Interim condensed consolidated financial information and review report

Noor Financial Investment Company – KPSC and Subsidiaries

Kuwait

30 September 2018 (Unaudited)

Contents

Grant Thornton
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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 September 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 nine-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 nine-month period ended 30 September 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 nine-months period ended 30 September 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
7 November 2018

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 Sept. 2018 (Unaudited) KD	Three months ended 30 Sept. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2018 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD
Income					
Revenue from hotel operations and IT Services		**3,586,099**	3,959,724	**11,427,600**	12,728,441
Realised gain / (loss) on investments at fair value through profit or loss		**9,709**	(68,642)	**935,356**	5,625
Unrealised gain on investments at fair value through profit or loss		**778,222**	866,524	**1,202,002**	708,374
Realised gain on sale of available for sale investments		**-**	8,913	**-**	44,939
Dividend income		**54,349**	64,985	**1,485,745**	1,153,276
Share of results of associates		**1,895,822**	1,824,397	**6,786,114**	5,963,533
Rental Income		**304,204**	302,598	**996,233**	904,178
Realised gain on sale of investment properties		**-**	-	**-**	50,000
Realised gain on partial disposal of an associate	20	**1,080,057**	-	**3,616,394**	-
Management and placement fees		**3,846**	17,391	**17,326**	28,178
Total income		**7,712,308**	6,975,890	**26,466,770**	21,586,544
Cost of sales and services from hotel operations and IT services		**(2,764,515)**	(3,199,666)	**(9,260,618)**	(10,187,449)
General, administrative and other expenses		**(1,597,297)**	(1,444,228)	**(3,694,482)**	(3,982,092)
Operating profit		**3,350,496**	2,331,996	**13,511,670**	7,417,003
Interest and other income		**101,854**	2,117,140	**196,594**	2,282,830
Foreign exchange loss / (gain)		**14,158**	(16,837)	**61,548**	(59,774)
Finance costs		**(1,494,676)**	(1,289,066)	**(4,320,650)**	(3,957,645)
Impairment in value of available for sale investments		**-**	(97,069)	**-**	(428,207)
Impairment in value of receivables		**-**	(12,000)	**(466,504)**	(232,821)
Profit before taxes		**1,971,832**	3,034,164	**8,982,658**	5,021,386
Provision for KFAS contribution		**(14,141)**	(23,865)	**(71,986)**	(39,024)
Provision for Zakat		**(19,999)**	(30,288)	**(86,178)**	(44,788)
Provision forational Labour Support Tax		**(2,859)**	(75,721)	**(51,752)**	(122,577)
Profit for the period		**1,934,833**	2,904,290	**8,772,742**	4,814,997
Attributable to:					
Owners of the Parent Company		**1,924,871**	2,844,085	**8,562,347**	4,583,579
Non-controlling interests		**9,962**	60,205	**210,395**	231,418
Profit for the period		**1,934,833**	2,904,290	**8,772,742**	4,814,997
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	4	**4.81**	7.06	**21.35**	11.38

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		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	**30 Sept. 2018 (Unaudited) KD**	30 Sept. 2017 (Unaudited) KD
Profit for the period	**1,934,833**	2,904,290	**8,772,742**	4,814,997
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences arising from translation of foreign operations	**(812,768)**	(531,254)	**(6,315,453)**	(1,204,369)
Transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	**1,486,621**	-	**3,796,236**	-
Available for sale investments:				
-Net changes in fair value arising during the period	-	2,136,344	-	300,208
-Transferred to interim condensed consolidated statement of profit or loss on sale	-	(8,913)	-	(44,939)
-Transferred to interim condensed consolidated statement of profit or loss on impairment	-	97,069	-	428,207
Share of other comprehensive income of associates (net)	**(475,491)**	(1,011,763)	**(669,075)**	(2,029,201)
Total other comprehensive income/(loss) for the period	**198,362**	681,483	**(3,188,292)**	(2,550,094)
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	**(386,632)**	-	**(4,852,081)**	-
	(386,632)	-	**(4,852,081)**	-
Total other comprehensive (loss)/income for the period	**(188,270)**	681,483	**(8,040,373)**	(2,550,094)
Total comprehensive income for the period	**1,746,563**	3,585,773	**732,369**	2,264,903
Total comprehensive income/(loss) attributable to:				
Owners of the Parent Company	**1,869,479**	3,655,812	**1,812,012**	2,281,644
Non-controlling interests	**(122,916)**	(70,039)	**(1,079,643)**	(16,741)
	1,746,563	3,585,773	**732,369**	2,264,903

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 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Assets				
Cash and bank balances	5	**5,104,499**	8,491,863	8,630,933
Short-term deposits	5	**25,047,395**	5,258,181	5,457,542
Murabaha, wakala and sukuk investments	5	**1,152,965**	1,152,965	1,152,965
Investments at fair value through profit or loss	6	**13,893,395**	10,905,180	12,280,912
Accounts receivable and other assets	7	**10,815,958**	10,901,343	14,281,071
Inventories		**848,731**	771,994	879,333
Available for sale investments	8	**-**	33,721,451	34,697,371
Investments at fair value through other comprehensive income	9	**23,242,182**	-	-
Investment in associates	20	**48,088,140**	61,985,767	63,720,182
Investment properties	10	**33,742,483**	30,054,977	32,503,232
Property and equipment		**2,882,417**	3,083,632	3,146,589
Goodwill and other Intangible asset		**4,616,009**	4,786,265	5,157,751
Total assets		**169,434,174**	171,113,618	181,907,881
Liabilities and equity				
Liabilities				
Due to banks	5	**667,739**	917,504	1,010,477
Accounts payable and other liabilities		**7,911,779**	7,118,614	8,669,475
Borrowings from banks and other financial institutions	11	**98,902,706**	99,773,371	100,835,930
Provision for end of service indemnity		**932,540**	881,971	811,716
Total liabilities		**108,414,764**	108,691,460	111,327,598
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		**(4,203,061)**	3,808,238	4,804,697
Foreign currency translation reserve		**(16,393,450)**	(13,873,258)	(10,948,225)
Retained earnings		**19,187,804**	7,067,935	9,622,400
Equity attributable to the owners of the Parent Company		**43,899,970**	42,436,385	48,322,940
Non-controlling interests		**17,119,440**	19,985,773	22,257,343
Total equity		**61,019,410**	62,422,158	70,580,283
Total liabilities and equity		**169,434,174**	171,113,618	181,907,881

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
Increase in non-controlling interest of subsidiary due to capital increase	-	-	-	-	-	-	-	-	-	22,000	22,000
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(8,944)	(8,944)
Amounts payable to non controlling interest on capital reduction of subsidiaries (note 12)	-	-	-	-	-	-	-	-	-	(1,069,497)	(1,069,497)
Other change in non controlling interest of subsidiaries	-	-	-	-	-	-	-	217,714	217,714	(217,714)	-
Purchase of treasury shares	-	-	(124,793)	-	-	-	-	-	(124,793)	-	(124,793)
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	-	(291,278)	(291,278)
Transactions with owners	-	-	(124,793)	-	-	-	-	217,714	92,921	(1,565,433)	(1,472,512)
Profit for the period	-	-	-	-	-	-	-	8,562,347	8,562,347	210,395	8,772,742
Total other comprehensive loss for the period	-	-	-	-	-	(4,230,143)	(2,520,192)	-	(6,750,335)	(1,290,038)	(8,040,373)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(4,230,143)	(2,520,192)	8,562,347	1,812,012	(1,079,643)	732,369
Realised loss on equity investments at FVOCI	-	-	-	-	-	764,272	-	(764,272)	-	-	-
Balance as at 30 September 2018	41,316,276	3,410,573	(3,535,366)	2,058,597	2,058,597	(4,203,061)	(16,393,450)	19,187,804	43,899,970	17,119,440	61,019,410

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
Net redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(52)	(52)
Redemption of share capital by non-controlling interest of subsidary	-	-	-	-	-	-	-	-	-	(86,900)	(86,900)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(513,482)	(513,482)
Transactions with owners	-	-	-	-	-	-	-	-	-	(600,434)	(600,434)
Profit for the period	-	-	-	-	-	-	-	4,583,579	4,583,579	231,418	4,814,997
Total other comprehensive loss for the period	-	-	-	-	-	(1,092,198)	(1,209,737)	-	(2,301,935)	(248,159)	(2,550,094)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,092,198)	(1,209,737)	4,583,579	2,281,644	(16,741)	2,264,903
Balance as at 30 September 2017	41,316,276	3,410,573	(3,410,573)	1,763,896	1,763,896	4,804,697	(10,948,225)	9,622,400	48,322,940	22,257,343	70,580,283

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	Nine months ended 30 Sept. 2018 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before taxes		**8,982,658**	5,021,386
Adjustments:			
Realised gain on sale of available for sale investments		**-**	(44,939)
Dividend income		**(1,485,745)**	(1,153,276)
Realized gain on partial disposal of investment in associates		**(3,616,394)**	-
Share of results of associates		**(6,786,114)**	(5,963,533)
Net gain recognised on sale of subsidary		**(21,709)**	-
Realised gain on sale of investment properties		**-**	(50,000)
Interest income and income from murabaha and wakala investments		**(151,663)**	(64,073)
Depreciation		**250,997**	227,253
Amortisation of intangiable assets		**170,256**	188,410
Provision for end of service indemnity		**173,728**	121,923
Finance costs		**4,320,650**	3,957,645
Impairment in value of available for sale investments and receivables		**466,504**	661,028
		2,303,168	2,901,824
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**384,172**	(1,012,397)
Accounts receivable and other assets		**239,355**	649,263
Account payable and other liabilities		**259,174**	1,279,477
Inventories		**(76,737)**	(104,547)
Cash from operation		**3,109,132**	3,713,620
KFAS, Zakat and NLST paid		**(35,046)**	(8,767)
Payment of end of service indemnity		**(22,533)**	(27,782)
Net cash from operating activities		**3,051,553**	3,677,071
INVESTING ACTIVITIES			
Change in short term deposits maturing after three months		**(1,700,000)**	-
Change in blocked deposits		**213,107**	8,833
Proceeds from sale of FVOCI investments		**1,936,217**	-
Decrease in murabaha and wakala investments		**-**	11,481
Proceeds from sale of available for sale investments		**-**	1,062,290
Purchase of available for sale investments		**-**	(386,297)
Investments in associate		**-**	(4,236,069)
Acquisition/improvement of investment properties		**(3,559,793)**	(1,210,917)
Proceeds from sale of investment properties		**-**	2,650,000
Proceeds from partial disposal of an associates		**18,131,025**	-
Net acquisition of property and equipment		**(53,553)**	23,607
Dividend received from other investments		**1,485,745**	1,159,887
Dividend received from associate		**1,521,545**	4,004,335
Interest income & income from murabaha and wakala investments received		**151,663**	64,073
Net cash from investing activities		**18,125,956**	3,151,223
FINANCING ACTIVITIES			
Repayments of borrowings (net)		**(870,665)**	(5,336,895)
Redemption of units by non-controlling interests		**(9,936)**	(52)
Payment to subsidiaries shareholders on account of capital reduction		**(749,026)**	(79,293)
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 subsidairy		**(46,341)**	-
Dividend paid to non-controlling interest by subsidiaries		**(254,499)**	(566,922)
Dividend paid		**(2,249)**	-
Finance costs paid		**(3,977,278)**	(3,781,232)
Net cash used in financing activities		**(6,012,787)**	(9,764,394)
Net increase/(decrease) in cash and cash equivalents		**15,164,722**	(2,936,100)
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	**27,778,165**	12,761,035

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, merger or disposal 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 7 November 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 nine-month period ended 30 September 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 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 September 2018 the Group's total current liabilities exceeded current assets by KD18,674,111. However Group's total assets exceeded its total liabilities by KD61,019,410 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 nine-month period ended 30 September 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 September 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		Nine months ended	
	30 Sept. 2018 (Unaudited)	30 Sept. 2017 (Unaudited)	**30 Sept. 2018 (Unaudited)**	30 Sept. 2017 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD)	**1,924,871**	2,844,085	**8,562,347**	4,583,579
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	**(13,112,904)**	(10,359,065)	**(12,186,167)**	(10,359,065)
	400,049,857	402,803,696	**400,976,594**	402,803,696
Basic and diluted earnings per share (Fils)	**4.81**	7.06	**21.35**	11.38

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 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Cash and bank balances	**5,104,499**	8,491,863	8,630,933
Short term deposits	**25,047,395**	5,258,181	5,457,542
	30,151,894	13,750,044	14,088,475
Less: Due to banks	**(667,739)**	(917,504)	(1,010,477)
Less: Blocked balances	**(5,990)**	(219,097)	(316,963)
Less: Short term deposits maturing after three months	**(1,700,000)**	-	-
Cash and cash equivalents as per statement of cash flows	**27,778,165**	12,613,443	12,761,035

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 KD856,049 (31 December 2017: KD1,008,181 and 30 September 2017: KD1,007,542).

Cash and cash equivalents include bank balances of KD1,333,238 (31 December 2017: KD909,817 and 30 September 2017: KD954,995) 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 KD 2,760,000 (31 December 2017: KD1,000,000 and 30 September 2017: KD1,200,000) are secured against bank loans.

b) Murabaha, wakala and Sukuk investments

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

6 Investments at fair value through profit or loss

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Held for trading:			
Quoted shares	**12,963,514**	9,527,148	10,875,072
- Local	**8,486,925**	5,798,764	7,155,131
- Foreign	**4,476,589**	3,728,384	3,719,941
Designated:			
-Unquoted foreign fund and shares	**929,881**	1,378,032	1,405,840
	13,893,395	10,905,180	12,280,912

Quoted shares with a fair value of KD291,996 (31 December 2017: KD1,199,264 and 30 September 2017: KD1,223,772) are secured against bank borrowings (refer note 11).

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other assets

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Financial assets:			
Accounts receivable (net of impairment provision)	**4,468,017**	4,646,693	4,283,539
Due from the Ultimate Parent Company	**2,067**	1,822	1,782
Due from other related parties	**2,803,222**	3,851,906	5,271,917
Dividend receivable from an associate	**1,391,173**	-	-
Due from investment brokerage companies	**671,760**	578,196	546,182
Due from future trade customers	**-**	-	497,388
Accrued income	**773,406**	952,908	941,800
Other financial assets	**268,633**	278,406	398,808
	10,378,278	10,309,931	11,941,416
Non-financial assets			
Other assets	**437,680**	591,412	2,339,655
	437,680	591,412	2,339,655
	10,815,958	10,901,343	14,281,071

8 Available for sale investments

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Quoted shares	-	11,076,029	12,568,736
- Local	-	8,460,400	9,446,230
- Foreign	-	2,615,629	3,122,506
Unquoted shares	-	18,702,115	18,037,251
- Local	-	8,163,847	7,653,267
- Foreign	-	10,538,268	10,383,984
Foreign funds	-	3,943,307	4,091,384
	-	33,721,451	34,697,371

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 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Quoted shares	**6,992,681**	-	-
- Local	**6,673,512**		
- Foreign	**319,169**	-	-
Unquoted shares	**15,278,242**	-	-
- Local	**7,732,505**		
- Foreign	**7,545,737**	-	-
Foreign funds	**971,259**	-	-
	23,242,182	-	-

Quoted shares with a fair value of KD6,673,512 (Available for sale investments at 31 December 2017: KD4,937,674 and 30 September 2017: KD5,410,184) and unquoted shares with a fair value of KD6,531,628. (Available for sale investment at 31 December 2017: KD6,887,878 and 30 September 2017: KD6,367,878) are secured against bank borrowings (refer note 11).

10 Investment properties

The movement of investment properties is as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 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	**3,705,944**	1,709,589	1,689,685
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	**(18,438)**	(6,517)	(6,328)
	33,742,483	30,054,977	32,503,232

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

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Kuwait	**29,702,238**	27,001,675	31,021,685
Outside Kuwait	**4,040,245**	3,053,302	1,481,547
	33,742,483	30,054,977	32,503,232

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 September 2017: KD11,091,000) and KD17,606,563 (31 December 2017: KD14,906,000 and 30 September 2017: KD16,563,930) 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 KD14,301,563 (31 December 2017: KD11,601,000 and 30 September 2017: KD13,025,930) 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 September 2017: KD6,750,075) has been included under borrowings.

During the period, borrowing cost of KD127,713 (31 December 2017: KD240,749 and 30 September 2017: KD478,768) 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 September 2017; KD6,750,075)

11 Borrowings from banks and financial institutions

	Security	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 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	**308,508**	746,252	785,030
		1,408,508	1,846,252	2,885,030
Long term **				
Loans payable – Kuwaiti Dinar	Secured	**62,318,625**	62,318,625	62,318,625
Wakala payable – Kuwaiti Dinar	Secured	**27,500,000**	27,500,000	27,500,000
Ijara and Murabaha financing - Kuwaiti Dinar	Secured	**7,675,573**	8,108,494	8,132,275
		97,494,198	97,927,119	97,950,900
Total		**98,902,706**	99,773,371	100,835,930

* Short term Ijara financing, Murabha and Tawaraq payable carry effective profit rate of 5.25% to 7.00% p.a. (31 December 2017: 4.00% to 5.75% p.a and 30 September 2017: 4.5% to 5.5% p.a). Short term loan as of 30 September 2017 carried effective interest rate of 4.75%.

**Long term loan payable carry effective interest rate of 4.75% to 6.2% p.a. (31 December 2017: 4.00% to 5.75% and 30 September 2017: 4.75% to 5.75% p.a) and long term Ijara financing and Wakala payable carry effective profit rate of 6.00% to 7% p.a. (31 December 2017: 4.75% to 6.75% and 30 September 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 September 2018, 31 December 2017 and 30 September 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 and settlement of 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 September 2017 and other loans amounting to KD50,759,375 fell due during March, May and 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 and subsequent to the reporting date, the lenders have confirmed that they will continue to negotiate the terms and conditions of the restructuring and settlement 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 KD8,775,573 (31 December 2017: KD8,956,365 and 30 September 2017: KD9,939,875) 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 September 2017: KD89,818,625) 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 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 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	**308,508**	746,252	785,030
Long term loans and Wakala payable			
- Current portion due within one year	**89,818,625**	89,818,625	89,818,625
- Due after more than one year	**-**	-	-
Long term ijara and murabaha financing			
- Current portion due within one year	**625,000**	656,564	535,500
- Due after more than one year	**7,050,573**	7,451,930	7,596,775
	98,902,706	99,773,371	100,835,930

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 September 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 Sept. 2018 (Unaudited)	31 Dec. 2017 (Audited)	30 Sept. 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)	**664,824**	626,723	654,693
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 September 2018, 31 December 2017 and 30 September 2017 are as follows:

	Investments		Real Estate		IT services		Hotel operations		Total	
	30 Sept. 2018 KD	30 Sept. 2017 KD	30 Sept. 2018 KD	30 Sept. 2017 KD	30 Sept. 2018 KD	30 Sept. 2017 KD	30 Sept. 2018 KD	30 Sept. 2017 KD	30 Sept. 2018 KD	30 Sept. 2017 KD
Revenue from hotel operations and IT services	-	-	-	-	9,247,302	10,525,067	2,180,298	2,203,374	11,427,600	12,728,441
Investments related income (realised, unrealised and dividend income)	3,623,103	1,912,214	-	-	-	-	-	-	3,623,103	1,912,214
Rental income	-	-	996,233	904,178	-	-	-	-	996,233	904,178
Management and placement fee	17,326	28,178	-	-	-	-	-	-	17,326	28,178
Share of results of associates	6,759,887	5,925,932	26,227	37,601	-	-	-	-	6,786,114	5,963,533
Realized gain on partial disposal of an associate	3,616,394	-	-	-	-	-	-	-	3,616,394	-
Realised gain on sale of investment properties	-	-	-	50,000	-	-	-	-	-	50,000
Segment income	14,016,710	7,866,324	1,022,460	991,779	9,247,302	10,525,067	2,180,298	2,203,374	26,466,770	21,586,544
Cost of sales and services	-	-	-	-	(8,413,978)	(9,281,253)	(846,640)	(906,196)	(9,260,618)	(10,187,449)
General and administrative expenses	(1,777,032)	(1,623,930)	(277,137)	(609,602)	(596,296)	(727,691)	(1,044,017)	(1,020,869)	(3,694,482)	(3,982,092)
Operating profit	12,239,678	6,242,394	745,323	382,177	237,028	516,123	289,641	276,309	13,511,670	7,417,003
Interest income, other income and foreign exchange gain	258,142	2,161,400	-	-	-	61,656	-	-	258,142	2,223,056
Impairments	(126,857)	(428,207)	(213,463)	-	(126,184)	(232,821)	-	-	(466,504)	(661,028)
Finance cost	(4,006,125)	(3,789,456)	(169,231)	(103,622)	(145,294)	(64,567)	-	-	(4,320,650)	(3,957,645)
Segment profit/(loss) before taxes	8,364,838	4,186,131	362,629	278,555	(34,450)	280,391	289,641	276,309	8,982,658	5,021,386

	30 September 2018 (Unaudited)			31 December 2017 (Audited)			30 September 2017 (Unaudited)		
	Assets KD	Liabilities KD	Net assets KD	Assets KD	Liabilities KD	Net assets KD	Assets KD	Liabilities KD	Net assets KD
Investment	111,016,667	(91,926,712)	19,089,955	109,815,424	(90,955,816)	18,859,608	116,820,023	(91,917,117)	24,902,906
Real Estate	41,514,771	(9,474,513)	32,040,258	41,807,233	(9,972,639)	31,834,594	45,246,609	(11,835,894)	33,410,715
IT services	13,223,338	(6,297,351)	6,925,987	15,426,639	(7,064,134)	8,362,505	15,490,098	(6,609,129)	8,880,969
Hotel operation	3,679,398	(716,188)	2,963,210	4,064,322	(698,871)	3,365,451	4,351,151	(965,458)	3,385,693
Total	169,434,174	(108,414,764)	61,019,410	171,113,618	(108,691,460)	62,422,158	181,907,881	(111,327,598)	70,580,283

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 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 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)	**2,067**	1,822	1,782
- Due from associates (note 7)	**2,383,733**	2,207,887	3,034,605
- Due from other related parties (note 7)	**419,489**	1,644,019	2,237,312
- Dividend receivable from an associate	**1,391,173**	-	-
- Accrued income and management fees	**460,895**	675,556	676,203
Due to other related parties	**506,282**	822,922	1,344,468
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	623,033
Development and construction costs	**2,507,782**	1,089,198	1,419,355
Transfer of other assets	-	350,000	350,000
Investments in related parties			
- Investments at fair value through profit or loss	**117,946**	1,212,540	1,169,091
- Available for sale investments	-	5,179,728	5,653,290
- Investments at FVOCI	**6,786,709**	-	-

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD
Interim condensed consolidated statement of profit or loss				
Management and placement fees				
- earned from Ultimate Parent Company	**211**	125	**591**	398
- earned from other related parties	**585**	208	**1,703**	802
Impairment in value of accounts receivable and other assets	-	-	**35,970**	-
Impairements on investment	-	30,523	-	30,523
Real estate operating cost	**6,538**	5,538	**18,951**	15,523
Compensation of key management personnel of the Group				
Short term employee benefits	**139,261**	180,474	**334,892**	568,995
End of service benefits	**2,534**	4,321	**12,553**	36,501
	141,795	184,795	**347,445**	605,496

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 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
At amortised cost (2017: Loans and receivables) :			
• Cash and bank balances	5,104,499	8,491,863	8,630,933
• Short term deposits	25,047,395	5,258,181	5,457,542
• Murabaha and sukuk investments	1,152,965	1,152,965	1,152,965
• Accounts receivable and other assets (note 7)	10,378,278	10,309,931	11,941,416
	41,683,137	25,212,940	27,182,856
Investments at fair value through profit or loss: (note 6)			
• Held for trading	12,963,514	9,527,148	10,875,072
• Designated	929,881	1,378,032	1,405,840
	13,893,395	10,905,180	12,280,912
Investments at fair value through other comprehensive income			
• Equity Instruments / foreign funds	23,242,182	-	-
	23,242,182	-	-
Available for sale investments			
• At fair value	-	32,371,861	33,347,780
• At cost / cost less impairment	-	1,349,590	1,349,591
	-	33,721,451	34,697,371
Total financial assets	78,818,714	69,839,571	74,161,139
Financial liabilities (at amortised costs) :			
• Due to banks	667,739	917,504	1,010,477
• Accounts payable and other liabilities	7,911,779	7,118,614	8,669,475
• Borrowings from banks and financial institutions (note 11)	98,902,706	99,773,371	100,835,930
	107,482,224	107,809,489	110,515,882

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 September 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	12,963,514		-	12,963,514
- Foreign fund	-	929,881	-	929,881
Financial assets at fair value through other comprehensive income				
-Quoted shares	6,992,681	-	-	6,992,681
-Unquoted shares	-	6,653,138	8,625,104	15,278,242
-Foreign funds	-	971,259	-	971,259
Total assets	19,956,195	8,554,278	8,625,104	37,135,577

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 September 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	10,875,072	-	-	10,875,072
-Unquoted shares	-	-	1,405,840	1,405,840
Available for sale investments				
-Quoted shares	10,514,937	1,510,103	543,696	12,568,736
-Unquoted shares	-	3,127,083	13,717,743	16,844,826
-Foreign funds	-	3,934,218	-	3,934,218
Total assets	21,390,009	8,571,404	15,667,279	45,628,692

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 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Balance at the beginning of the period/year	**16,021,302**	16,848,871	16,848,871
Change in fair value	**(734,128)**	(326,910)	(640,228)
Addition	**45,000**	-	-
Transfer to level 1 and 2	**(7,899,493)**	-	167,878
Transfer from level 1 and 2	-	208,576	-
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)	(45,826)
Balance at the end of the period/year	**8,625,104**	16,021,302	15,667,279

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 (KD1,922,410). 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 KD3,381,731 (31 December 2017: KD5,970,271 and 30 September 2017: KD6,641,159) towards purchase of investments and development of investment properties and guarantees amounting to KD2,986,682 (31 December 2017: KD8,427,179 and 30 September 2017: KD6,932,969).

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 September 2018 amounted to KD25,912,358 (31 December 2017: KD48,075,565 and 30 September 2017: KD44,116,723) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD19,616,835 (31 December 2017: KD42,204,324 and 30 September 2017: KD41,768,822).

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 and previous quarter, the Group partially disposed off (9.58% out of its holding of 49.11% at 31 December 2017) one of its foreign associates (Meezan Bank Ltd.) for a consideration of KD18,131,025 resulting in a net gain of KD3,616,394. At 30 September 2018 the Group's ownership in this associate reduced to 39.53%.

21 Subsequent events

Subsequent to the reporting date, the Parent Company has entered into a settlement agreement with two of its lenders. As per the settlement agreement, the Parent Company has paid an amount of KD18,786,250 to these lenders on 5 November 2018 and another amount of KD30,732,414 is due on 31 December 2018.

Further, subsequent to the report date, the Parent Company sold an investment classified as fair value through other comprehensive income as of 30 September 2018, to a related party, for a total consideration of KD6.36mn which approximates to its carrying value.

22 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.