2,250,000 out of which KD1,069,497 pertains to non-controlling interests.

13 Treasury shares

The Group holds treasury shares as follows:

	30 June 2018 (Unaudited)	31 Dec. 2017 (Audited)	30 June 2017 (Unaudited)
Number of shares	**13,112,904**	10,359,065	10,359,065
Percentage of issued shares	**3.17%**	2.51%	2.51%
Market value (KD)	**713,342**	626,723	503,451
Cost (KD)	**3,535,366**	3,410,573	3,410,573

Reserves equivalent to the cost of treasury shares held are not distributable. The treasury shares are not held as collateral against any financial liability.

14 Segment analysis

The Group activities are concentrated in four main segments: Investments, Real Estate, IT services and Hotel operations. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. In addition, the segments results, assets and liabilities are reported based on the geographical location in which the Group operates in. Segment results include revenue and expense directly attributable to each reporting segment as the Group does not have any inter segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

Notes to the interim condensed consolidated financial information (continued)

14 Segment analysis (continued)

Segmental information for the period/year ended 30 June 2018, 31 December 2017 and 30 June 2017 are as follows:

	Investments		Real Estate		IT services		Hotel operations		Total	
	30 June 2018 KD	30 June 2017 KD	**30 June 2018 KD**	30 June 2017 KD	**30 June 2018 KD**	30 June 2017 KD	**30 June 2018 KD**	KD	**30 June 2018 KD**	30 June 2017 KD
Revenue from hotel operations and IT services	-	-	-	-	**6,602,361**	7,409,463	**1,239,140**	1,359,254	**7,841,501**	8,768,717
Investments related income (realised, unrealised and dividend income)	**2,780,823**	1,040,434	-	-	-	-	-	-	**2,780,823**	1,040,434
Rental income	-	-	**692,029**	601,580	-	-	-	-	**692,029**	601,580
Management and placement fee	**13,480**	10,787	-	-	-	-	-	-	**13,480**	10,787
Share of results of associates	**4,874,303**	4,110,004	**15,989**	29,132	-	-	-	-	**4,890,292**	4,139,136
Realized gain on partial disposal of an associate	**2,536,337**	-	-	-	-	-	-	-	**2,536,337**	-
Realised gain on sale of investment properties	-	-	-	50,000	-	-	-	-	-	50,000
Segment income	**10,204,943**	5,161,225	**708,018**	680,712	**6,602,361**	7,409,463	**1,239,140**	1,359,254	**18,754,462**	14,610,654
Cost of sales and services	-	-	-	-	**(5,992,423)**	(6,432,396)	**(503,680)**	(555,387)	**(6,496,103)**	(6,987,783)
General and administrative expenses	**(757,256)**	(705,369)	**(183,988)**	(415,991)	**(565,754)**	(712,338)	**(590,187)**	(704,166)	**(2,097,185)**	(2,537,864)
Operating profit	**9,447,687**	4,455,856	**524,030**	264,721	**44,184**	264,729	**145,273**	99,701	**10,161,174**	5,085,007
Interest income, other income and foreign exchange gain	**142,130**	61,097	-	-	-	61,656	-	-	**142,130**	122,753
Impairments	**(126,857)**	(331,138)	**(213,463)**	-	**(126,184)**	(220,821)	-	-	**(466,504)**	(551,959)
Finance cost	**(2,615,390)**	(2,501,860)	**(116,770)**	(55,722)	**(93,814)**	(110,997)	-	-	**(2,825,974)**	(2,668,579)
Segment profit/ (loss) before taxes	**6,847,570**	1,683,955	**193,797**	208,999	**(175,814)**	(5,433)	**145,273**	99,701	**7,010,826**	1,987,222

	30 June 2018 (Unaudited)			31 December 2017 (Audited)			30 June 2017 (Unaudited)		
	Assets KD	**Liabilities KD**	**Net assets KD**	Assets KD	Liabilities KD	Net assets KD	Assets KD	Liabilities KD	Net assets KD
Investment	**109,065,306**	**(91,178,736)**	**17,886,570**	109,815,424	(90,955,816)	18,859,608	119,620,638	(98,150,989)	21,469,649
Real Estate	**40,613,935**	**(9,083,487)**	**31,530,448**	41,807,233	(9,972,639)	31,834,594	48,320,151	(14,836,269)	33,483,882
IT services	**13,661,683**	**(6,905,012)**	**6,756,671**	15,426,639	(7,064,134)	8,362,505	16,003,964	(7,506,135)	8,497,829
Hotel operation	**3,922,224**	**(774,317)**	**3,147,907**	4,064,322	(698,871)	3,365,451	4,553,355	(921,054)	3,632,301
Total	**167,263,148**	**(107,941,552)**	**59,321,596**	171,113,618	(108,691,460)	62,422,158	188,498,108	(121,414,447)	67,083,661

Notes to the interim condensed consolidated financial information (continued)

15 Related party transactions

Related parties represent the Ultimate Parent Company, associates, directors and key management personnel of the Group, and other related parties such as subsidiaries of the Ultimate Parent Company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Due from related parties and the Ultimate Parent Company			
- Due from Ultimate Parent Company (note 7)	**1,856**	1,822	1,794
- Due from associates (note 7)	**1,804,825**	2,207,887	3,023,294
- Due from other related parties (note 7)	**192,880**	1,644,019	2,234,266
- Accrued income and management fees	**460,221**	675,556	678,139
Due to other related parties	**105,556**	822,922	2,931,549
Transactions with related parties			
Sale of Investment properties	-	550,000	550,000
Purchase of shares in a subsidiary	-	1,271,750	-
Sale of available for sale investments	-	623,033	609,458
Development and construction costs	**2,203,506**	1,397,512	1,419,355
Transfer of other assets	-	350,000	350,000
Investments in related parties			
- Investments at fair value through profit or loss	**85,063**	1,212,540	857,840
- Available for sale investments	-	5,179,728	4,321,317
- Investments at FVOCI	**6,724,966**	-	-

	Three months ended		Six months ended	
	30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD
Interim condensed consolidated statement of profit or loss				
Management and placement fees				
- earned from Ultimate Parent Company	**200**	138	**380**	273
- earned from other related parties	**575**	299	**1,118**	594
Impairment in value of accounts receivable and other assets	-	-	**35,970**	-
Real estate perating cost	**7,520**	-	**18,399**	-
Compensation of key management personnel of the Group				
Short term employee benefits	**97,674**	202,969	**195,631**	388,521
End of service benefits	**3,062**	29,729	**10,019**	32,180
	100,736	232,698	**205,650**	420,701

Notes to the interim condensed consolidated financial information (continued)

16 Summary of financial assets and liabilities by category and fair value measurement

16.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position may also be categorized as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
At amortised cost (2017: Loans and receivables) :			
• Cash and bank balances	**6,043,348**	8,491,863	12,334,060
• Short term deposits	**17,611,264**	5,258,181	9,529,031
• Murabaha and sukuk investments	**1,152,965**	1,152,965	1,172,966
• Accounts receivable and other assets (note 7)	**10,404,892**	10,309,931	15,303,612
	35,212,469	25,212,940	38,339,669
Investments at fair value through profit or loss: (note 6)			
• Held for trading	**12,172,123**	9,527,148	10,871,948
• Designated	**928,381**	1,378,032	1,463,592
	13,100,504	10,905,180	12,335,540
Investments at fair value through other comprehensive income			
• Equity Instruments / foreign funds	**23,993,707**	-	-
	23,993,707	-	-
Available for sale investments			
• At fair value	-	32,371,861	30,888,709
• At cost / cost less impairment	-	1,349,590	1,349,590
	-	33,721,451	32,238,299
Total financial assets	**72,306,680**	69,839,571	82,913,508
Financial liabilities (at amortised costs) :			
• Due to banks	**924,107**	917,504	1,302,503
• Accounts payable and other liabilities	**6,692,960**	7,118,614	10,162,016
• Borrowings from banks and financial institutions (note 11)	**99,468,803**	99,773,371	109,182,036
	107,085,870	107,809,489	120,646,555

Fair value represents 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 Group measures financial instruments such as investments at fair value though profit or loss and investment at fair value through other comprehensive income at fair value and measurement details are disclosed in note 16.2 to the interim condensed consolidated financial statements. In the opinion of the Group's management, except for certain long term borrowing (refer note 11) the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

Notes to the interim condensed consolidated financial information (continued)

16 Summary of financial assets and liabilities by category (continued)

16.2 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy Groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are Grouped into the fair value hierarchy as follows:

30 June 2018	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
-Quoted shares	12,172,123	-	-	12,172,123
- Foreign fund	-	928,381	-	928,381
Financial assets at fair value through other comprehensive income				
-Quoted shares	7,308,857	-	-	7,308,857
-Unquoted shares	-	7,033,373	8,674,464	15,707,837
-Foreign funds	-	977,013	-	977,013
Total assets	19,480,980	8,938,767	8,674,464	37,094,211

31 December 2017	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
-Quoted shares	9,527,148	-	-	9,527,148
-Unquoted shares	-	-	1,378,032	1,378,032
Available for sale investments				
-Quoted shares	10,543,104	-	532,925	11,076,029
-Unquoted shares	-	3,399,347	14,110,345	17,509,692
-Foreign funds	-	3,786,140	-	3,786,140
Total assets	20,070,252	7,185,487	16,021,302	43,277,041

Notes to the interim condensed consolidated financial information (continued)

16 Summary of financial assets and liabilities by category (continued)

16.2 Fair value hierarchy for financial instruments measured at fair value

30 June 2017	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
-Quoted shares	10,871,948	-	-	10,871,948
-Unquoted shares	-	-	1,463,592	1,463,592
Available for sale investments				
-Quoted shares	8,225,263	1,034,431	582,724	9,842,418
-Unquoted shares	-	3,100,322	14,032,789	17,133,111
-Foreign funds	-	3,913,180	-	3,913,180
Total assets	19,097,211	8,047,933	16,079,105	43,224,249

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year/period, except for certain foreign quoted shares that have been fair valued based on market price as the Group's management believes that such market price is more representative of the fair values of such investment. Accordingly these investments have been included under level 1.

Level 3 Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Balance at the beginning of the period/year	**16,021,302**	16,848,871	16,848,871
Change in fair value	**(729,768)**	(326,910)	(274,191)
Addition	**45,000**	-	-
Transfer to level 1 and 2	**(7,854,493)**	-	-
Transfer from level 1 and 2	-	208,576	167,841
Disposed during the period/year	-	(623,033)	(663,416)
Transferred from investment carried at cost	**1,192,423**	-	-
Impairment of level 3 investments	-	(86,202)	-
Balance at the end of the period/year	**8,674,464**	16,021,302	16,079,105

17 Contingent liabilities and Capital commitments

Contingent liabilities

a) On 1 December 2011, the Parent Company's Jordanian subsidiary, Noor Jordanian Kuwaiti Financial Investment Company Limited ("the Seller") disposed of its entire equity interest in one of its Jordanian subsidiary (Noor Jordan Kuwait Transport Company JSCC) to nine individual buyers ("the Buyers"). Subsequent to the transfer of shares and control to the Buyers, they have filed a case against the seller claiming misrepresentation in valuing the subsidiary assets at JD4,500,000 (KD1,919,966). The subsidiary's management and legal advisor believe that the favorable decision of the court is probable; hence, no provision for any effects that may result has been made in the interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

17 Contingent liabilities and Capital commitments (continued)

Guarantees and capital commitments
At the reporting date, the Group had capital commitments of KD3,424,965 (31 December 2017: KD5,970,271 and 30 June 2017: KD6,772,789) towards purchase of investments and development of investment properties and guarantees amounting to KD2,986,682(31 December 2017: KD8,427,179 and 30 June 2017: KD6,944,825).

18 Fiduciary assets

The Group manages mutual funds and portfolios on behalf of its Ultimate Parent Company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's interim condensed consolidated statements of financial position. Assets under management at 30 June 2018 amounted to KD25,467,083(31 December 2017: KD48,075,565 and 30 June 2017: KD44,245,512) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD19,633,797 (31 December 2017: KD42,204,324 and 30 June 2017: KD41,813,853).

19 Distributions and directors' remuneration

The shareholders at their Annual General Meeting held on 9 May 2018 approved not to make any distributions for the year ended 31 December 2017 (2016: Nil).

The shareholders of the Parent Company at the Annual General Meeting held on 9 May 2018, approved to distribute a total amount of KD54,000 as remuneration to the Board of Directors for the year ended 31 December 2017.

20 Investements in associates.

During the current period, Group partially disposed (6.17% out of its holding of 49.11% at 31 December 2017) one of its foreign associates (Meezan Bank Ltd.) for a consideration of KD11,822,894 resulting in a net gain of KD2,536,337. At 30 June 2018 the Group's ownership in this associate reduced to 42.94%.

Further, subsequent to the reporting date, the Group sold 3.41% of its stake of the above associate for a consideration of KD6,452,192, which has resulted in a gain of approx. KD 1.1 Mn which will be reflected in the financial information of third quarter of 2018.

21 Comparative information

Certain comparative amounts for the previous period have been reclassified to be consistent with the presentation for the current period. Such classification did not affect previously reported results, total assets or equity.