Consolidated financial statements and independent auditor's report

Noor Financial Investment Company – KPSC and Subsidiaries

Kuwait

31 December 2018

Contents

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Independent Auditor's Report

To the Shareholders of
Noor Financial Investment Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Noor Financial Investment Company – Kuwaiti Public Shareholding Company (the "Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Valuation of investments held at fair value

The Group invests in various assets classes, of which 21% of the total assets represent investments which are carried at fair value and classified either as investments at fair value through profit or loss or as investments at fair value through other comprehensive income. The investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using a fair value hierarchy as detailed in note 31.3. 64% of these investments are carried at fair value based on Level 1 valuations, and the balance 36% of these investments are carried at fair value either based on Level 2 or Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under level 2 and level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 2 and level 3 we determined this to be a key audit matter. Refer to Note 5.15.3, 5.15.8, 15, 17 and 31.2 for more information on fair valuation of investments at fair value through other comprehensive income and investments at fair value through statement of profit or loss.

Independent auditor's report to the shareholders of
Noor Financial Investment Company – KPSC (continued)

Key Audit Matters (continued)

Valuation of investments held at fair value (continued)
Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investment portfolio. Agreeing the carrying value of the investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

Investment Property valuations
The Group's investment properties represent 24% of the total assets and comprise of land and rental buildings located in Kuwait, other Middle East countries and United Kingdom. The Groups policy is that property valuations are performed at year end by external valuators, as detailed in note 31.4. These valuations are based on number of assumptions, including estimated rental revenues, capitalization yields, historical transactions, market knowledge, occupancy rates and cost of construction. Given the fact that the fair value of the investment properties represents a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter. Refer to Note 20 and 31.4 for more information on the valuation of the Investment Properties.

Our audit procedures included, among others, assessing the appropriateness of management's process for reviewing and assessing the work of the external valuers and their valuations including management's consideration of competence and independence of the external valuers. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with the management on the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties.

Other information included in the Group's 2018 annual report
Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2018 other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2018 after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the shareholders of Noor Financial Investment Company – KPSC (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of Noor Financial Investment Company – KPSC (continued)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 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 audit, we have not become aware of any 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 provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 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
11 March 2019

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Revenue from hotel operations and IT Services		**14,373,252**	17,308,900
Realised gain on investments at fair value through profit or loss		**1,281,824**	23,040
Unrealised gain on investments at fair value through profit or loss	10.2	**556,548**	229,540
Realised gain on sale of available for sale investments		**-**	229,081
Dividend income		**1,499,309**	1,169,989
Change in fair value of investment properties	20	**(681,781)**	(2,094,860)
Rental Income		**1,286,232**	1,205,004
Realised gain on sale of investment properties		**-**	50,000
Share of results of an associates	19	**8,905,432**	7,704,486
Realised gain on partial disposal of an associate	19	**4,196,944**	-
Management and placement fees		**29,303**	38,235
Total Income		**31,447,063**	25,863,415
Cost of sales and services from hotel operations and IT services	8	**(11,451,728)**	(13,714,035)
General, administrative and other expenses	8	**(6,118,050)**	(5,875,516)
Operating profit		**13,877,285**	6,273,864
Interest and other income	9	**17,516,329**	2,259,888
Foreign exchange gain/(loss)		**8,080**	(60,123)
Finance costs	8	**(5,000,199)**	(5,453,323)
Impairment in value of available for sale investments		**-**	(455,329)
Impairment in value of intangible assets	21	**(1,166,480)**	-
Impairment in value of accounts receivable		**(513,700)**	(356,124)
Profit before KFAS, Zakat and NLST and directors' remuneration		**24,721,315**	2,208,853
KFAS, Zakat and NLST	11	**(797,534)**	(54,457)
Directors remuneration		**(126,000)**	(54,000)
Profit for the year		**23,797,781**	2,100,396
Attributable to:			
Owners of the Parent Company		**24,834,606**	2,838,552
Non-controlling interests		**(1,036,825)**	(738,156)
		23,797,781	2,100,396
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	12	**61.97**	7.05

The notes set out on pages 12 to 78 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Profit for the year	**23,797,781**	2,100,396
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	**(11,548,578)**	(4,132,163)
Transfer to consolidate statement of profit or loss on partial disposal of associate	**4,513,636**	-
Available for sale investments:		
-Net changes in fair value arising during the year	-	(263,324)
-Transferred to consolidated statement of profit or loss on sale	-	(229,081)
-Transferred to consolidated statement of profit or loss on impairment	-	455,329
Share of other comprehensive loss of associates		
- Changes in fair value	**(371,179)**	(2,370,398)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(7,406,121)**	(6,539,637)
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement of defined benefit plan of a foreign associate	-	(174,934)
- Net changes in fair value arising during the year for equity investments classified as FVOCI	**(6,195,451)**	-
Other comprehensive loss not being reclassified to profit or loss in subsequent periods	**(6,195,451)**	(174,934)
Other comprehensive loss for the year	**(13,601,572)**	(6,714,571)
Total comprehensive income / (loss) for the year	**10,196,209**	(4,614,175)
Total comprehensive income / (loss) attributable to:		
Owners of the Parent Company	**12,936,057**	(3,559,809)
Non-controlling interests	**(2,739,848)**	(1,054,366)
	10,196,209	(4,614,175)

Consolidated statement of financial position

	Note	31 Dec. 2018 KD	31 Dec. 2017 KD
Assets			
Cash and bank balances	13	5,280,522	8,491,863
Short term deposits	13	4,860,325	5,258,181
Wakala and sukuk investments	14	1,152,965	1,152,965
Investments at fair value through profit or loss	15	11,711,928	10,905,180
Accounts receivable and other assets	16	9,913,301	10,901,343
Inventories		509,965	771,994
Investments at fair value through other comprehensive income	17	15,880,587	-
Available for sale investments	18	-	33,721,451
Investment in associates	19	44,053,153	61,985,767
Investment properties	20	31,738,975	30,054,977
Property and equipment		2,814,084	3,083,632
Goodwill and other intangible assets	21	3,392,778	4,786,265
Total assets		131,308,583	171,113,618
Liabilities and Equity			
Liabilities			
Due to banks	13	716,862	917,504
Accounts payable and other liabilities	22	10,949,861	7,118,614
Borrowings	23	49,109,077	99,773,371
Provision for end of service indemnity		936,744	881,971
Total liabilities		61,712,544	108,691,460
Equity			
Share capital	24	41,316,276	41,316,276
Share premium	24	3,410,573	3,410,573
Treasury shares	25	(3,535,116)	(3,410,573)
Legal reserve	26	4,634,411	2,058,597
Voluntary reserve	26	4,634,411	2,058,597
Cumulative changes in fair value	27	(4,992,835)	3,808,238
Foreign currency translation reserve	27	(20,909,175)	(13,873,258)
Retained earnings		30,417,331	7,067,935
Equity attributable to the owners of the Parent Company		54,975,876	42,436,385
Non-controlling interests	27	14,620,163	19,985,773
Total equity		69,596,039	62,422,158
Total liabilities and equity		131,308,583	171,113,618

Fahad Sulaiman Al-Khaled
Chairman

Abdulghani M.S. Behbehani
Vice Chairman

The notes set out on pages 12 to 78 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company										Total Equity
	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	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
Adjustments arising from adoption of IFRS 9 on 1 Jan 2018 (Note 4.1)	-	-	-	-	-	(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
Amount due to non-controlling interest on reduction of share capital (Note 27.3)	-	-	-	-	-	-	-	-	-	(1,068,506)	(1,068,506)
Decrease in non-controlling interest due to acquisition of shares in a subsidiary (Note 27.3)	-	-	-	-	-	-	-	(48,389)	(48,389)	(839,071)	(887,460)
Other changes in non-controlling interest of subsidiaries	-	-	-	-	-	-	-	217,714	217,714	(205,650)	12,064
Purchase of Treasury Shares	-	-	(124,543)	-	-	-	-	-	(124,543)	-	(124,543)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(291,278)	(291,278)
Transactions with owners	-	-	(124,543)	-	-	-	-	169,325	44,782	(2,404,505)	(2,359,723)
Profit/(loss) for the year	-	-	-	-	-	-	-	24,834,606	24,834,606	(1,036,825)	23,797,781
Other comprehensive loss for the year	-	-	-	-	-	(4,862,632)	(7,035,917)	-	(11,898,549)	(1,703,023)	(13,601,572)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	(4,862,632)	(7,035,917)	24,834,606	12,936,057	(2,739,848)	10,196,209
Transfer to reserves	-	-	-	2,575,814	2,575,814	-	-	(5,151,628)	-	-	-
Realised loss on equity investments at FVOCI transferred to retained earnings	-	-	-	-	-	606,987	-	(606,987)	-	-	-
Balance as at 31 December 2018	41,316,276	3,410,573	(3,535,116)	4,634,411	4,634,411	(4,992,835)	(20,909,175)	30,417,331	54,975,876	14,620,163	69,596,039

The notes set out on pages 12 to 78 form an integral part of these consolidated financial statements.

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
Decrease in non-controlling interests due to purchase of shares of subsidiary (Note 27.3)	-	-	-	-	-	-	-	(45,102)	(45,102)	(1,226,048)	(1,271,150)
Other changes in non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	(94,850)	(94,850)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(513,481)	(513,481)
Transactions with owners	-	-	-	-	-	-	-	(45,102)	(45,102)	(1,834,379)	(1,879,481)
Profit/(loss) for the year	-	-	-	-	-	-	-	2,838,552	2,838,552	(738,156)	2,100,396
Other comprehensive loss for the year	-	-	-	-	-	(2,088,657)	(4,134,770)	(174,934)	(6,398,361)	(316,210)	(6,714,571)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(2,088,657)	(4,134,770)	2,663,618	(3,559,809)	(1,054,366)	(4,614,175)
Transfer to reserves	-	-	-	294,701	294,701	-	-	(589,402)	-	-	-
Balance as at 31 December 2017	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

The notes set out on pages 12 to 78 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
OPERATING ACTIVITIES			
Profit before KFAS, Zakat and NLST and directors' remunerations		**24,721,315**	2,208,853
Adjustments:			
Realised gain on sale of available for sale investments		**-**	(229,081)
Dividend income		**(1,499,309)**	(1,169,989)
Realized gain on sale of investment properties		**-**	(50,000)
Realized gain on partial disposal of an associate		**(4,196,944)**	-
Change in fair value of investment properties		**681,781**	2,094,860
Share of results of associates	19	**(8,905,432)**	(7,704,486)
Net gain recognised on sale of a subsidiary/business combination		**(21,709)**	(2,371)
Interest income and income from wakala and sukuk investments		**(226,633)**	(131,063)
Loss on sale of intangible assets		**-**	133,883
Reversal of impairment in value of accounts receivable		**(160,260)**	-
Depreciation and amortisation		**563,678**	583,012
Provision for end of service indemnity		**177,247**	195,962
Provision for slow moving inventory		**-**	100,000
Finance costs		**5,000,199**	5,453,323
Discount on settlement of borrowings		**(17,040,586)**	(2,062,500)
Impairment in value of accounts receivable		**513,700**	356,124
Impairments in value of intangible assets		**1,166,480**	-
Impairment in value of available for sale investments		**-**	455,329
		773,527	231,856
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**2,565,639**	363,335
Accounts receivable and other assets		**78,510**	2,090,628
Accounts payable and other liabilities		**2,472,872**	179,213
Inventories		**262,029**	(97,208)
Cash from operation		**6,152,577**	2,767,824
Zakat, KFAS and NLST paid		**(32,277)**	(27,389)
Payment of end of service indemnity		**(21,848)**	(31,566)
Net cash from operating activities		**6,098,452**	2,708,869
INVESTING ACTIVITIES			
Change in blocked deposits	14	**213,107**	106,699
Proceeds from sale of investments at FVOCI		**8,294,354**	-
Purchase of investments at FVOCI		**(339,911)**	-
Proceeds from sale of available for sale investments		**-**	1,946,237
Purchase of available for sale investments		**-**	(857,853)
Additions to investments in associate		**(125,000)**	(4,269,069)
Dividend received from associates		**2,912,718**	4,004,335
Dividend received		**1,499,309**	1,167,556
Proceeds from partial disposal of an associate		**20,796,582**	-
Purchase of shares of a subsidiary (note27.3.1)		**-**	(200,000)
Net cash on acquisition of a subsidiary (note7.3)		**-**	244,090
Increase in wakala and sukuk investments		**-**	11,481
Acquisition and development of investment properties		**(3,882,276)**	(1,230,821)
Proceeds from sale of investments properties		**500,000**	4,400,000
Net acquisition of property and equipment		**(70,894)**	(24,263)
Interest income and income from wakala and sukuk investments received		**226,633**	131,063
Net cash from investing activities		**30,024,622**	5,429,455

The notes set out on pages 12 to 78 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
FINANCING ACTIVITIES			
Repayments of borrowings (net)	36	(33,623,708)	(4,336,954)
Redemption of units by non-controlling interests of a subsidiary		(9,935)	(7,987)
Payment to non-controlling interests on reduction of share capital by subsidiaries		(863,269)	(108,883)
Additional investment made by non-controlling interest in the capital of a subsidiary		22,000	-
Purchase of treasury shares		(124,543)	-
Net cash flow from sale of subsidiary		(46,341)	-
Dividend paid by subsidiaries to non-controlling interests		(290,249)	(587,464)
Dividend paid		(2,250)	-
Finance costs paid		(4,380,227)	(6,180,728)
Net cash used in financing activities		(39,318,522)	(11,222,016)
Net decrease in cash and cash equivalents		(3,195,448)	(3,083,692)
Cash and cash equivalents at beginning of the year		12,613,443	15,697,135
Cash and cash equivalents at end of the year	13	9,417,995	12,613,443

Notes to the consolidated financial statements

1 Incorporation and activities

Noor Financial Investment Company – KPSC ("the Parent Company") was incorporated in Kuwait on 1 February 1997 and its shares were listed on the Kuwait Stock Exchange during May 2006. 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 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 listed in Boursa Kuwait and foreign stock exchanges or unlisted 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 instruments;
- 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 restructuring, 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 rights;
- 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.

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.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

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 (P. O Box 3311, Safat 13034, State of Kuwait).

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 11 March 2019. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the functional and presentation currency of the Parent Company

3 Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instruction; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait). However as of 31 December 2018 the Parent company and it subsidiaries do not have any credit facilities.

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

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 which are considered to be relevant to the Group is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 4 and IFRS 9 – Amendments	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IAS 40 Investment Property – Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IFRS 4 and IFRS 9 - Amendments
The Amendments provide entities that issue insurance contracts with temporary accounting solutions for the practical challenges of implementing IFRS 9 before the forthcoming new Insurance Contracts Standard.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments
The Group has partially adopted IFRS 9 Financial Instruments effective from 1 January 2018, 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 consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the consolidated financial statements (see notes 32.2 for details).

The main areas of impact are as follows:

- the classification and measurement of the financial assets 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 will need to be recognised on the trade receivables and investments in debt-type assets currently 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 will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be 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 will be 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 existing 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) will be 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 will be recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets will continue to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 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 consolidated financial statements of the Group as follows:

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IFRS 9 Financial Instruments (continued)

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.

Bank balances, short terms deposits and wakala and sukuk investments and accounts receivables and 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 Group'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
Financial assets						
Cash and bank balances	Loans & receivables	Financial assets at amortised cost	8,491,863	(14,389)	-	8,477,474
Short-term deposits	Loans & receivables	Financial assets at amortised cost	5,258,181	(1,030)	-	5,257,151
Wakala and sukuk investments	Loans & receivables	Financial assets at amortised cost	1,152,965	-	-	1,152,965
Accounts receivable and other assets	Loans & receivable	Financial assets at amortised 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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IFRS 9 Financial Instruments (continued)
(AFS - Available for sale, FVOCI – Fair value through other comprehensive income, FVTPL - Fair value through profit or loss).

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
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 of credit facilities
Impairment on credit facilities shall be recognized in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions. As of 1 January 2018, the Parent company and its subsidiaries did not have any credit facility balances.

Impairment of financial assets other than credit facilities
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVOCI;
(2) Trade receivables and contract assets; and
(3) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

The Group will apply a simplified approach to impairment for trade receivables as required or permitted under the standard.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IFRS 9 Financial Instruments (continued)

Impairment of financial assets other than credit facilities (continued)
The Group has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Accordingly, management determined that the additional impairment required by this standard amounted to KD513,700 on its accounts receivable and other assets.

The Group's balances with banks and short-term deposits are low risk and are considered to be fully recoverable and hence measurement of bank balances under IFRS 9 did not have a material impact on the consolidated statement of profit or loss of the Group. The Group's financial assets measured at amortised cost comprised of wakala and sukuk investments which are not rated but considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. However, the ECL provision on these balances are not material to the Group's consolidated financial statements. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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
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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IFRS 9 Financial Instruments (continued)

Summary of impact on application of IFRS 9: (continued)

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

* * 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 investments 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 consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 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 did not have any material effect on the Group's consolidated financial statements.

IFRS 40 Investment Property - Amendments
The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective
At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to be relevant to the Group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 16 Leases	1 January 2019
IAS 28 - Amendments	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments
The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint (continued)

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices

- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets

- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2015-2017 Cycle
Amendments to IFRS 3 and IFRS 11 - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 3 – Amendments
The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 and IAS 8 – Amendments
The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies

The significant accounting policies and measurement basis adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The consolidated financial statements comprise financial statements of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses of subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences, recorded in consolidated statement of changes in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in consolidated statement of profit or loss;
- Reclassifies the parent's share of components previously recognized in consolidated statement of profit or loss and other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.13 for a description of impairment testing procedures.

5.4 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared either to the reporting date of the Parent Company or to a date not earlier than three months of the Parent Company's reporting date, using consistent accounting policies. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under separate heading in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5 Segment reporting

The Group has four operating segments: Investments, Real Estate, IT services and Hotel Operations. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.6 Revenue

The Group recognises revenue from the following major sources:

- Rendering of services including fee income earned from services that are provided over a certain period of time and fee income from providing transaction services
- Rental of investment properties
- Interest on deposits
- Dividend income
- Revenue from hotel operations
- Revenue from IT services

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

5.6.1 Rendering of services

The Group earns fees and commission income from a diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

- *Fee income from providing transaction services*

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

5.6.2 Rental income

The Group earns rental income from operating leases of its investment properties (refer note 5.9).

5.6.3 Interest income

Interest income is recognised on a time proportion basis using effective interest method.

5.6.4 Gain/ (loss) from sale of investment properties

Gain/(loss) from sale of investment properties is recognised at the point in time when control of the assets is transferred to the purchaser.

5.6.5 Dividend income

Dividend income, other than those from investments in associates, is recognised at the time the right to receive payment is established.

5.6.6 Revenue from hotel operations

Revenue from hotel operations includes hotel services revenue, food and beverage and room revenue.

Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale and other related services are recognised on the performance of the service.

5.6.7 Revenue from IT services

Revenue from IT services represent IT related services and sale of IT related products. Revenue from these services is recognised as service is rendered. Customers are invoiced periodically in accordance with individual contracts as service provided. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.7 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

5.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end.

5.11 Intangible assets

Identifiable non-monetary assets acquired in a business combination and from which future benefits are expected to flow are treated as intangible assets.

Intangible assets which have a finite life are amortized over their useful lives. Intangible assets of the Group comprise of Indefeasible Rights of Use (IRU).

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Investment properties (continued)
Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuators and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

5.13 Investment in joint operations (jointly controlled investment properties and borrowings)
Investment in jointly controlled operations are accounted for under the method of proportionate consolidation whereby the Group recognises its interest in assets, liabilities, income and expenses relating to the assets on a line-by-line basis and classified according to their nature.

5.14 Impairment testing of goodwill and non- financial assets
For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effect of future reorganisations and assets enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments

5.15.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset; or
  (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

5.15.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.2 Classification of financial assets (continued)

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (note 5.15.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. No such designation has been made.

5.15.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, balances with banks and other financial institutions and short term deposits due within three months which are subject to an insignificant risk of changes in value.

- *Cash and bank balances and short term deposits*

Cash on hand and demand deposits are classified under cash and bank balances and deposits placed with financial institutions with a maturity of less than one year are classified as short term deposits.

- *Murabaha investments/receivables*

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis.

When the credit risk of the transaction is attributable to a financial institution, the amount due under Murabaha contracts is classified as a Murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as Murabaha receivable.

Murabaha receivables which arise from the Group's financing of long-term transactions on an Islamic basis are classified as Murabaha receivables originated by the Group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Murabaha are treated as part of the cost of the transaction.

All Murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.3 Subsequent measurement of financial assets (continued)

Financial assets at amortised cost (continued)

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the Wakala.

- *Receivables and other financial assets*

Trade receivables are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "other receivables/other assets".

Financial assets at FVOCI

The Group's financial assets at FVOCI comprise of investments in equity shares: These represent investments in equity shares of various companies and include both quoted and unquoted.

Debt instruments at FVOCI

The Group accounts for debt instruments at FVOCI if the assets meet the following conditions:

• they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and

• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset The Group does not held any such instruments at the reporting date.

Equity investments at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

• it has been acquired principally for the purpose of selling it in the near term; or
• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
• it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.3 Subsequent measurement of financial assets (continued)

Equity investments at FVOCI (continued)
Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

Financial assets at FVTPL
Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise of the investment in equity shares and funds.

5.15.4 Impairment of financial assets
The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Loan to customers
- Bank balances and short term deposits
- Wakala and sukuk investments
- Other financial assets

Equity instruments are not subject to Expected Credit Losses.

Impairment of credit facilities (loans to customers)
Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Impairment of financial assets other than credit facilities
The Group recognises ECL on investment in debt instruments measured at amortised cost or FVOCI and on balances and deposits with banks and other assets.

Expected Credit Losses
The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.4 Impairment of financial assets (continued)

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade receivables and other assets as 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.4 Impairment of financial assets (continued)

Provision for credit losses in accordance with CBK instructions
The Group is required to calculate provisions for credit losses on finance credit facilities in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the instalment or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions.

Category	Criteria	Specific provisions
Watch list	Irregular for a period of 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

5.15.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, due to banks and accounts payable and other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

- ***Financial liabilities at amortised cost***

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Wakala payables*

Wakala payables represent borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.5 Classification and subsequent measurement of financial liabilities (continued)

- *Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "other liabilities"

All interest-related charges are included within finance costs.

5.15.6 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.15.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.15.8 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 31.3

5.16 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the Parent Company's Articles of Association.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.16 Equity, reserves and dividend payments (continued)

Other components of equity include the following:

- foreign currency translation reserve – comprises of foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries and associates into Kuwaiti Dinar (KD).
- cumulative changes in fair value reserve – comprises of gains and losses relating to investment on fair value through other comprehensive income and Group share of cumulative change in fair value reserve of associates.

Retained earnings include all current and prior period profit. All transactions with owners of the parent are recorded separately within consolidated statement of changes in equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a General Assembly.

5.17 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been re-acquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares re-acquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.18 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

5.19 Foreign currency translation

5.19.1 Functional and presentation currency

The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.19 Foreign currency translation (continued)

5.19.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "available for sale" is reported as part of the cumulative change in fair value reserve within consolidated statement of profit or loss and other comprehensive income.

5.19.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities are translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to consolidated statement of profit or loss and other comprehensive income and recognised in the foreign currency translation reserve in equity.

On disposal of a foreign operation, the related cumulative translation differences recognised in consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.20 End of service indemnity

The Parent Company and its local subsidiaries provide end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

In addition to the end of service benefits with respect to its Kuwaiti national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.21 Taxation

5.21.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.21 Taxation (continued)

5.21.1 National Labour Support Tax (NLST) (continued)
For the year ended 31 December 2017, the Group has no liability towards NLST in line with agreement between The Islamic Republic of Pakistan and the State of Kuwait for the "avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income" which state that income source shall be taxed only in the Contracting State. Group's statement of profit or loss includes post tax share of profit from an associate domiciled in contacting state (Pakistan) and share of income tax paid by the foreign associate exceeds NLST liability of Group for the year ended 31 Dec 2017.

5.21.2 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries, and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.21.3 Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

5.21.4 Income taxes
Income tax payable on profits is recognized as an expense in the period in which the profits arise based on the applicable tax laws and tax rates in each jurisdiction that have been enacted or substantively enacted by the end of reporting date.

Deferred income tax is provided using the liability method on all temporary differences, at the reporting date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting date.

Deferred tax assets are recognized for all deductible temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

5.22 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.23 Inventories

Inventories are stated at the lower of cost or net realisable value and the cost is determined according to the weighted average method.

5.24 Fiduciary assets

Assets held in a trust or fiduciary capacity are not treated as assets of the Group and, accordingly, they are not included in these consolidated financial statements.

5.25 Related party transactions

Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

6 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1. Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.15). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6.1.3 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods and services to customers has been satisfied requires significant judgement.

6.1.4 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.5 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

6.1.6 Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.7 Control assessment

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

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6.2.2 Impairment of non-financial assets (intangible assets)

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

6.2.3 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on the Group's investment in its associates, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.4 Impairment of financial assets
Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

6.2.5 Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuators have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.6 Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.7 Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

6.2.8 Fair value of financial instruments
Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.9 Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. During the year ended 31 December 2018, provision for slow moving inventories amounted to KD Nil (2017: KD100,000).

6.2.10 Contract revenue
Recognised amounts of service and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries as of the reporting date are as follows:

Subsidiary	Country of registration and place of business	Proportion of ownership interest held by the Group		Nature of business
		31 Dec. 2018	31 Dec. 2017	
Noor Telecommunication Company - KSCC *(though the Group holds 49.11% of the subsidiary, the Group exercises control over the subsidiary based on majority board members)*	Kuwait	**49.11%**	49.11%	Telecommunications and IT Services
Noor Al Salhiya Real Estate Co.- KSCC	Kuwait	**59.10%**	59.10%	Real estate and related activities
Noor Kuwait Holding - KSCC	Kuwait	**99.53%**	99.53%	Investment and related activities
Kuwaiti Indian Holding Company - KSCC	Kuwait	**56.59%**	56.59%	Investment and related activities
Noor GCC Islamic Fund	Kuwait	**93.96%**	93.77%	Investment and related activities
Hotels Global Group Company - PSC	Jordan	**100%**	100%	Hospitality

7.2 Subsidiaries with material non-controlling interests

The Group includes three subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2018 %	31 Dec. 2017 %	**31 Dec. 2018 KD**	31 Dec. 2017 KD	**31 Dec. 2018 KD**	31 Dec. 2017 KD
Noor Telecommunication Company-KSCC, (NTEL)	50.89%	50.89%	**(1,103,090)**	(43,616)	**4,564,823**	9,524,322
Noor Salhiya Real Estate Company-KSCC (NSRE)	40.90%	40.90%	**8,351**	(679,697)	**8,479,134**	8,713,269
Kuwaiti Indian Holding Company - KSCC (KIHC)	43.41%	43.41%	**35,824**	(5,718)	**1,194,749**	1,204,548
Individually immaterial subsidiaries with non- controlling interests			**22,090**	(9,125)	**381,457**	543,634
			(1,036,825)	(738,156)	**14,620,163**	19,985,773

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiaries, before intra-group eliminations, is set out below:

	NTEL		NSRE		KIHC	
	31 Dec. 2018 KD	31 Dec. 2017 KD	**31 Dec. 2018 KD**	31 Dec. 2017 KD	**31 Dec. 2018 KD**	31 Dec. 2017 KD
Non-current assets	**9,024,120**	14,281,721	**23,937,180**	20,844,226	**-**	116,335
Current assets	**7,714,243**	11,078,586	**7,347,977**	9,317,861	**2,805,941**	2,721,424
Total assets	**16,738,363**	25,360,307	**31,285,157**	30,162,087	**2,805,941**	2,837,759
Non-current liabilities	**1,253,896**	1,561,804	**6,993,857**	6,489,821	**4,279**	3,387
Current liabilities	**6,946,523**	6,517,359	**3,564,099**	2,369,274	**52,938**	63,170
Total liabilities	**8,200,419**	8,079,163	**10,557,956**	8,859,095	**57,217**	66,557
Equity attributable to owners of the Parent Company	**3,973,121**	7,756,822	**12,248,067**	12,589,723	**1,553,975**	1,566,654
Non-controlling interests (including NCI of the sub subsidiary)	**4,564,823**	9,524,322	**8,479,134**	8,713,269	**1,194,749**	1,204,548
Total income	**11,881,636**	15,359,140	**780,452**	(571,069)	**142,153**	44,825
(Loss)/profit for the year	**(2,100,960)**	(102,984)	**20,832**	(1,558,547)	**82,522**	(13,171)
Other comprehensive (Loss)/income for the year	**(3,371,412)**	(636,817)	**28,634**	-	**-**	3,375
Total comprehensive (Loss)/income for the year	**(5,472,372)**	(739,801)	**49,466**	(1,558,547)	**82,522**	(9,796)
-attributable to owners of the Parent Company	**(2,653,570)**	(372,109)	**29,229**	(878,850)	**46,698**	(5,543)
-attributable to NCI	**(2,818,802)**	(367,692)	**20,237**	(679,697)	**35,824**	(4,253)
Net cash flow (used in) / from operating activities	**1,067,513**	1,284,755	**2,334,429**	(1,975,533)	**(142,931)**	(58,982)
Net cash flow from /(used in) investing activities	**376,413**	575,317	**(4,398,568)**	3,080,208	**387,386**	123,560
Net cash flow (used in)/from financing activities	**(3,012,790)**	(534,331)	**270,000**	(305,000)	**(57,286)**	(203,126)
Net cash inflow/(outflow)	**(1,568,864)**	1,325,741	**(1,794,139)**	799,675	**187,169**	(138,548)

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.3 Acquisition of Subsidiary

In October 2017, one of the Group's local subsidiary acquired remaining 50% of Jabal Ali Real Estate Company WLL-(the investee), which was a formally 50% owned equity accounted associate. This step acquisition result in the local subsidiary gaining control over equity interest in the investee. This acquisition is accounted in accordance with IFRS 3 as follows:

	2 Oct 2017 KD
Cash consideration settled * (net)	298,975
Fair value of the previously held equity interest on acquisition date **	162,570
	461,545
Less : Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and Bank balances	543,065
Investment property	1,326,890
Account receivable	82,235
Labilities	(1,627,050)
Total identifiable net assets	325,140
Additional purchase consideration paid for obtaining control **	136,405

The result of the newly acquired subsidiary was consolidated to the Group's results effective from 2 October 2017 and the financial position as at 2 October 2017 was consolidated with the Group's financial position as of that date. Accordingly, Jabal Ali Real Estate Company WLL as a subsidiary contributed an amount of KD4,923 (loss) to the Group net results and did not contribute to the revenue of the Group for the year ended 31 December 2017.

For the purpose of the consolidated statement of cash flow, the net cash inflow on acquisition of subsidiary was KD244,090

* As per the original asset purchase agreement, the total purchase consideration was KD1,100,000, which includes settlement of an amount of KD801,025 due to the seller from the subsidiary. Accordingly, the net consideration is stated after deducting the said amount of KD801,025.

** The deemed gain from the fair valuation of the previously held equity interest on acquisition date amounted to KD138,776 (being the difference between the fair value of the previously held equity interest and the carrying value based on the equity method). Based on the management assessment of the recoverability, it was decided to write off the above mentioned additional purchase consideration over the identifiable net assets acquired to profit or loss account and it has been set off against the deemed gain. Consequently, the net amount of KD2,371 was recognised as other income in the consolidated statements of profit or loss during the year ended 31 December 2017.

Notes to the consolidated financial statements (continued)

8 Cost of sales and services, general, administrative and other expenses and finance cost

a) Cost of sales and services include staff costs of KD5,446,775 (2017: KD5,725,241), and amortization of KD227,008 (2017: KD244,933).

b) General, administrative and other expenses include the following:

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Staff costs	2,451,197	2,438,580
Depreciation	336,671	338,079
Inventory write off	-	100,000
Other expenses	3,330,182	2,998,857
	6,118,050	5,875,516

Number of staffs employed by the Parent Company as at 31 December 2018 was 39 (2017: 40).

c) Finance cost relates to borrowing from banks and other financial institutions which are financial liabilities stated at amortized cost

In addition, finance cost for the year include management's best estimate of accrued interest on an amount payable related to a court decision received against one of subsidiaries, subsequent to the reporting date. The management of the subsidiary is considering options for appealing this decision.

9 Interest and other income

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Interest income	205,572	115,713
Income from wakala and sukuk investments	21,061	15,350
Income from future trade customers	7,325	55,434
Discount on settlement of borrowings (Refer note 23.1)	17,040,586	2,062,500
Loss on sale of intangible asset (Refer note 21)	-	(133,554)
Net gain on sale of a subsidiary/business combination	21,709	2,371
Other income	220,076	142,074
	17,516,329	2,259,888

Notes to the consolidated financial statements (continued)

10 Net gain/(loss) on financial assets

10.1) Net gain/(loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Financial assets at amortised cost (2017:Loans and receivables)		
- Interest on cash and bank balances and short term deposits	**205,572**	115,713
- Profit from wakala and sukuk investments	**21,061**	15,350
- Income from future trade customers	**7,325**	55,434
- Impairment in value of accounts receivable	**(513,700)**	(356,124)
Investments at fair value through profit or loss		
- Realised gain	**1,281,824**	23,040
- Unrealised gain	**556,548**	229,540
- Dividend income	**480,644**	408,367
Investments at FVOCI (2017: Available for sale investments)		
- recognised directly in consolidated statement of profit or loss and other comprehensive income	**-**	(37,076)
- recognised directly in other comprehensive income for investments at FVOCI	**(6,195,451)**	-
- recognised in statement of profit or loss as dividend income	**1,018,665**	761,622
- recycled from equity to consolidated statement of profit or loss		
- on impairment	**-**	(455,329)
- on sale	**-**	229,081
	(3,137,512)	989,618
Distributed as follows:		
Net gain/(loss) recognised in the consolidated statement of profit or loss		
-Realized gain on investments at fair value through profit or loss	**1,281,824**	23,040
-Unrealized gain on investments at fair value through profit or loss	**556,548**	229,540
-Realized gain on sale of available for sale investments	**-**	229,081
-Dividend income	**1,499,309**	1,169,989
-Impairments in value of accounts receivable	**(513,700)**	(356,124)
-Impairments in value of available for sale investments	**-**	(455,329)
-Others (part of interest and other income)	**233,958**	186,497
Net loss recognised in the consolidated statement of profit or loss and other comprehensive income	**(6,195,451)**	(37,076)
	(3,137,512)	989,618

10.2 Unrealised loss on investments at fair value through profit or loss

This represents the difference between closing fair value at the end of the year and carrying value at the beginning of the year and/or cost of investments acquired during the year.

11 KFAS, Zakat and NLST

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Provision for contributions to Kuwait Foundation for Advancement of Science (KFAS)	**139,642**	24,769
Provision for National Labour Support Tax (NLST)	**403,987**	-
Provision for Zakat	**253,905**	29,688
	797,534	54,457

Notes to the consolidated financial statements (continued)

12 Basic and diluted earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Profit for the year attributable to the owners of the Parent Company	24,834,606	2,838,552
Weighted average number of shares outstanding during the year	413,162,761	413,162,761
Less: Weighted average number of treasury shares	(12,422,295)	(10,359,065)
	400,740,466	402,803,696
Basic and diluted earnings per share (Fils)	61.97	7.05

13 Cash and cash equivalents

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

	Effective annual interest/ profit rates			
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018 KD	31 Dec. 2017 KD
Cash and bank balances	0.25%-0.62%	0.25%-0.62%	5,280,522	8,491,863
Short term deposits	2.5%-2.75%	1.5%-1.87%	4,860,325	5,258,181
			10,140,847	13,750,044
Less: Due to banks	6.0%	4.75%-5.25%	(716,862)	(917,504)
Less: Blocked balances			(5,990)	(219,097)
Cash and cash equivalents as per consolidated statements of cash flows			9,417,995	12,613,443

Cash and bank balances include call accounts which earn interest.

Due to banks represent bank overdraft facilities utilised by subsidiary and are secured by short term deposits as at 31 December 2018 of KD610,325 (2017: KD1,008,181).

Cash and cash equivalents include bank balances of KD1,216,544 (2017: KD909,817) which are designated for the purpose of payment on account of capital reduction and dividend payment of two subsidiaries.

14 Wakala and sukuk investments

	Effective annual interest/ profit rates			
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018 KD	31 Dec. 2017 KD
Wakala investments				
Placed with local Islamic banks	3.00%	1.37%	1,000,000	1,000,000
Sukuk investments			152,965	152,965
			1,152,965	1,152,965

Notes to the consolidated financial statements (continued)

14 Wakala and sukuk investments (continued)

Wakala investments of KD14,324,160 (31 December 2017: KD14,324,160) placed with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However, revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd, 4th and 5th instalments due in June 2014, 2015, 2016 and 2017 respectively. The Group has initiated various legal cases against the investee company to recover these amount. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules.

During the previous years, the Group assumed the financial and legal obligations on wakala investments of KD9,968,250 (in violation of the Commercial Companies Law of 1960) that the Group had placed with the above investment company as part of total wakala investments of KD14,324,160 in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group initiated legal proceedings against the parties to recover the amount including profits thereon. During the year 2014, the Court of Appeal ordered the related parties to pay KD8,285,000 with 7% of profit thereon to the Group which was overturned by the Court of Cassation in favor of the related party during the year 2015. The Group also initiated legal proceeding relating to the remaining amount of KD1,683,250 against the related parties. During the year ended 31 December 2018, the court of appeals has ordered the related parties to pay KD1,683,250 to the Group and the related party have appealed against the court decision.

15 Investments at fair value through profit or loss

	31 Dec. 2018 KD	31 Dec. 2017 KD
Held for trading:		
Quoted shares	**11,060,858**	9,527,148
- Local	**6,708,769**	5,798,764
- Foreign	**4,352,089**	3,728,384
Designated on initial recognition:		
-Unquoted foreign shares	**651,070**	1,378,032
	11,711,928	10,905,180

Quoted shares with a fair value of KD3,622,069 (2017: KD1,199,264) are secured against borrowings (refer note 23).

16 Accounts receivable and other assets

	31 Dec. 2018 KD	31 Dec. 2017 KD
Financial assets:		
Accounts receivable (net of impairment) *	**3,659,278**	4,646,693
Due from the Ultimate Parent Company	**2,271**	1,822
Due from other related parties	**4,699,646**	3,851,906
Due from investment brokerage companies	**197,039**	578,196
Accrued income	**647,339**	952,908
Other financial assets	**270,653**	278,406
	9,476,226	10,309,931
Non-financial assets:		
Other assets	**437,075**	591,412
	9,913,301	10,901,343

Notes to the consolidated financial statements (continued)

16 Accounts receivable and other assets (continued)

*This represents receivable related to consultancy contracts and projects which are mainly related to the Government. Trade receivable included an amount of KD2,731,085 (2017: KD2,411,761) from Government related entities.The average credit period on sales of goods and provision of services is 120 days. No interest is charged on outstanding trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward-looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2018 and 31 December 2017 was determined as follows:

31 December 2018:	Current KD	Less than 60 days KD	60-120 days KD	121-245 days KD	More than 245 days KD	Total KD
***Trade receivables*:**						
Expected credit loss rate (approximate %)	0.8%	1.5%	3.8%	4.6%	83.2%	
Gross carrying amount	1,278,673	768,291	445,812	1,060,534	1,146,226	4,699,536
Life time expected credit loss	10,172	11,409	16,801	48,357	953,519	1,040,258

31 December 2017:	Current KD	Less than 60 days KD	60-120 days KD	121-245 days KD	More than 245 days KD	Total KD
***Trade receivables*:**						
Expected credit loss rate (approximate %)	0.8%	1.3%	5.4%	6.2%	48.4%	
Gross carrying amount	1,266,133	899,597	858,708	774,038	1,631,487	5,429,963
Life time expected credit loss	10,172	11,409	46,801	48,358	789,923	906,663

The movement in the provision for trade receivable is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Balance at 1 January	783,270	427,146
Adjustment on adoption of IFRS 9 (Note 4.1)	123,393	-
Balance at 1 January (restated)	906,663	-
Provision for the year	133,595	356,124
	1,040,258	783,270

Notes to the consolidated financial statements (continued)

17 Investments at fair value through other comprehensive income

	31 Dec. 2018 KD	31 Dec. 2017 KD
Quoted securities	6,695,244	
- Local	6,428,619	-
- Foreign	266,625	
Unquoted equity securities	7,880,437	
- Local	1,379,673	-
- Foreign	6,500,764	-
Foreign funds	1,304,906	-
	15,880,587	-

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these investments in equity instruments as at FVOCI as it believes that recognising short-term fluctuations in the fair value of these investments in consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

a) During the fourth quarter of the current year, the Group disposed an unquoted investment with a carrying value of KD6,363,600 to a related party for a consideration of KD6,363,600. The investment was classified under available for sale investments at 31 December 2017 and consequent to adoption of IRFS 9 was classified under investment at FVOCI on 1 January 2018.

b) Quoted shares with a fair value of KD6,428,619 and unquoted shares with a fair value of KD167,878 are secured against borrowings (refer note 23).

18 Available for sale investments

	31 Dec. 2018 KD	31 Dec. 2017 KD
Quoted shares	-	11,076,029
- Local	-	8,460,400
- Foreign	-	2,615,629
Unquoted shares	-	18,702,115
- Local (refer note 17a)	-	8,163,847
- Foreign	-	10,538,268
Foreign funds	-	3,943,307
	-	33,721,451

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 4.

Quoted shares with a fair value of KD4,937,674 and unquoted shares with a fair value of KD6,887,878 were secured against borrowings as of 31 December 2017 (refer note 23).

Notes to the consolidated financial statements (continued)

19 Investment in associates

This represent the Group shares of following associates using the equity method.

Associates	Country of Registration & principal place of business	Percentage of ownership 31 Dec. 2018	Percentage of ownership 31 Dec. 2017	Nature of business
Meezan Bank Limited (Note 19.1)	Pakistan	**38.18%**	49.11%	Islamic Banking
National Tamouh GTC Company – WLL	Kuwait	**48.00%**	48.00%	Real Estate Developments
Bayt Alraya Real Estate Development Co. WLL	Jordan	**50.00%**	50.00%	Real Estate Developments
Durra National Combined Real Estate Company – WLL	Kuwait	**50.00%**	50.00%	Real Estate Developments
Ikarus Real Estate Company LLC	UAE	**50.00%**	50.00%	Real Estate Developments
Durra United Central Market Company WLL	Kuwait	**33.00%**	33.00%	General Trading
Sidra Middle East Company WLL	Kuwait	**25.00%**	-	Real Estate Developments

Movements of the investments in associates during the year are as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Balance at 1 January	**61,985,767**	60,754,860
Adjustments arising from adoption of IFRS 9 on 1 January 2018	**(87,743)**	-
Balance as at 1 January 2018 – restated	**61,898,024**	60,754,860
Additions during the year	**125,000**	4,269,069
Transfer to subsidiary during the year	**-**	(23,797)
Share of results	**8,905,432**	7,704,486
Share of other comprehensive income of associates	**(371,179)**	(2,370,398)
Partial disposal of an associate	**(12,040,886)**	-
Dividend received	**(2,912,718)**	(4,004,335)
Foreign currency translation adjustment	**(11,505,834)**	(4,169,184)
Other adjustment	**(44,686)**	(174,934)
Balance at the end of the year	**44,053,153**	61,985,767

19.1 During the year, the Group has partially disposed (10.93% out of its holding of 49.11% at 31 December 2017) one of its foreign associates, Meezan Bank Limited for a total consideration of KD20,796,582 resulting in a net gain of KD 4,196,944.

19.2 During the year, the Group acquired 25% equity interest of Sidra Middle East for Contracting Company - WLL for a total consideration of KD125,000.

19.3 During the previous year, the Parent Company has subscribed an amount of KD4,236,069 towards the right issue of an associate, Meezan Bank Limited, Pakistan and this amount has been accounted as investment in associates as of 31 December 2017.

19.4 Summarised financial information in respect of Group's material associate (Meezan Bank Limited) is set out below. The summarised financial information below represents the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

19.4.1. Meezan Bank Limited.

	31 Dec. 2018 KD	31 Dec. 2017 KD
Total assets	**2,041,717,050**	2,142,389,746
Total liabilities (including non-controlling interests)	**(1,949,424,196)**	(2,040,440,470)
Equity attributable to shareholders of Meezan Bank	**92,292,854**	101,949,276
Revenue	**105,427,973**	98,387,571
Profit for the year attributable to the shareholders	**19,420,426**	15,314,940
Other comprehensive loss for the year	**(1,883,045)**	(4,820,536)
Total comprehensive income for the year	**17,537,381**	10,494,404
Dividends received from the associate during the year (net of taxes)	**2,912,718**	3,812,335
Proportion of the Group's ownership interest in Meezan Bank	**38.18%**	49.11%
Group share in Meezan Bank's net assets	**35,240,151**	50,067,289
Goodwill	**5,229,042**	8,636,523
Carrying value of Group's ownership interest in Meezan Bank	**40,469,193**	58,703,812

As at 31 December 2018 the fair value of the Group's interest in Meezan Bank Limited, which is listed on the Pakistan Stock Exchange was KD89,421,081 (2017: KD95,480,532), based on the quoted market price available on that exchange, which is a level 1 input in terms of IFRS 13.

Aggregate information of associates that are not individually material to the Group;

	31 Dec. 2018 KD	31 Dec. 2017 KD
Group share of results for the year	**168,088**	178,146
Group share of total comprehensive income	**-**	3,212
Aggregate carrying value of the Group interest in associates	**3,583,960**	3,281,955

19.4.2 Group's share of associate's contingent liabilities:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Guarantees	**26,259,797**	22,639,982
Letters of credit	**76,436,361**	88,354,950
Commitments in respect of forward exchange contracts	**98,389,869**	166,739,260
Commitment for the acquisition of operating fixed assets	**331,970**	270,798
Commitment in respect of financing	**180,298,308**	206,403,294
	381,716,305	484,408,284

The local income tax authority in Pakistan has raised a demand requesting Mezzan Bank Limited, an associate of the Group, to pay additional tax amounting to KD3.9 million (Group's share KD1.5 million) for prior years including 2017. The associate has obtained a stay order against this demand and has also filed appeals with the relevant Appellate Authorities. Group's management, in consultation with tax advisors, is confident that the decision in respect of this matter would be in Group's favour and, accordingly, no provision is made in these consolidated financial statements with respect thereto.

Notes to the consolidated financial statements (continued)

20 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Fair value as at 1 January	**30,054,977**	33,819,875
Developments and construction costs	**4,062,645**	1,709,589
Addition due to acquisition of a subsidiary (note 7.3)	**-**	1,326,890
Disposals (note 20.5)	**(1,656,675)**	(4,700,000)
Changes in fair value (note 20.3)	**(681,781)**	(2,094,860)
Foreign currency translation	**(40,191)**	(6,517)
	31,738,975	30,054,977

20.1 Investment properties comprise of lands and buildings in the following countries:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Kuwait	**27,332,000**	27,001,675
Outside Kuwait	**4,406,975**	3,053,302
	31,738,975	30,054,977

20.2 Investments properties amounting to KD8,500,000 (2017: KD8,859,000) and KD17,277,000 (2017: KD14,906,000) are secured against bank borrowings and Ijara Financing facilities respectively (refer note 23).

20.3 At 31 December 2018, the Group re-valued its properties based on independent valuations. (refer note. 31.4 for further details relating to fair values).

20.4 The above investment properties include jointly controlled investment properties with a carrying value of KD14,023,000 (2017: KD11,601,000) which are partly financed from Ijara financing arrangement with a joint owner (related party) and the related Group's share of the jointly controlled liabilities at 31 December 2018 amounting to KD7,675,075 has been included under borrowings (2017: KD6,750,075).

As of the reporting date, the Group has contingent liability in respect of Ijara payable of KD7,675,075 (2017: KD6,750,075).

20.5 During the year, the Group disposed an investment property at its carrying value of KD1,656,675 (2017: KD550,000) to a related party without any gain or loss. The Group received an amount of KD500,000 and the balance consideration is due within one year and included within accounts receivables and other assets. Further, during the previous year, the Group disposed investment properties with a carrying value of KD4,150,000 for a consideration of KD4,200,000 resulting in a gain of KD50,000.

20.6 At the reporting date, a property located in Kuwait with a carrying value of KD8,523,000 (2017: KD5,735,000) is under development. Another property in UAE with a carrying value of KD2,890,539 (2017:1,467,800) is also being developed. During the year borrowing cost of KD180,369 (2017: KD240,749) has been capitalised for two investment properties which were under development.

Notes to the consolidated financial statements (continued)

21 Goodwill and other Intangible assets

21.1 Goodwill

The movement in Goodwill is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
At the beginning of the year	**2,029,278**	2,029,278
At the end of the year	**2,029,278**	2,029,278

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill has been allocated to the IT service business of the Group as that is the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations

Key assumption	*Basis used to determine value to be assigned to key assumption*
Growth rate	Anticipated average growth rate of 4% (2017: 3%) per annum. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a growth rate of 4% (2017: 3%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Discount rate	Discount rates of 17.5% (2017: 17%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

Notes to the consolidated financial statements (continued)

21 Goodwill and other Intangible assets (continued)

21.2 Intangible assets – Indefeasible right of use (IRU)

Intangible asset comprises of indefeasible right of use (IRU) to a telecommunication asset arising from a subsidiary acquired during 2014 and the movement is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Cost		
At the beginning of the year	**3,267,810**	3,630,900
Disposal	**-**	(363,090)
Balance at the end of the year	**3,267,810**	3,267,810
Accumulated amortization and impairment		
At the beginning of the year	**(510,823)**	(314,017)
Charge for the year	**(227,007)**	(244,933)
Impairments in Value	**(1,166,480)**	-
Relating to disposal	**-**	48,127
At the end of the year	**(1,904,310)**	(510,823)
Net book value at the end of the year	**1,363,500**	2,756,987
Total goodwill (note 21.1) and intangible assets	**3,392,778**	4,786,265

During the year, management has performed an impairment assessment of the intangible assets and as a result recognised an impairment of KD1,166,480 based on the recoverable value of the intangible assets based on fair value approach.

22 Accounts payable and other liabilities

	31 Dec. 2018 KD	31 Dec. 2017 KD
Financial liabilities:		
Accounts payable	**2,350,183**	2,011,301
Payable on acquisition of subsidiary	**1,516,500**	1,508,750
Taxes payable	**1,051,768**	286,511
Accrued expenses	**1,783,313**	915,472
Dividend payable	**28,925**	30,146
Other payables	**1,277,660**	660,631
Due to related parties	**1,853,395**	822,922
Payable on account of capital reduction by subsidiaries (Note 27.3.1)	**1,088,117**	882,881
	10,949,861	7,118,614

All above financial liabilities are non-interest bearing. The carrying values of the above liabilities approximate their fair values.

Notes to the consolidated financial statements (continued)

23 Borrowings

	Effective interest/ Profit rate (p.a.%) 31 Dec. 2018	31 Dec. 2017	Security	31 Dec. 2018 KD	31 Dec. 2017 KD
Short term					
Ijara Financing – Kuwaiti Dinar	**5.25%**	5.0%	Secured	**1,045,000**	1,100,000
Tawaruq Payable – Kuwaiti Dinar	**6%**	5.5%	Secured	**329,127**	746,252
				1,374,127	1,846,252
Long term					
Loans from banks – Kuwaiti Dinar	**4.85%**	5.25%	Secured	**23,129,375**	62,318,625
Loan from Ultimate Parent Company – Kuwaiti Dinar	**5%**	-	Secured	**16,000,000**	-
Wakala payable – Kuwaiti Dinar	**-**	6.75%	Secured	**-**	27,500,000
Ijara financing – Kuwaiti Dinar	**4.5%**	5%	Secured	**8,605,575**	8,108,494
				47,734,950	97,927,119
				49,109,077	99,773,371

23.1 During the year, the Parent Company has completed restructuring of its loans amounting to KD23,129,375 out of total outstanding loans amounting to KD89,688,625. As per the restructuring agreement, an amount of KD560,000 is payable within one year from the reporting date and remaining amount is payable after one year. These restructured loans are fully secured by investments at fair value through profit or loss (note 15), investments at fair value through other comprehensive income (note 17) and investment properties (note 20) and against shares of two unlisted subsidiaries of the Parent Company.

Additionally, during the fourth quarter of the current year, the Parent Company has settled loans due to two of its lenders amounting to KD66,559,250 (2017: KD6,875,000) against a payment of KD49,518,664 (2017: KD4,812,500) with a 25.6% (2017: 30%) discount. The gain amounting to KD17,040,586 (2017: KD2,062,500) which resulted from the waiver of the principal has been recognized as other income during the current year.

23.2 The Parent Company raised a new loan amounting to KD16,000,000 from its Ultimate Parent Company which is repayable in two equal instalments due in December 2019 and December 2020. This loan is secured against shares of an unlisted subsidiary of the Parent Company.

23.3 Ijara financing contracts and loan amounting to KD9,650,575 (2017: KD9,200,494) are secured by investments properties (Note 20).

Notes to the consolidated financial statements (continued)

23 Borrowings (continued)

23.4 The above loans are due as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Short term Ijara Financing	**1,045,000**	1,100,000
Short term Tawaruq Payable	**329,127**	746,252
Long term loans and Wakala payable		
- Current portion due within one year	**8,560,000**	89,818,625
- Due after more than one year	**30,569,375**	-
Long term Ijara financing		
- Current portion due within one year	**925,000**	656,564
- Due after more than one year	**7,680,575**	7,451,930
	49,109,077	99,773,371

23.5 The fair value of the short-term financing including the current portion of long-term borrowings equals their carrying amount, as the impact of discounting is not significant. The fair value of the long-term financing of the Group amounted to KD37,020,600 (2017: KD7,278,870) with carrying value of KD38,249,950 (2017: KD7,451,930). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.75% (2017: 4.5 %) and are within level 2 of the fair value hierarchy.

24 Share capital and share premium

24.1. The authorised, issued and paid up share capital of the Parent Company as at 31 December 2018 comprise of 413,162,761 shares of 100 Fils each (2017: 413,162,761 shares of 100 Fils each) fully paid up in cash.

24.2 Share premium is not available for distribution.

25 Treasury shares

The Group holds treasury shares as follows:

	31 Dec. 2018	31 Dec. 2017
Number of shares	**13,112,904**	10,359,065
Percentage of issued shares	**3.17%**	2.51%
Market value (KD)	**1,008,382**	626,723
Cost (KD)	**3,535,116**	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.

26 Legal and voluntary reserves

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the Parent Company's profit before KFAS, Zakat, NLST and directors' remuneration for the year is to be transferred to legal reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

Notes to the consolidated financial statements (continued)

26 Legal and voluntary reserves (continued)

Distribution of the legal reserve is limited to the amount required to enable the payment of a dividend up to 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

In accordance with the Parent Company's Articles of Association, a certain percentage of the Parent Company's profit before KFAS, Zakat, NLST and directors' remuneration, is to be transferred to the voluntary reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist. For the year 2018, Board of Directors proposed to transfer 10% of the above mentioned profit to the voluntary reserve and this is subject to approval of General Assembly of shareholders. There are no restrictions on distribution of voluntary reserve.

27 Cumulative changes in fair value, foreign currency translation reserve and Non-controlling interests

27.1 Cumulative changes in fair value

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Balance at 1 January 2018	3,808,238	5,896,895
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (note 4)	(4,545,428)	-
Balance as at 1 January 2018 – restated	(737,190)	5,896,895
Other comprehensive income:		
Net changes in fair value of available for sale investments	-	55,493
Transferred to consolidated statement of profit or loss on disposal of available for sale of investments	-	(229,081)
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	-	455,329
Net changes in fair value of investments at FVOCI	(4,491,453)	-
Share of other comprehensive income of associates	(371,179)	(2,370,398)
Other comprehensive loss for the year	(4,862,632)	(2,088,657)
Realised loss on investments at FVOCI transferred to retained earnings	606,987	-
Balance at 31 December	(4,992,835)	3,808,238

27.2 Foreign currency translation reserve

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Balance at 1 January	(13,873,258)	(9,738,488)
Other comprehensive income:		
Exchange differences arising from translation of foreign subsidiaries	(43,719)	34,414
Exchange difference arising on translation of foreign associates	(11,505,834)	(4,169,184)
Transferred to the statement of profit or loss on partial disposal of an associate	4,513,636	-
Other comprehensive loss for the year	(7,035,917)	(4,134,770)
Balance at 31 December	(20,909,175)	(13,873,258)

Notes to the consolidated financial statements (continued)

27 Cumulative changes in fair value, foreign currency translation reserve and Non-controlling interests (Continued)

27.3 Non-controlling interests

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Balance at 1 January	**19,985,773**	22,874,518
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (note 4)	**(221,257)**	-
Balance at 1 January 2018 – restated	**19,764,516**	22,874,518
Amounts due to non-controlling interest on capital reduction of share capital	**(1,068,506)**	(94,850)
Decrease in non-controlling due to purchase shares in a subsidiary	**(839,071)**	(1,226,048)
Other changes in non- controlling interest of subsidiaries	**(205,650)**	-
Dividend paid to non-controlling interest by subsidiaries	**(291,278)**	(513,481)
Transactions with non-controlling interests	**(2,404,505)**	(1,834,379)
Loss for the year	**(1,036,825)**	(738,156)
Other comprehensive income :		
- Net change in fair value of available for sale investments	**-**	(318,817)
- Net change in fair value of OCI investments	**(1,703,998)**	-
-Share of foreign currency translation reserve	**975**	2,607
Total other comprehensive loss for the year	**(1,703,023)**	(316,210)
Total comprehensive loss for the year	**(2,739,848)**	(1,054,366)
Balance at 31 December	**14,620,163**	19,985,773

27.3.1 Capital reduction by subsidiaries

a) 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 KD1,068,506 pertained to non-controlling interests and these transactions have been adjusted in the Group's financial statements during the current year.

b) On 18 June 2017, the shareholders of one of the subsidiaries of the Group, (Kuwaiti Indian Holding Company - KSCC) decided to further decrease its share capital by KD200,000 out of which KD88,863 pertained to non-controlling interests.

27.3.2 Decrease in non-controlling interests due to purchase of shares in a subsidiary

One of the local subsidiaries of the Group was required to acquire total non-controlling interests of CableSat for Satellite Services Company WLL (a sub-subsidiary of the Group), which equals to 40% of the share capital of the sub-subsidiary for a consideration of KD727,200, upon issuance of the verdicts of a court case against the Group. The proportionate carrying value of net assets on the date of acquisition amounting to KD 642,345 has been transferred out of non-controlling interest in the consolidated statement of changes in equity. Consequently, the difference of KD84,855 between consideration and the non- controlling interests' share of net assets on the effective date has been recognized in retained earnings in the consolidated statement of changes in equity as of 31 December 2018.

Notes to the consolidated financial statements (continued)

27 Cumulative changes in fair value, foreign currency translation reserve and Non-controlling interests (Continued)

27.3.3 Increase in non-controlling interests of subsidiary

During the previous year, one of the local subsidiaries of the Group acquired 5.38% of the share capital of Noor Al-Salhiya Real Estate Company KSCC (the subsidiary of the Group) for a consideration of KD1,271,150. This resulted in increasing the Group's effective holding in the subsidiary to 59.09% from 53.71%. The proportionate carrying value of net assets on the date of acquisition amounting to KD1,226,048 was transferred out of non-controlling interest in the consolidated statement of changes in equity. Consequently, the difference of KD45,102 between consideration and the non- controlling interests' share of net assets on the date of sale was recognized in retained earnings in the consolidated statement of changes in equity as of 31 December 2017.

28 Dividend distribution and Directors' remuneration

Subject to the requisite consent of the relevant authorities and approval from the General Assembly, the Parent Company's Board of Directors propose to distribute a cash dividend to shareholders equivalent to 5 Fils per share for the year ended 31 December 2018 (2017: Nil). The Board of Directors' of the Parent Company proposed to distribute an amount of KD126,000 as directors' remuneration for year ended 31 December 2018 subject to approval of the General Assembly of the Parents Company's Shareholders

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

Notes to the consolidated financial statements (continued)

29 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.

Segmental information for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Investments		Real Estate		IT services		Hotel operations		Total	
	31 Dec 2018 KD	31 Dec 2017 KD	31 Dec 2018 KD	31 Dec 2017 KD	31 Dec 2018 KD	31 Dec 2017 KD	31 Dec 2018 KD	31 Dec 2017 KD	31 Dec 2018 KD	31 Dec 2017 KD
Sales	-	-	-	-	11,481,250	14,514,248	2,892,002	2,794,652	14,373,252	17,308,900
Investments related income (realised, unrealised and dividend income)	3,337,681	1,651,650	-	-	-	-	-	-	3,337,681	1,651,650
Rental income	-	-	1,286,232	1,205,004	-	-	-	-	1,286,232	1,205,004
Realised gain on partial disposal of associates	4,196,944	-	-	-	-	-	-	-	4,196,944	-
Change in fair value of investment properties	-	-	(681,781)	(2,094,860)	-	-	-	-	(681,781)	(2,094,860)
Management and placement fee	29,303	38,235	-	-	-	-	-	-	29,303	38,235
Share of results of associates	8,737,344	7,526,280	168,088	178,206	-	-	-	-	8,905,432	7,704,486
Realised gain on sale of investment properties	-	-	-	50,000	-	-	-	-	-	50,000
Segment income	16,301,272	9,216,165	772,539	(661,650)	11,481,250	14,514,248	2,892,002	2,794,652	31,447,063	25,863,415
Cost of sales and services	-	-	-	-	(10,301,946)	(12,566,996)	(1,149,782)	(1,147,039)	(11,451,728)	(13,714,035)
General and administrative expenses	(2,891,018)	(1,880,966)	(570,494)	(827,903)	(1,152,787)	(1,761,293)	(1,503,751)	(1,405,354)	(6,118,050)	(5,875,516)
Operating profit or loss	13,410,254	7,335,199	202,045	(1,489,553)	26,517	185,959	238,469	242,259	13,877,285	6,273,864
Interest income, other income and foreign exchange gain/(loss)	17,524,409	2,271,663	-	-	-	(71,898)	-	-	17,524,409	2,199,765
Impairments	(126,857)	(455,329)	(253,249)	-	(1,300,074)	(356,124)	-	-	(1,680,180)	(811,453)
Finance cost	(3,794,682)	(5,101,450)	(224,323)	(174,087)	(981,194)	(177,786)	-	-	(5,000,199)	(5,453,323)
Segment profit/(loss) before taxes and directors' remunerations	27,013,124	4,050,083	(275,527)	(1,663,640)	(2,254,751)	(419,849)	238,469	242,259	24,721,315	2,208,853
Assets	73,537,620	109,815,424	43,012,804	41,807,233	11,146,382	15,426,639	3,611,777	4,064,322	131,308,583	171,113,618
Liabilities	(42,175,182)	(90,955,816)	(11,504,703)	(9,972,639)	(7,225,599)	(7,064,134)	(807,060)	(698,871)	(61,712,544)	(108,691,460)
Net Assets	31,362,438	18,859,608	31,508,101	31,834,594	3,920,783	8,362,505	2,804,717	3,365,451	69,596,039	62,422,158

Notes to the consolidated financial statements (continued)

29 Segment analysis (continued)

Geographical Segments

The geographical segments are as follows:

	Profit/(loss) before taxes and directors' remunerations		Assets		Liabilities	
	31 Dec 2018 KD	31 Dec 2017 KD	31 Dec 2018 KD	31 Dec 2017 KD	31 Dec 2018 KD	31 Dec 2017 KD
Domestic and GCC	**10,429,184**	(5,379,334)	**74,986,758**	88,303,141	**60,978,056**	107,992,590
Others	**14,292,131**	7,588,187	**56,321,825**	82,810,477	**734,488**	698,870
	24,721,315	2,208,853	**131,308,583**	171,113,618	**61,712,544**	108,691,460

30 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. Key management personnel include board of directors, chief executive officers (CEO) and principal officers of the Parent Company and its subsidiaries. Pricing policies and terms of these transactions are approved by the Group's management.

Significant related party transactions and balances included in the consolidated financial statements are as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Consolidated statement of financial position:		
Due from related parties and Ultimate Parent Company (refer note 16)		
-Due from Ultimate Parent Company	**2,271**	1,822
-Due from associates	**4,368,957**	2,207,887
-Due from other related parties	**330,689**	1,644,019
-Accrued income and management fees	**461,566**	675,556
Due to related parties (refer note 22)		
- Due to Ultimate Parent Company	**13,151**	-
- Other related parties	**1,362,040**	822,922
- Associates	**491,355**	-
Loans payable to Ultimate Parent Company (note 23)	**16,000,000**	-
Transactions with related parties		
Sale of investment properties to related parties (note 20.5)	**1,656,675**	550,000
Development and construction cost	**3,253,378**	1,089,198
Transfer of other asset to a related party	**-**	350,000
Purchase of shares in a subsidiary	**-**	1,271,750
Sale of investments at FVOCI / available for sale investments (note 17 a)	**6,363,600**	623,033
Investments in related parties		
Investments at fair value through profit or loss	**206,919**	1,212,540
Available for sale investments	**-**	5,179,728
Investments at FVOCI	**6,540,905**	-

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

	31 Dec. 2018 KD	31 Dec. 2017 KD
Consolidated statement of profit or loss		
Management and placement fees	3,082	1,452
Finance costs – Ultimate Parent Company	13,151	-
Impairments on accounts receivable	35,970	-
Impairment of investments	-	30,523
Real estate operating cost	25,614	22,023
Compensation of key management personnel of the Group:		
Salaries and other short term benefits	887,703	626,527
End of service benefits	11,915	41,128
Board of directors remuneration	126,000	90,000
Total key management compensation	1,025,618	757,655

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

31.1 Categories of financial assets and liabilities

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

	31 Dec. 2018 KD	31 Dec. 2017 KD
Financial assets at amortised cost (2017: Loans and receivables - at amortised cost):		
• Cash and bank balances	5,280,522	8,491,863
• Short term deposits	4,860,325	5,258,181
• Wakala and sukuk investments	1,152,965	1,152,965
• Accounts receivable and other assets (note 16)	9,476,226	10,309,931
	20,770,038	25,212,940
Investments at fair value through profit or loss (note 15)	11,711,928	10,905,180
Available for sale investments (note 18)		
• At fair value	-	32,371,861
• At cost / cost less impairment	-	1,349,590
	-	33,721,451
Investments at FVOCI (note 17)	15,880,587	-
	48,362,553	69,839,571
Financial liabilities (at amortised costs) :		
• Due to banks (note 13)	716,862	917,504
• Accounts payable and other liabilities (note 22)	10,949,861	7,118,614
• Borrowings (note 23)	49,109,077	99,773,371
	60,775,800	107,809,489

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

31.2 Fair value measurement

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 investments at FVOCI and measurement details are disclosed in note 31.3 to the consolidated financial statements. In the opinion of the Group's management, except for certain long term borrowing (refer note 23) 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.

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (refer 31.4).

31.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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 (i.e., unobservable inputs).

The level within which the 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 on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2018	Note	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	a	11,060,858	-	-	11,060,858
-Unquoted shares	c	-	651,070	-	651,070
Investments at fair value through other comprehensive income					
-Quoted shares	a	6,695,244	-	-	6,695,244
-Unquoted shares	c	-	5,775,244	2,105,193	7,880,437
-Foreign funds	b	-	1,304,906	-	1,304,906
Total assets		17,756,102	7,731,220	2,105,193	27,592,515

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

31.3 Fair value hierarchy (continued)

31 December 2017	Note	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	a	9,527,148	-	-	9,527,148
-Unquoted shares	c	-	-	1,378,032	1,378,032
Available for sale investments					
-Quoted shares	a	10,543,104	-	532,925	11,076,029
-Unquoted shares	c	-	3,399,347	14,110,345	17,509,692
-Foreign funds	b	-	3,786,140	-	3,786,140
Total assets		20,070,252	7,185,487	16,021,302	43,277,041

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous year.

Measurement at fair value
The Group's finance team performs valuations of financial instruments for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

Financial instruments in level 1, 2 and 3

a) Quoted shares
Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques.

Financial instruments in level 2 & 3

b) Foreign funds (level 2)
The underlying investments of foreign funds primarily comprise of foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) Unquoted shares (level 2 and 3)
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

31.3 Fair value hierarchy (continued)

Level 3 Fair value measurements

The Group's financial assets classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
As at 1 January	**16,021,302**	16,848,871
Changes in fair value during the year recognised in other comprehensive income	**(890,439)**	(326,910)
Transfer to level 1 and 2	**(7,854,493)**	-
Transfer from level 1 and level 2	**-**	208,576
Disposals	**(6,363,600)**	(623,033)
Transferred from investment carried at Cost	**1,192,423**	-
Impairment loss recognised in the profit or loss	**-**	(86,202)
As at 31 December	**2,105,193**	16,021,302

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

31 December 2018

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted Shares	DCF Method	Long term growth rate for cash flows for subsequent years	**3.0%**	Higher the growth rate, higher the fair value.
		WACC	**13%-15%**	Higher the WACC, lower the fair value.
		Discount for lack of marketability	**10%-15%**	Higher the discount rate, lower the value.

31 December 2017

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted Shares	DCF Method	Long term growth rate for cash flows for subsequent years	2.5%- 3.0%	Higher the growth rate, higher the fair value.
		WACC	10.7%-16.45%	Higher the WACC, lower the fair value.
		Discount for lack of marketability	10%-15%	Higher the discount rate, lower the value.

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

Level 3 Fair value measurements (continued)

The impact on profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these discounts when pricing the investments.

31.4 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2018:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
- Lands and buildings in Kuwait	-	-	18,809,000	18,809,000
- Properties under development in Kuwait	-	-	8,523,000	8,523,000
- Properties under development outside Kuwait	-	-	2,890,538	2,890,538
- Lands in Jordan and UAE	-	-	672,635	672,635
- Building in London	-	-	843,802	843,802
	-	-	31,738,975	31,738,975

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2017:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
- Lands and buildings in Kuwait	-	-	21,266,675	21,266,675
- Properties under development in Kuwait	-	-	5,735,000	5,735,000
- Lands in Jordan and UAE	-	-	2,136,026	2,136,026
- Building in London	-	-	917,276	917,276
	-	-	30,054,977	30,054,977

The buildings represent rental properties on freehold land categorized as "Investment Lands" (i.e. land which can be used to construct multiple residential unit buildings, commercial units apartments, villas, Duplex and Studios), in Kuwait. The properties under developments are on freehold lands above also represents lands categorized as investment lands. The fair value of the investment property has been determined based on valuations obtained from independent valuators, who are specialized in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management.

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

31.4 Fair value measurement of non-financial assets (Continued)

One of these valuator is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the yield method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuator who is a local/foreign reputable valuator has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location, construction/development cost and current use. For the valuation purpose for properties in Kuwait, the Group has selected the lower value of the two valuations (2017: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

31 December 2018

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building in Kuwait (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated market price for land (per sqm)	KD1,192– KD6,793	The higher the price per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD3.9–KD8.6	The higher the rent per square meter, the higher the fair value
		Yield rate	6.36% to 7.78%	The higher the yield rate, the lower the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Building in London	Yield method	Average monthly rent (per sqm)	KD11.85	The higher the rent per square meter, the higher the fair value
		Yield rate	6.11%	The higher the yield rate, the lower the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land – Kuwait	Market comparison approach	Estimated market price for land (per sqm)	KD7,900	The higher the price per square meter, the higher the fair value
Freehold land – UAE and Jordan	Market comparison approach	Estimated market price for land (per sqm)	KD89 to KD110	The higher the price per square meter, the higher the fair value

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

31.4 Fair value measurement of non-financial assets (Continued)

31 December 2017

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building on Kuwait (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated market price for land (per sqm)	KD1,100– KD7,500	The higher the price per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD2.5– KD9	The higher the rent per square meter, the higher the fair value
		Yield rate	5.23% to 7.46%	The higher the yield rate, the lower the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Building in London	Yield method	Average monthly rent (per sqm)	KD11.12	The higher the rent per square meter, the higher the fair value
		Yield rate	5.86%	The higher the yield rate, the lower the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land – Kuwait	Market comparison approach	Estimated market price for land (per sqm)	KD1,269 to KD8,050	The higher the price per square meter, the higher the fair value
Freehold land – UAE and Jordan	Market comparison approach	Estimated market price for land (per sqm)	KD55 to KD110	The higher the price per square meter, the higher the fair value

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in note 19.

32 Risk management objectives and policies

The Group's principal financial liabilities comprise of borrowings, due to banks and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations.

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (Continued)

The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, wakala and sukuk investments and investment securities which arise directly from operations.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Parent Company's Board of Directors sets out policies for managing each of these risks as discussed below.

The Group does not use derivative financial instruments.

32.1 Market risk

The significant financial risks to which the Group is exposed to are described below:

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle East and few Asians countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar and UAE Dirham. The Parent Company's consolidated statement of financial position can be affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the Groups' open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	2018 ***Equivalent KD***	2017 *Equivalent KD*
US Dollar	**1,204,238**	(120,575)
UAE Dirhams	**2,414,509**	2,221,286

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, a reasonable possible change in exchanges rates of the foreign currencies noted above would not have a significant impact on the Group's consolidated profit or loss..

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to due to banks and borrowings which are at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (Continued)

32.1 Market risk (continued)

b) Interest rate risk (continued)

The Group's interest rate risk sensitivity position, based on the contractual re-pricing or maturity dates of assets and liabilities, whichever dates are earlier, is as follows:

At 31 December 2018	Up to 1 month KD	1-3 months KD	3-12 Months KD	Over 12 Months KD	Non-interest bearing items KD	Total KD
ASSETS						
Cash and bank balances	5,417	-	-	-	5,275,105	5,280,522
Short term deposits	3,250,000	1,610,325	-	-	-	4,860,325
Wakala and sukuk investments	1,000,000	-	-	152,965	-	1,152,965
Investments at fair value through profit or loss	-	-	-	-	11,711,928	11,711,928
Accounts receivable and other assets	-	-	-	-	9,913,301	9,913,301
Inventories	-	-	-	-	509,965	509,965
Investments at FVOCI	-	-	-	-	15,880,587	15,880,587
Investment in associates	-	-	-	-	44,053,153	44,053,153
Investment properties	-	-	-	-	31,738,975	31,738,975
Property and equipment	-	-	-	-	2,814,084	2,814,084
Goodwill and other intangible assets	-	-	-	-	3,392,778	3,392,778
	4,255,417	1,610,325	-	152,965	125,289,876	131,308,583
LIABILITIES						
Borrowings and due to banks	957,862	379,000	10,239,127	38,249,950	-	49,825,939
Accounts payable and other liabilities	-	-	-	-	10,949,861	10,949,861
Provision for end of service indemnity	-	-	-	-	936,744	936,744
	957,862	379,000	10,239,127	38,249,950	11,886,605	61,712,544
Total interest rate sensitivity Gap	3,297,555	1,231,325	(10,239,127)	(38,096,985)		
Cumulative interest rate sensitivity gap	3,297,555	4,528,880	(5,710,247)	(43,807,232)		

At 31 December 2017						
ASSETS						
Cash and bank balances	8,358	-	-	-	8,483,505	8,491,863
Short term deposits	3,378,205	1,879,976	-	-	-	5,258,181
Wakala and sukuk investments	1,000,000	-	-	152,965	-	1,152,965
Investments at fair value through profit or loss	-	-	-	-	10,905,180	10,905,180
Accounts receivable and other assets	-	-	-	-	10,901,343	10,901,343
Inventories	-	-	-	-	771,994	771,994
Available for sale investments	-	-	-	-	33,721,451	33,721,451
Investment in associates	-	-	-	-	61,985,767	61,985,767
Investment properties	-	-	-	-	30,054,977	30,054,977
Property and equipment	-	-	-	-	3,083,632	3,083,632
Goodwill and other intangible assets	-	-	-	-	4,786,265	4,786,265
	4,386,563	1,879,976	-	152,965	164,694,114	171,113,618

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (Continued)

32.1 Market risk (continued)

b) Interest rate risk (continued)

At 31 December 2017	Up to 1 month KD	1-3 months KD	3-12 Months KD	Over 12 months KD	Non-interest bearing items KD	Total KD
LIABILITIES						
Borrowings from banks, other financial institutions and due to banks	1,175,671	28,030,340	64,032,934	7,451,930	-	100,690,875
Accounts payable and other liabilities	-	-	-	-	7,118,614	7,118,614
Provision for end of service indemnity	-	-	-	-	881,971	881,971
	1,175,671	28,030,340	64,032,934	7,451,930	8,000,585	108,691,460
Total interest rate sensitivity Gap	3,210,892	(26,150,364)	(64,032,934)	(7,298,965)		
Cumulative interest rate sensitivity gap	3,210,892	(22,939,472)	(86,972,406)	(94,271,371)		

The Group does not have any off balance sheet financial instrument which are used to manage the interest rate risk. The following table illustrates the sensitivity of the interest bearing financial instruments on the profit for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +25 and -25 basis points for KIBOR interest rates for the current year (2017: Interest rate +25 and -25 for basis point for KIBOR). The calculation is based on the Group's financial instruments held at reporting date. All other variables are held constant. There is no other direct impact on Group's equity.

	Increase in interest rates		Decrease in interest rates	
	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD	**Year ended 31 Dec. 2018 KD**	Year ended 31 Dec. 2017 KD
Profit for the year	**(112,984)**	(151,693)	**112,984**	151,693

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, UAE, KSA and Jordan. Equity investments are classified either as investments carried at fair value through profit or loss (including trading securities) or investments at FVOCI securities.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.1 Market risk (continued)

c) Price risk (continued)

The price risk sensitivity is determined at the rate of 10% on the exposure to equity price risks at the reporting date. If equity prices had been higher by 10%, the effect on the profit for the year and equity for the year ended 31 December would have been as follows, with all other variables held constant:

A positive number below indicates an increase in profit/equity, where the equity prices increase by the above mentioned percentages.

	Profit for the year		Other Comprehensive Income	
	31 Dec. 2018 KD	31 Dec. 2017 KD	**31 Dec. 2018 KD**	31 Dec. 2017 KD
Investments at fair value through profit or loss	**1,106,086**	952,715	-	-
Available for sale investments				
- Impaired investments	-	3,657	-	-
- Un-impaired investments	-	-	-	1,134,688
Investments at FVOCI	-	-	**1,247,049**	-
	1,106,086	956,372	**1,247,049**	1,134,688

If there was a negative change in equity prices in accordance with the above mentioned equity price risk sensitivity assumptions (10%), there would be an equal and opposite impact on the profit and other comprehensive income for the year, and the balances shown above would be negative.

32.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Bank balances	**5,274,517**	8,488,602
Short term deposits	**4,860,325**	5,258,181
Wakala and sukuk investments	**1,152,965**	1,152,965
Accounts receivable and other assets (refer note 16)	**9,476,226**	10,309,931
Available for sale investments (refer note 18)	**-**	3,943,307
Investments at FVOCI	**1,304,906**	-
	22,068,939	29,152,986

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.2 Credit risk (continued)

Except for the wakala investment referred to in note 14, accounts receivable and other assets referred to in note 16, and (2017: Available for sale investments referred to in note 17), none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparty, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired, review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balances, short term deposits and amounts due from related parties is considered negligible, since the counterparties are reputable financial institutions/entities with high credit quality. Information on other significant concentrations of credit risk is set out in note 32.3.

32.3 Concentration of financial assets and liabilities

The distribution of financial assets and financial liabilities by geographic region is as follows:

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2018					
Cash and bank balances	4,642,116	630,759	7,647	-	5,280,522
Short term deposits	4,860,325	-	-	-	4,860,325
Wakala and sukuk investments	1,152,965	-	-	-	1,152,965
Investments at fair value through profit or loss	6,708,769	3,659,780	1,330,276	13,103	11,711,928
Accounts receivable and other assets (note 16)	5,822,967	3,096,892	149	556,218	9,476,226
Investments at FVOCI	7,808,288	4,121,117	3,064,488	886,694	15,880,587
	30,995,430	11,508,548	4,402,560	1,456,015	48,362,553
Due to banks	716,862	-	-	-	716,862
Accounts payable and other liabilities	10,215,371	722,384	-	12,106	10,949,861
Borrowings	49,109,077	-	-	-	49,109,077
	60,041,310	722,384	-	12,106	60,775,800

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.3 Concentration of assets (continued)

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2017					
Cash and bank balances	7,986,824	493,784	11,255	-	8,491,863
Short term deposits	5,258,181	-	-	-	5,258,181
Wakala and sukuk investments	1,152,965	-	-	-	1,152,965
Investments at fair value through profit or loss	5,798,763	4,456,740	631,348	18,329	10,905,180
Accounts receivable and other assets (note 16)	6,491,845	2,964,249	225,368	628,469	10,309,931
Available for sale investments	16,624,246	9,608,380	6,139,234	1,349,591	33,721,451
	43,312,824	17,523,153	7,007,205	1,996,389	69,839,571
Due to banks	917,504	-	-	-	917,504
Accounts payable and other liabilities	6,419,744	533,655	165,215	-	7,118,614
Borrowings	99,773,371	-	-	-	99,773,371
	107,110,619	533,655	165,215	-	107,809,489

32.4 Liquidity risk

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

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss, fair value through other comprehensive income (2017: available for sale investments) and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

At 31 December 2018	1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and bank balances	5,280,522	-	5,280,522
Short term deposits	4,860,325	-	4,860,325
Wakala and sukuk investments	1,000,000	152,965	1,152,965
Investment at fair value through profit or loss	11,711,928	-	11,711,928
Accounts receivable and other assets	9,913,301	-	9,913,301
Inventories	509,965	-	509,965
Investments at FVOCI	2,602,772	13,277,815	15,880,587
Investment in associates	4,886,047	39,167,106	44,053,153
Investment properties	-	31,738,975	31,738,975
Property and equipment	-	2,814,084	2,814,084
Goodwill and other intangible assets	-	3,392,778	3,392,778
	40,764,860	90,543,723	131,308,583

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.4 Liquidity risk (continued)

At 31 December 2018	1 year KD	Over 1 year KD	Total KD
LIABILITIES			
Accounts payable and other liabilities	**10,949,861**	**-**	**10,949,861**
Due to banks	**716,862**	**-**	**716,862**
Borrowings	**10,859,127**	**38,249,950**	**49,109,077**
Provision for end of service indemnity	**-**	**936,744**	**936,744**
	22,525,850	**39,186,694**	**61,712,544**

At 31 December 2017			
ASSETS			
Cash and bank balances	8,491,863	-	8,491,863
Short term deposits	5,258,181	-	5,258,181
Wakala and sukuk investments	1,000,000	152,965	1,152,965
Investment at fair value through profit or loss	10,905,180	-	10,905,180
Accounts receivable and other assets	10,901,343	-	10,901,343
Inventories	771,994	-	771,994
Available for sale investments	21,195,378	12,526,073	33,721,451
Investment in associates	-	61,985,767	61,985,767
Investment properties	8,859,000	21,195,977	30,054,977
Property and equipment	-	3,083,632	3,083,632
Goodwill and intangible assets	-	4,786,265	4,786,265
	67,382,939	103,730,679	171,113,618
LIABILITIES			
Accounts payable and other liabilities	7,118,614	-	7,118,614
Due to banks	917,504	-	917,504
Borrowings	92,321,441	7,451,930	99,773,371
Provision for end of service indemnity	-	881,971	881,971
	100,357,559	8,333,901	108,691,460

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

31 December 2018	Up to 1 month KD	1-3 Months KD	3-12 months KD	1-5 years KD	Total KD
Financial liabilities					
Accounts payable and other liabilities	**-**	**-**	**10,949,861**	**-**	**10,949,861**
Borrowings and due to banks	**957,862**	**963,202**	**11,968,871**	**43,652,126**	**57,542,061**
	957,862	**963,202**	**22,918,732**	**43,652,126**	**68,491,922**
31 December 2017					
Financial liabilities					
Accounts payable and other liabilities	-	-	7,118,614	-	7,118,614
Borrowings and due to banks	1,175,671	29,388,338	65,499,417	9,210,400	105,273,826
	1,175,671	29,388,338	72,618,031	9,210,400	112,392,440

Notes to the consolidated financial statements (continued)

33 Capital risk management

The Group's capital risk management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt. See note 23.

The Parent Company is required to maintain a minimum share capital of KD15 million as it is registered as an investment company regulated by the Central Bank of Kuwait.

The capital structure of the Group consists of the following:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Borrowings (refer note 23)	**49,109,077**	99,773,371
Less: Cash and cash equivalents (refer note 13)	**(9,417,995)**	(12,613,443)
Net debt	**39,691,082**	87,159,928
Total equity	**69,596,039**	62,422,158

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Net debt	**39,691,082**	87,159,928
Total equity	**69,596,039**	62,422,158
Net debt to total equity ratio	**57%**	140%

34 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 consolidated statement of financial position. Assets under management at 31 December 2018 amounted to KD25,687,276 (2017: KD48,075,565) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD19,583,218 (2017: KD42,204,324).

35 Contingent liabilities and capital commitments

Contingent liabilities

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 subsidiary assets at JD4,500,000 (KD1,923,408). The subsidiary's management and legal advisor believe that the favourable decision of the court is probable; hence, no provision for any effects that may result has been made in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

35 Contingent liabilities and capital commitments (continued)

Capital commitments
At the reporting date the Group had commitments of KD4,155,306 towards purchase of investments and development of investment properties (2017: KD5,970,271) and guarantees amounting to KD2,741,194 (2017: KD8,427,179).

36 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Borrowings Due after one year KD	Borrowings due within one year KD	Total KD
1 January 2018	**7,451,930**	**92,321,441**	**99,773,371**
Cash flows:			
- Repayment	**-**	**(50,548,708)**	**(50,548,708)**
- Proceeds	**16,925,000**	**-**	**16,925,000**
Non-cash			
- Reclassification	**13,873,020**	**(13,873,020)**	**-**
- Discount on settlement	**-**	**(17,040,586)**	**(17,040,586)**
31 December 2018	**38,249,950**	**10,859,127**	**49,109,077**
1 January 2017	52,075,911	54,096,914	106,172,825
Cash flows:			
- Repayment	(314,681)	(7,522,273)	(7,836,954)
- Proceeds	3,500,000	-	3,500,000
Non-cash			
- Reclassification	(47,809,300)	47,809,300	-
- Discount on settlement	-	(2,062,500)	(2,062,500)
31 December 2017	7,451,930	92,321,441	99,773,371

37 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net increase in cash and cash equivalents.