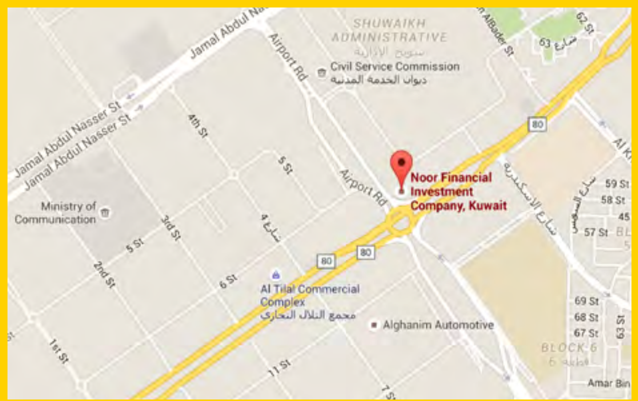
نـــور للإستثمار
Noor Investment

Annual Report
2017



Noor Corporate Office
Intersection of Jahra Street & Airport Road
Shuwaikh, Kuwait
P.O. Box 3311 Safat, 13034 Kuwait

Tel: +965 181 80 80
Fax: +965 24929561/2
email: info@noorinvestment.com

www.noorinvestment.com

Design & Concept by SQUARE - sqpm.com

Noor Financial Investment Company - KPSC
and Subsidiaries

Annual Report
2017

Value | Sustainability | Growth

His Highness Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

His Highness Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

CONTENTS

VISION

We aspire to be the leading investment company of choice in the Gulf Cooperation Council (GCC).

MISSION

We, at Noor, follow the best industry practices in our endeavor to generate superior returns and create value for our shareholders, clients and partners.

We:

- Invest in a vast array of investment classes including equity, fixed income, real estate and private equity
- Provide corporate advisory and asset management services
- Make strategic partnerships locally and internationally with reputable entities
- Invest in human capital and inculcate core values

VALUES

- Ethics, personal integrity and transparency
- Team work, respect and accountability
- Innovation and knowledge sharing
- Passion for excellence in execution

KEY FIGURES 2017

in KD millions

Consolidated Income	25.86
Operating Profit	6.27
Shareholders' Profit	2.84
Earnings Per Share (Fils)	7.05
Consolidated Assets	171.11
Cash & Cash Equivalents	12.61
Shareholders' Equity	42.44
Book Value Per Share (Fils)	105.35

NOOR'S STRENGTH

Noor Financial Investment Company - KPSC ("Noor") was established in Kuwait in 1997 and its shares were listed on the Kuwait Stock Exchange (Boursa Kuwait) in May 2006. Noor is engaged in investment activities and financial services primarily in Kuwait, the Middle East, Asia, and other emerging markets. Noor offers a full spectrum of innovative and unrivaled investment and financial services which include both advisory and asset management.

Noor's strength rests on its diversified portfolio of Direct Capital Market Investments, Real Estate and Alternative Investments. Noor manages a proprietary listed equity portfolio comprising of local, GCC and international equities. The Marketable Securities Unit continues to successfully deploy funds in GCC and international equity markets. To achieve consistent income and stable capital gain, Noor's Real Estate Unit has substantially grown over the last few years and is also undertaking development of new projects in Kuwait. Noor owns a commercial complex in addition to several residential buildings across Kuwait. The Company's Alternative Investments Unit continues to pursue strategic investment opportunities that aim to achieve synergies among existing investments as well as to open new opportunities for the Company. Real Estate and Alternative Investments diversify Noor's portfolio to mitigate market volatility.

Noor aims for calculated and smart growth through excellence and high standards of achievements backed by its core values. Supported by a strong talented team of professionals, Noor is well poised for future success and growth.

Our Subsidiaries and Associates Include:

Meezan Bank
The Premier Islamic Bank

Meezan Bank Limited - Pakistan

Noor is the largest shareholder in Meezan Bank Limited, Pakistan which is the first and the largest Islamic bank in Pakistan with more than 600 branches across 150 cities in the country. Besides traditional banking channels, the Bank offers numerous alternate distribution channels including internet and mobile banking. Meezan Bank has assets of more than USD 7 Billion and deposits of more than USD 6 Billion.

HGG
HOTELS GLOBAL GROUP

Hotels Global Group Company - Jordan (HGG)

GCC hospitality sector has been very promising due to its substantial growth in the recent years. Through its subsidiary, Hotels Global Group Company in Jordan, Noor holds the concession rights of Amman International Airport Hotel which is a 4-star hotel with 300 rooms and multiple Food and Beverage outlets as well as other facilities. Hotels Global Group Company is also operating a transit hotel within the new Queen Alia International Airport terminal in addition to management of third party hospitality businesses.

نور العقارية
Noor Real Estate

Noor Al-Salhiya Real Estate Company KSCC - Kuwait

Noor Al-Salhiya Real Estate Company KSCC is the Real Estate arm of Noor. It owns and manages numerous residential and commercial properties both in Kuwait and GCC region. It is also undertaking development of new complexes in Kuwait. In addition, the company provides management services for residential and commercial buildings.

نـــور للإتصالات
NOORTEL

Noor Telecommunication Company KSCC - Kuwait (Noortel)

Noor Telecommunication Company KSCC (Noortel) is a Shariah compliant, Kuwait-based closed shareholding company that was incorporated in 2007. Noortel carries out its business activities through a specialized group of its subsidiaries and affiliates in Information, Communication and Technology related sectors. Noortel's IT operations include Arab Information Management Services (AIMS), IT Partners Holding Company and National Information Technology Company.

SUMMARY OF FINANCIAL STATEMENTS

Amounts in Million KD

	2017	2016	2015	2014	2013	2012
Summary of Financial Position						
Share capital	**41.32**	41.32	41.32	41.32	37.56	37.56
Shareholders' equity	**42.44**	46.04	43.49	45.30	44.45	40.81
Total bank borrowings	**99.77**	106.17	111.90	124.93	134.56	147.46
Capital employed	**149.60**	172.90	164.47	169.03	167.00	195.70
Long term assets	**103.73**	116.19	140.56	143.68	143.56	147.91
Total assets	**171.11**	183.59	186.02	200.57	206.09	219.22
Summary of Profit or Loss						
Consolidated income	**25.86**	24.22	29.62	30.63	27.70	18.15
Profit/(loss) for the year	**2.10**	0.57	(1.45)	0.05	7.22	4.85
Profit for the year attributable to the owners of the Parent Company	**2.84**	1.15	1.33	0.92	9.05	4.52
Summary of Cash Flows						
Net cash flow (used in)/from operating activities	**2.71**	(0.53)	6.44	12.40	1.09	11.14
Net cash flow from investing activities	**5.43**	14.48	10.18	5.11	20.45	2.61
Net cash flow used in financing activities	**(11.22)**	(6.26)	(14.86)	(19.08)	(25.01)	(26.50)
Changes in cash and cash equivalents	**(3.08)**	7.69	1.76	(1.57)	(3.47)	(12.75)
Cash and cash equivalents at end of the year	**12.61**	15.70	8.01	6.25	7.82	11.29
Ratios						
Return on equity	**7%**	3%	3%	2%	20%	11%
Current ratio	**67%**	109%	211%	180%	160%	303%
Quick ratio	**15%**	29%	53%	33%	32%	119%
Debt to equity ratio	**140%**	131%	162%	186%	196%	203%

Vertical analysis of the consolidated statement of financial position

Amounts in Million KD

	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
Assets												
Cash and bank balances	**8.49**	**5.0%**	10.42	5.7%	7.74	4.2%	8.14	4.1%	8.00	3.9%	16.38	7.5%
Short term deposits	**5.26**	**3.1%**	6.80	3.7%	2.61	1.4%	1.57	0.8%	0.19	0.1%	0.33	0.2%
Murabaha, wakala and sukuk investments	**1.15**	**0.7%**	1.16	0.6%	1.00	0.5%	0.60	0.3%	4.50	2.2%	11.29	5.1%
Investments at fair value through profit or loss	**10.91**	**6.4%**	11.27	6.1%	11.70	6.3%	17.37	8.7%	21.55	10.4%	23.43	10.7%
Accounts receivable and other assets	**10.90**	**6.4%**	14.77	8.1%	15.27	8.2%	14.29	7.1%	27.95	13.5%	19.77	9.0%
Inventories	**0.77**	**0.5%**	0.77	0.4%	0.88	0.5%	0.31	0.2%	0.35	0.2%	0.11	0.1%
Available for sale investments	**33.72**	**19.6%**	35.07	19.1%	43.99	23.6%	58.21	29.0%	68.62	33.3%	81.84	37.3%
Investment in associates	**61.99**	**36.2%**	60.76	33.1%	53.08	28.5%	50.29	25.1%	39.87	19.3%	44.89	20.5%
Investment properties	**30.05**	**17.5%**	33.82	18.4%	39.76	21.4%	32.84	16.3%	28.60	13.9%	16.75	7.6%
Property and equipments	**3.08**	**1.8%**	3.40	1.9%	4.39	2.4%	6.63	3.3%	4.47	2.2%	4.43	2.0%
Goodwill and other intangible assets	**4.79**	**2.8%**	5.35	2.9%	5.60	3.0%	10.32	5.1%	1.99	1.0%	-	-
Total assets	**171.11**	**100.0%**	**183.59**	**100.0%**	**186.02**	**100.0%**	**200.57**	**100.0%**	**206.09**	**100.0%**	**219.22**	**100.0%**
Liabilities and Equity												
Liabilities												
Due to banks	**0.92**	**0.5%**	1.20	0.6%	2.02	1.1%	1.51	0.8%	-	-	-	-
Accounts payable and other liabilities	**7.12**	**4.2%**	6.58	3.6%	7.57	4.1%	9.93	4.9%	6.43	3.1%	4.24	1.9%
Borrowings from banks and other financial institutions	**99.77**	**58.3%**	106.17	57.8%	111.90	60.2%	124.93	62.3%	134.56	65.2%	147.46	67.3%
Provision for end of service indemnity	**0.88**	**0.5%**	0.72	0.4%	0.59	0.3%	0.52	0.3%	0.53	0.3%	0.31	0.1%
Total liabilities	**108.69**	**63.5%**	**114.67**	**62.4%**	**122.08**	**65.7%**	**136.89**	**68.3%**	**141.52**	**68.6%**	**152.01**	**69.3%**
Equity												
Share capital	**41.32**	**24.2%**	41.32	22.5%	41.32	22.2%	41.32	20.6%	37.56	18.2%	37.56	17.1%
Share premium	**3.41**	**2.0%**	3.41	1.9%	3.41	1.8%	3.41	1.7%	3.41	1.7%	3.41	1.6%
Treasury shares	**(3.41)**	**-2.0%**	(3.41)	-1.9%	(3.41)	-1.8%	(3.41)	-1.7%	(3.41)	-1.7%	(3.41)	-1.6%
Legal reserve	**2.06**	**1.2%**	1.76	1.0%	1.64	0.9%	1.51	0.8%	1.41	0.7%	0.47	0.2%
Voluntary reserve	**2.06**	**1.2%**	1.76	1.0%	1.64	0.9%	1.51	0.8%	1.41	0.7%	0.47	0.2%
Cumulative changes in fair value	**3.81**	**2.2%**	5.90	3.2%	3.85	2.1%	6.01	3.0%	6.54	3.2%	8.96	4.1%
Foreign currency translation reserve	**(13.88)**	**-8.1%**	(9.74)	-5.3%	(9.81)	-5.3%	(9.54)	-4.8%	(13.21)	-6.4%	(10.23)	-4.6%
Retained earnings	**7.07**	**4.1%**	5.04	2.7%	4.85	2.6%	4.49	2.2%	10.74	5.2%	3.58	1.6%
Equity attributable to the owners of the Parent Company	**42.44**	**24.8%**	**46.04**	**25.1%**	**43.49**	**23.4%**	**45.30**	**22.6%**	**44.45**	**21.6%**	**40.81**	**18.6%**
Non-controlling interests	**19.98**	**11.7%**	22.88	12.5%	20.45	10.9%	18.38	9.1%	20.12	9.8%	26.40	12.1%
Total equity	**62.42**	**36.5%**	**68.92**	**37.6%**	**63.94**	**34.3%**	**63.68**	**31.7%**	**64.57**	**31.4%**	**67.21**	**30.7%**
Total liabilities and equity	**171.11**	**100.0%**	**183.59**	**100.0%**	**186.02**	**100.0%**	**200.57**	**100.0%**	**206.09**	**100.0%**	**219.22**	**100.0%**

Vertical analysis of the consolidated statement of profit or loss

Amounts in Million KD

	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
Revenue from hotel operations and IT services	**17.31**	**66.9%**	14.91	61.6%	15.70	53.0%	13.64	44.5%	7.25	26.2%	3.98	21.9%
Realised gain on investments at fair value through profit or loss	**0.02**	**0.1%**	0.08	0.3%	0.55	1.9%	1.15	3.8%	0.55	2.0%	1.16	6.4%
Unrealised gain / (loss) on investments at fair value through profit or loss	**0.23**	**0.9%**	(0.01)	-0.1%	(1.61)	-5.5%	(0.15)	-0.5%	2.21	8.0%	1.05	5.8%
Realised gain / (loss) on sale of available for sale investments	**0.23**	**0.9%**	(0.44)	-1.8%	1.56	5.3%	1.96	6.4%	3.82	13.8%	0.64	3.5%
Change in fair value of investment properties	**(2.09)**	**-8.1%**	(0.60)	-2.5%	0.96	3.2%	1.10	3.6%	1.23	4.4%	2.17	12.0%
Dividend income	**1.17**	**4.5%**	1.12	4.6%	2.14	7.2%	1.72	5.6%	4.15	15.0%	2.52	13.9%
Share of results of associates	**7.70**	**29.8%**	8.28	34.2%	7.17	24.2%	9.85	32.1%	6.94	25.0%	4.85	26.7%
Management and placement fees	**0.04**	**0.2%**	0.02	0.1%	1.62	5.5%	0.05	0.2%	0.31	1.1%	0.90	5.0%
Realised gain / (loss) on sale of investment properties	**0.05**	**0.2%**	(0.85)	-3.5%	-	-	0.30	1.0%	-	-	0.06	0.3%
Rental income	**1.20**	**4.6%**	1.71	7.1%	1.53	5.2%	1.01	3.3%	1.13	4.1%	0.82	4.5%
Profit on disposal of associate	**-**	**-**	-	-	-	-	-	-	0.11	0.4%	-	-
Total income	**25.86**	**100.0%**	**24.22**	**100.0%**	**29.62**	**100.0%**	**30.63**	**100.0%**	**27.70**	**100.0%**	**18.15**	**100.0%**
Cost of sales and services from hotel operations and IT services	**(13.71)**	**-53.0%**	(11.48)	-47.4%	(13.41)	-45.3%	(11.62)	-37.9%	(6.08)	-21.9%	(3.27)	-18.0%
General, administrative and other expenses	**(5.88)**	**-22.7%**	(5.64)	-23.3%	(5.08)	-17.1%	(5.15)	-16.8%	(5.29)	-19.1%	(4.15)	-22.9%
Operating profit/(loss)	**6.27**	**24.3%**	**7.10**	**29.3%**	**11.13**	**37.6%**	**13.86**	**45.3%**	**16.33**	**59.0%**	**10.73**	**59.1%**
Interest and other income	**2.26**	**8.7%**	0.68	2.8%	2.56	8.6%	1.04	3.4%	2.49	9.0%	7.26	40.0%
Foreign exchange gain/(loss)	**(0.06)**	**-0.2%**	(0.01)	-0.1%	0.11	0.4%	(0.06)	-0.2%	(0.03)	-0.1%	(0.06)	-0.3%
Finance costs	**(5.45)**	**-21.1%**	(4.44)	-18.3%	(4.24)	-14.3%	(4.54)	-14.8%	(4.60)	-16.6%	(6.71)	-37.0%
Impairment in value of intangible assets	**-**	**-**	-	-	(2.01)	-6.8%	-	-	-	-	-	-
Impairment in value of available for sale investments	**(0.45)**	**-1.7%**	(2.09)	-8.6%	(8.25)	-27.9%	(8.67)	-28.3%	(6.45)	-23.3%	(5.13)	-28.3%
Impairment in value of investment in associate	**-**	**-**	-	-	(0.39)	-1.3%	(0.11)	-0.4%	-	-	-	-
Impairment in value of accounts receivable	**(0.36)**	**-1.4%**	(0.63)	-2.6%	(0.32)	-1.1%	(1.44)	-4.7%	(0.13)	-0.5%	(1.06)	-5.8%
Profit /(loss) before taxes and directors' remuneration	**2.21**	**8.6%**	**0.61**	**2.5%**	**(1.41)**	**-4.8%**	**0.08**	**0.3%**	**7.61**	**27.5%**	**5.03**	**27.7%**
Provision for KFAS, Zakat and NLST	**(0.06)**	**-0.2%**	(0.04)	-0.2%	(0.04)	-0.1%	(0.03)	-0.1%	(0.33)	-1.2%	(0.15)	-0.8%
Directors' remuneration	**(0.05)**	**-0.2%**	-	-	-	-	-	-	(0.06)	-0.2%	(0.03)	-0.2%
Profit /(loss) for the year	**2.10**	**8.2%**	**0.57**	**2.3%**	**(1.45)**	**-4.9%**	**0.05**	**0.2%**	**7.22**	**26.1%**	**4.85**	**26.7%**
Attributable to non-controlling interests	**(0.74)**	**-2.8%**	(0.58)	-2.4%	(2.78)	-9.4%	(0.87)	-2.8%	(1.83)	-6.6%	0.33	1.8%
Attributable to the owners of the Parent Company	**2.84**	**11.0%**	**1.15**	**4.7%**	**1.33**	**4.5%**	**0.92**	**3.0%**	**9.05**	**32.7%**	**4.52**	**24.9%**

نـــور للإستثمار
Noor Investment

Horizontal analysis of the consolidated statement of financial position

Amounts in Million KD

	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14	2014	14 vs 13	2013	13 vs 12	2012	12 vs 11
Assets		%		%		%		%		%		%
Cash and bank balances	**8.49**	**-19%**	10.42	35%	7.74	-5%	8.14	2%	8.00	-51%	16.38	-33%
Short term deposits	**5.26**	**-23%**	6.80	161%	2.61	66%	1.57	726%	0.19	-42%	0.33	-38%
Murabaha, wakala and sukuk investments	**1.15**	**-1%**	1.16	16%	1.00	67%	0.60	-87%	4.50	-60%	11.29	64%
Investments at fair value through profit or loss	**10.91**	**-3%**	11.27	-4%	11.70	-33%	17.37	-19%	21.55	-8%	23.43	-8%
Accounts receivable and other assets	**10.90**	**-26%**	14.77	-3%	15.27	7%	14.29	-49%	27.95	41%	19.77	-45%
Inventories	**0.77**	-	0.77	-13%	0.88	184%	0.31	-11%	0.35	218%	0.11	0%
Available for sale investments	**33.72**	**-4%**	35.07	-20%	43.99	-24%	58.21	-15%	68.62	-16%	81.84	3%
Investment in associates	**61.99**	**2%**	60.76	14%	53.08	6%	50.29	26%	39.87	-11%	44.89	-2%
Investment properties	**30.05**	**-11%**	33.82	-15%	39.76	21%	32.84	15%	28.60	71%	16.75	31%
Property and equipment	**3.08**	**-9%**	3.40	-23%	4.39	-34%	6.63	48%	4.47	1%	4.43	49%
Goodwill and other intangible assets	**4.79**	**-10%**	5.35	-4%	5.60	-46%	10.32	419%	1.99	100%	-	-
Total assets	**171.11**	**-7%**	**183.59**	**-1%**	**186.02**	**-7%**	**200.57**	**-3%**	**206.09**	**-6%**	**219.22**	**-6%**
Liabilities and Equity												
Liabilities												
Due to banks	**0.92**	**-23%**	1.20	-41%	2.02	100%	1.51	100%	-	-	-	-100%
Accounts payable and other liabilities	**7.12**	**8%**	6.58	-13%	7.57	-24%	9.93	54%	6.43	52%	4.24	-65%
Borrowings from banks and other financial institutions	**99.77**	**-6%**	106.17	-5%	111.90	-10%	124.93	-7%	134.56	-9%	147.46	-8%
Provision for end of service indemnity	**0.88**	**22%**	0.72	22%	0.59	13%	0.52	-2%	0.53	71%	0.31	7%
Total liabilities	**108.69**	**-5%**	**114.67**	**-6%**	**122.08**	**-11%**	**136.89**	**-3%**	**141.52**	**-7%**	**152.01**	**-12%**
Equity												
Share capital	**41.32**	-	41.32	-	41.32	-	41.32	10%	37.56	-	37.56	-50%
Share premium	**3.41**	-	3.41	-	3.41	-	3.41	-	3.41	-	3.41	-42%
Treasury shares	**(3.41)**	-	(3.41)	-	(3.41)	-	(3.41)	-	(3.41)	-	(3.41)	-42%
Legal reserve	**2.06**	**17%**	1.76	7%	1.64	9%	1.51	7%	1.41	200%	0.47	100%
Voluntary reserve	**2.06**	**17%**	1.76	7%	1.64	9%	1.51	7%	1.41	200%	0.47	100%
Cumulative changes in fair value	**3.81**	**-35%**	5.90	53%	3.85	-36%	6.01	-8%	6.54	-27%	8.96	90%
Foreign currency translation reserve	**(13.88)**	**43%**	(9.74)	-1%	(9.81)	3%	(9.54)	-28%	(13.21)	29%	(10.23)	28%
Retained earnings/(accumulated losses)	**7.07**	**40%**	5.04	4%	4.85	8%	4.49	-58%	10.74	200%	3.58	-110%
Equity attributable to the owners of the Parent Company	**42.44**	**-8%**	**46.04**	**6%**	**43.49**	**-4%**	**45.30**	**2%**	**44.45**	**9%**	**40.81**	**19%**
Non-controlling interests	**19.98**	**-13%**	22.88	12%	20.45	11%	18.38	-9%	20.12	-24%	26.40	-1%
Total equity	**62.42**	**-9%**	**68.92**	**8%**	**63.94**	**0%**	**63.68**	**-1%**	**64.57**	**-4%**	**67.21**	**10%**
Total liabilities and equity	**171.11**	**-7%**	**183.59**	**-1%**	**186.02**	**-7%**	**200.57**	**-3%**	**206.09**	**-6%**	**219.22**	**-6%**

Horizontal analysis of the consolidated statement of profit or loss

Amounts in Million KD

	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14	2014	14 vs 13	2013	13 vs 12	2012	12 vs 11
		%		%		%		%		%		%
Revenue from hotel operations and IT services	**17.31**	**16%**	14.91	-5%	15.70	15%	13.64	88%	7.25	82%	3.98	477%
Realised gain on investments at fair value through profit or loss	**0.02**	**-75%**	0.08	-85%	0.55	-52%	1.15	109%	0.55	-53%	1.16	-202%
Unrealised gain / (loss) on investments at fair value through profit or loss	**0.23**	**2400%**	(0.01)	-99%	(1.61)	973%	(0.15)	-107%	2.21	110%	1.05	-117%
Realised gain / (loss) on sale of available for sale investments	**0.23**	**-152%**	(0.44)	-128%	1.56	-20%	1.96	-49%	3.82	497%	0.64	28%
Change in fair value of investment properties	**(2.09)**	**248%**	(0.60)	-163%	0.96	-13%	1.10	-11%	1.23	-43%	2.17	1176%
Dividend income	**1.17**	**4%**	1.12	-48%	2.14	24%	1.72	-59%	4.15	65%	2.52	-9%
Share of results of associates	**7.70**	**-7%**	8.28	15%	7.17	-27%	9.85	42%	6.94	43%	4.85	58%
Management and placement fees	**0.04**	**100%**	0.02	-99%	1.62	3140%	0.05	-84%	0.31	-66%	0.90	-77%
Realised gain / (loss) on sale of investment properties	**0.05**	**-106%**	(0.85)	-100%	-	-100%	0.30	100%	-	-100%	0.06	20%
Rental income	**1.20**	**-30%**	1.71	12%	1.53	51%	1.01	-11%	1.13	38%	0.82	100%
Profit on disposal of associate	-	-	-	-	-	-	-	-100%	0.11	100%	-	-
Total income	**25.86**	**7%**	**24.22**	**-18%**	**29.62**	**-3%**	**30.63**	**11%**	**27.70**	**53%**	**18.15**	**387%**
Cost of sales and services from hotel operations and IT services	**(13.71)**	**19%**	(11.48)	-14%	(13.41)	15%	(11.62)	91%	(6.08)	86%	(3.27)	227%
General, administrative and other expenses	**(5.88)**	**4%**	(5.64)	-11%	(5.08)	-1%	(5.15)	-3%	(5.29)	27%	(4.15)	-5%
Operating profit/(loss)	**6.27**	**-12%**	**7.10**	**-36%**	**11.13**	**-20%**	**13.86**	**-15%**	**16.33**	**52%**	**10.73**	**-762%**
Interest and other income	**2.26**	**232%**	0.68	-73%	2.56	146%	1.04	-58%	2.49	-66%	7.26	125%
Foreign exchange gain/(loss)	**(0.06)**	**500%**	(0.01)	-109%	0.11	-283%	(0.06)	100%	(0.03)	-50%	(0.06)	-250%
Finance costs	**(5.45)**	**23%**	(4.44)	5%	(4.24)	-7%	(4.54)	-1%	(4.60)	-31%	(6.71)	-16%
Impairment in value of intangible assets	-	-	-	-100%	(2.01)	100%	-	-	-	-	-	-
Impairment in value of available for sale investments	**(0.45)**	**-78%**	(2.09)	-75%	(8.25)	-5%	(8.67)	34%	(6.45)	26%	(5.13)	-47%
Impairment in value of investment in associate	-	-	-	-100%	(0.39)	255%	(0.11)	100%	-	-	-	-100%
Impairment in value of accounts receivable	**(0.36)**	**-43%**	(0.63)	97%	(0.32)	-78%	(1.44)	1008%	(0.13)	-88%	(1.06)	25%
Profit /(loss) before taxes and directors' remuneration	**2.21**	**262%**	**0.61**	**-143%**	**(1.41)**	**-1862%**	**0.08**	**-99%**	**7.61**	**51%**	**5.03**	**-128%**
Provision for KFAS, Zakat and NLST	**(0.06)**	**50%**	(0.04)	0%	(0.04)	33%	(0.03)	-91%	(0.33)	120%	(0.15)	100%
Directors' remuneration	**(0.05)**	**100%**	-	-	-	-	-	-100%	(0.06)	100%	(0.03)	100%
Profit /(loss) for the year	**2.10**	**268%**	**0.57**	**-139%**	**(1.45)**	**-3000%**	**0.05**	**-99%**	**7.22**	**49%**	**4.85**	**-127%**
Attributable to non-controlling interests	**(0.74)**	**28%**	(0.58)	-79%	(2.78)	220%	(0.87)	-52%	(1.83)	-655%	0.33	-113%
Attributable to the owners of the Parent Company	**2.84**	**147%**	**1.15**	**-14%**	**1.33**	**45%**	**0.92**	**-90%**	**9.05**	**100%**	**4.52**	**-130%**

نـــور للإستثمار
Noor Investment

BOARD OF DIRECTORS CHAIRMAN

Dr. Fahad Sulaiman Al-Khaled

Academic Qualifications:

- Bachelor of Electrical & Electronic Engineering, University of Newcastle Upon Tyne, United Kingdom.
- Doctorate of Electrical & Electronic Engineering, University of Newcastle Upon Tyne, United Kingdom.

Current & Previous Posts:

- Chairman, Noor Financial Investment Company, Kuwait
- Board Member, Privatization Holding Company, Kuwait
- Managing Partner, Ersaal Cable & Wireless, Kuwait
- Board Member, Ikarus Petroleum Industries Company, Kuwait
- Board Member, Eastern United Petroleum Services Company, Kuwait
- Chairman, Global Projects Holding Company, Kuwait
- Deputy Chairman, Tawasul Services Company, Kuwait
- Board Member, Noor Telecommunications Company KSCC, Kuwait
- Vice Chairman, Digital Alliances Company, Kuwait
- Board Member, IT Partners Company, Kuwait
- Managing Partner, Dizlee Communications & Consultancy Company, Kuwait
- Deputy General Manager, Arab Telecom Company, Kuwait
- Managing Partner, Mada Value Added Services Company, Kuwait
- Managing Partner, Senyar Capital Economical Consultancy Company, Kuwait
- Managing Partner, Askamo Economic Consultancy Company, Kuwait

BOARD OF DIRECTORS VICE CHAIRMAN

Mr. Abdulghani M.S. Behbehani

Academic Qualifications:

- B.Sc. in Mechanical Engineering, Kuwait University

Current & Previous Posts:

- Vice Chairman, Noor Financial Investment Company, Kuwait
- Chairman, Noor Jordanian Kuwaiti Financial Investment Company, Jordan
- Chairman, Hotels Global Group, Jordan
- Board Member, Noor Telecommunication Company KSCC, Kuwait
- Board Member, Ahli United Bank B.S.C, Bahrain
- Board Member, Kuwait Insurance Company S.A.K, Kuwait
- Board Member, United Beverage Company KSCC, Kuwait
- Board Member, Al-Alfain Printing, Publication & Distribution Company KSCC, Kuwait
- Director, Mohammad Saleh & Reza Yousuf Behbehani Company WLL, Kuwait
- Director, Behbehani Capital Company WLL, Kuwait
- Manager, Shereen Motor Company WLL, Kuwait
- Manager, Behbehani Tire Center Company WLL, Kuwait
- Former Board Member, Al Ahli Bank of Kuwait, Kuwait

BOARD OF DIRECTORS — BOARD MEMBER

Mr. Riyadh S. A. A. Edrees

Academic Qualifications:
- B.Sc. in Chemical Engineering, University of Newcastle Upon Tyne, United Kingdom
- M.Sc. in Chemical Engineering, Kuwait University

Current & Previous Posts:
- Board Member, Noor Financial Investment Company, Kuwait
- Deputy CEO, Investments and Mega Projects, National Industries Group Holding, Kuwait
- Chairman, Privatization Holding Company, Kuwait.
- Board Member, Ikarus Petroleum Industries Company, Kuwait
- Board Member, Noor Telecommunication Company, Kuwait
- Chairman, IT Partners for Information Technology Company, Kuwait.
- Chairman, Meezan Bank Limited, Pakistan.
- Board Member, Saudi International Petrochemical Company (SIPCHEM), Saudi Arabia
- Vice Chairman, Airport International Group, Jordan.
- Chairman, Middle East Complex for Engineering Electronics and Heavy Industries Company, Jordan
- Advisory Board Member, Cleantech I & II- Zouk Venture Limited, United Kingdom.
- Board Member, Investment Committee of Bouniya Fund, Kuwait Investment Company, Bahrain
- Advisory Board Member, Markaz Energy Fund, Kuwait.
- General Manager, Gas & Oil Fields Services Company, Kuwait
- Vice Chairman, Eastern United Petroleum Services Company, Kuwait
- Board Member, Kuwait Ceramic Company, Kuwait
- Advisory Board Member, zSOL, United Kingdom

BOARD OF DIRECTORS — BOARD MEMBER

Mr. Faisal A. Al-Nassar

Academic Qualifications:
- Bachelor in Accounting, Kuwait University

Current & Previous Posts:
- Board Member, Noor Financial Investment Company, Kuwait
- Board Member, Hotels Global Group, Jordan
- Deputy CEO, Finance and Administration, National Industries Group Holding, Kuwait
- Chairman and CEO, Al Durra National Real Estate Company, Kuwait
- Vice Chairman, Meezan Bank Limited, Pakistan
- Chairman, Noor Al-Salhiya Real Estate Company, Kuwait
- Chairman, Noor Telecommunications Company, Kuwait
- Vice Chairman, Abu Dhabi Marina Real Estate Investment Company, UAE
- Chairman, Shorfat Al Safwa Company, Saudi Arabia
- Chairman, Durrat Alshameya Company, Saudi Arabia
- Board Member, Arabian Group for Investment, Real Estate & Agriculture Development Company, Egypt
- Vice Chairman, Salboukh Trading Company, Kuwait
- Executive Committee Member, ARADI Abu Dhabi Investment, UAE
- General Manager, Ikarus Real Estate Company, Dubai, UAE

BOARD OF DIRECTORS BOARD MEMBER

Mr. Bader H. Al-Rabiah

Academic Qualifications:

- Bachelor in Accounting, Kuwait University

Current & Previous Posts:

- Board Member, Noor Financial Investment Company, Kuwait
- Vice Chairman and CEO, Noor Al-Salhiya Real Estate Company, Kuwait
- Board Member, Meezan Bank Limited, Pakistan
- Chairman, Palms Agro Production Company, Kuwait
- Board Member, Abu Dhabi Marina Real Estate Investment Company, UAE
- Vice Chairman, Al-Durra National Real Estate Company, Kuwait
- Board Member, Hotels Global Group, Jordan
- Chairman, Arab Group for Investment & Real Estate Development and Agricultural Company, Egypt
- General Manager, Sidra Middle East for Electrical & Mechanical Building Contracting Company, Kuwait
- General Manager, Ikarus for Real Estate Company, UAE
- General Manager, Noor Al-Salhiya Real Estate Company, Saudi Arabia
- Member of the Kuwaiti Association of Accountants

BOARD OF DIRECTORS BOARD MEMBER

Mr. Hussam Ali Marafie

Academic Qualifications:

- B.Sc. in Mechanical Engineering, University of Newcastle Upon Tyne, United Kingdom

Current & Previous Posts:

- Board Member, Noor Financial Investment Company, Kuwait
- Chairman & Chief Executive Officer, Gas and Oil Field Services Company, Kuwait
- Chief Executive Officer, Eastern United Petroleum Services Company, Kuwait
- Vice Chairman, Grand Oil Company, Kuwait
- Board Member, Eastern United Petroleum Services Company, Kuwait

EXECUTIVE MANAGEMENT

Mr. Gururaj Rao
CHIEF EXECUTIVE OFFICER

Qualifications:
- Bachelor of Science, University of Madras, India
- Chartered Accountant, The Institute of Chartered Accountants of India
- Certified Management Accountant, The Institute of Cost and Management Accountants, UK
- Chartered Financial Analyst, The Institute of Chartered Financial Analysts, USA

Current & Previous Positions:
- Chief Executive Officer, Noor Financial Investment Company, Kuwait
- Board Member, Hotels Global Group, Jordan
- Vice Chairman, Noor Jordan Kuwait Financial Investment Company, Jordan
- Member, Investment Committee, India Infrastructure Development Fund, India
- EVP and Chief Investment Officer, Noor Financial Investment Company, Kuwait
- Financial Advisor, Kuwait Investment Authority, Kuwait
- Assistant Vice President, Gulf Investment Corporation, Kuwait
- Assistant Manager - Internal Audit, Kuwait International Investment Company, Kuwait

EXECUTIVE MANAGEMENT

Mr. Nauman S. Sehgal
EVP AND CHIEF OPERATING OFFICER

Qualifications:
- Bachelor of Arts, University of Peshawar, Pakistan
- Certified Public Accountant - Oregon, USA

Current & Previous Positions:
- EVP and Chief Operating Officer, Noor Financial Investment Company, Kuwait
- Advisory Council Member, Service Hero, Kuwait
- Deputy Chief Executive Officer, Burhan Holding Company, Kuwait
- Senior Executive Vice President, Nafais Holding Company, Kuwait
- Chief Operating Officer and Chief Financial Officer, Mowasat Holding Company, Kuwait
- Hospital Director, New Mowasat Hospital, Kuwait
- Chief Executive Officer, Marks & Spencer Franchise, Austria and Croatia
- Chief Financial Officer, Al Wazzan Group, Kuwait
- Vice President Finance and Operations, First Al Wazzan Group, Kuwait
- Audit and Consulting, Ernst & Young (EY), Kuwait

BOARD OF DIRECTORS' REPORT

Dear Esteemed Shareholders,

On behalf of the Members of the Board of Directors, I would like to welcome you to the Annual General Meeting of Noor Financial Investment Company KPSC ("Noor"). I am pleased to present to you the Board of Directors' Report along with the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and we seek help and guidance from Almighty Allah.

Noor's Operations

The year 2017 remained turbulent and witnessed regional political upheavals which had negative effect on the local economy and markets. Despite the growth in GCC stock markets indices during the year 2017, the poor performance of the last quarter wiped out earlier gains. Boursa Kuwait reflected a similar fluctuating pattern, having its weighted index tumble by more than 40 points during the last quarter and closing at 5.6 percent up in comparison to its peak performance of 17 percent during the year. The Saudi Stock market index (Tadawul) ended the year up by 0.2 percent after losing nearly 200 points during 2017. Moreover, Dubai Financial Market (DFM) index closed negative at 4.5 percent in comparison to the beginning of the year 2017 despite having recorded gains of 5 percent towards the end of third quarter of 2017.

Despite surrounding economic fluctuations, Noor continued its progress towards its strategic goals as envisioned by the Board of Directors to make Noor a leader amongst its peers. Noor's largest investment – Meezan Bank Limited Pakistan –continued its incredible performance and achieved year-on-year growth of 13.5 percent in its profit from Banking Operations for the year 2017. Moreover, the Bank achieved more than 10 percent growth in the shareholders' equity and distributed 30 percent cash dividend during 2017. The market value of Noor's stake in Meezan Bank as of 31 December 2017 exceeded its carrying value by more than KD 36 million after taking into account devaluation of Pakistani Rupee. The Bank continued its growth through a network of more than 600 branches, service optimisation, technological advancements and introduction of new financial products.

As part of Noor's plan to rebalance its investment portfolio, Noor has made exits during the year from a few of its investments worth KD 4 million. Furthermore, Noor has sold some of its real estate investments amounting to KD 4.7 million in order to reap capital gains as well as to provide liquidity to finance its real estate projects. additionally, with the aim of diversifying and mitigating risks, the international real estate investments now account for 10 percent of the total real estate portfolio as of 31 December 2017 compared to 1 percent three years ago.

Noor also continued to implement its strategy towards the improvement of its operating companies in 2017. Noor's subsidiaries in Hotel Operations and IT Services had growth in revenues of 12% percent and 17 percent respectively, which is reflected in their profitability for the year 2017.

With reference to Noor's obligations towards its lenders, Noor settled its entire debt with one of the lenders by paying KD 4.8 million which resulted in KD 2 million gain for the year 2017. Since year 2012, Noor (on standalone basis) has settled KD 65 million towards its debt. Currently, Noor is negotiating restructuring of its facilities of KD 90 million with the lenders and is hopeful to bring it to a successful closure during the year 2018.

Noor's Financial Performance

Noor achieved a net profit attributable to the owners of the Parent Company of KD 2.84 million (EPS of 7.05 Fils) for the financial year ended 31 December 2017 compared to a net profit of KD 1.15 million (EPS of 2.86 Fils) for the previous year. Total income was KD 25.86 million (2016: KD 24.22 million) and operating profit was KD 6.27 million (2016: KD 7.10 million).

The Board has proposed not to make dividend distribution for the year ended 31 December 2017. The Board of Directors has proposed to distribute a total amount of KD 54,000 as remuneration to the Board of Directors, both subject to the approval of General Assembly of the shareholders.

On this occasion, I would like to reassure our valuable shareholders that Noor will continue to focus on opportunities to achieve sustainable growth, profits and strengthen its core operations.

Our successful progress is attributed to the trust bestowed upon us by our shareholders, clients and all stakeholders to whom we convey our sincere gratitude and appreciation for their continuous support. We extend our appreciation to our employees for their sincere efforts in serving the company and its customers.

May Allah grant us success.

Dr. Fahad Sulaiman Al-Khaled
Chairman

CORPORATE GOVERNANCE REPORT

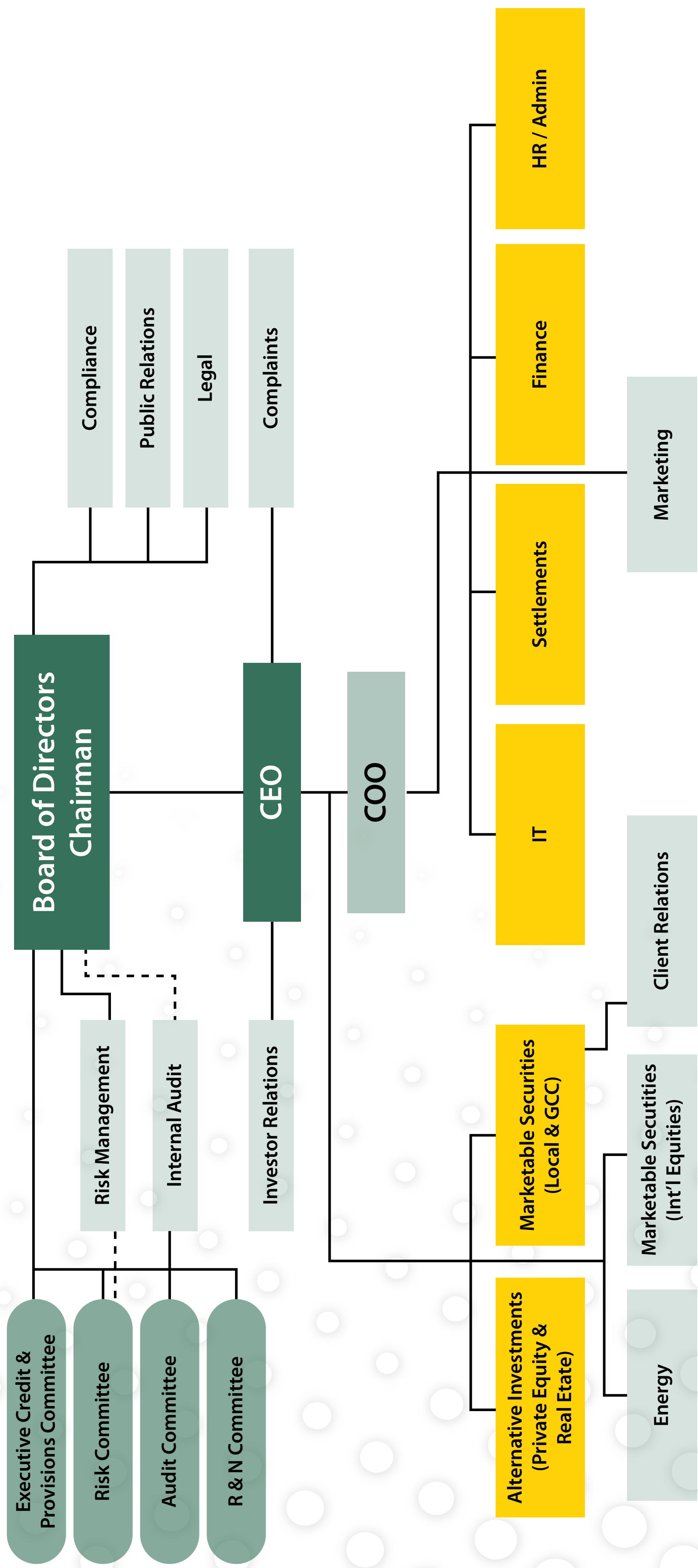
Introduction

The Board of Noor Financial Investment Company was keen to set a strategy reflecting the Company's vision in line with the standards of good governance. Through this strategy, the Company aims to maintain high standards of integrity in all transactions as well as maintaining compliance with the regulations issued by the Capital Markets Authority.

In order to achieve this goal, the Board has reflected essential changes to the organization structure of the Company as well as redrafted its policies and procedures to be in line with the vision aimed towards the highest levels of good governance. These measures indicate the Board and the Executive Management's profound belief in the importance of compliance with all the laws and regulations encompassing the Company's activities. In addition, the Board is also committed to continuous improvements in Company's policies on governance, disclosure and transparency pursuant to the best practices, thereby serving the interests of the Company and its stakeholders.

Dr. Fahad Sulaiman Al-Khaled
Chairman

The Company's Organizational Structure



Rule I: Construct a Balanced Board Composition

- Structure of the Board and the Membership in the Board's Committees

Sr.	Board Member	Educational Qualification	Date of Election or Appointment	Category	Membership in Committees			
					Nomination & Remunerations	Executive	Audit	Risk
1.	Dr. Fahad Sulaiman Al-Khaled Chairman	Doctorate of Electrical & Electronic Engineering,	16/9/2015	Non-Executive Elected	Member of Committee			
2.	Mr. Abdulghani Behbehani Vice Chairman	B.Sc. in Mechanical Engineering	16/9/2015	Non-Executive Elected	Head of Committee	Member of Committee		
3.	Mr. Riyadh Edrees Board Member	M.Sc. in Chemical Engineering	16/9/2015	Non-Executive Elected	Member of Committee	Member of Committee	Head of Committee	Member of Committee
4.	Mr. Faisal Al-Nassar Board Member	Bachelor of Accounting	16/9/2015	Non-Executive Elected	Member of Committee	Head of Committee	Member of Committee	Member of Committee
5.	Mr. Bader Hamad Al Rabiah Board Member	Bachelor of Accounting	16/9/2015	Non-Executive Elected			Member of Committee	Head of Committee
6.	Hussam Ali Marafie Board Member	B.Sc. in Mechanical Engineering	17/8/2016	Independent	Member of Committee (Independent)		Member of Committee (Independent)	

Head of Committee

Member of Committee

Member of Committee (Independent)

- **Board Meetings**

Meeting No. During 2017	First	Second	Third	Fourth	Fifth	Sixth	Seventh	Eighth	Total
Member's Name	26/1/2017	6/4/2017	15/5/2017	15/6/2017	2/8/2017	30/10/2017	20/12/2017	25/12/2017	
Dr. Fahad Sulaiman Al-Khaled (Chairman)	√	√	√	√	√	√	√	√	8
Mr. Abdulghani Behbehani (Vice Chairman)	√	√	√	√	√	√	√	√	8
Mr. Riyadh Salem Edrees (Board Member)	√	√	√	√	√	√	√	√	8
Mr. Faisal Abdul Aziz Al-Nassar (Board Member)	√	×	√	√	√	√	√	√	7
Mr. Bader Hamad Al Rabiah (Board Member)	√	√	√	√	√	√	√	√	8
Mr. Hussam Ali Marafie (Independent Member)	√	√	√	√	√	√	√	√	8

- **Registering, Coordinating and Archiving Board Minutes of Meetings**

The Board of Directors has established a special register where minutes of Board meetings are written in serial numbers for each calendar year which also records the place, date, commencement and ending times thereof. The register also indicates the attendance of members, discussions and deliberations held, the voting process adopted and decisions taken. It provides easy referencing for classification and archiving purposes. The Board of Directors has also appointed a Board of Directors Secretary from the company's employees to undertake these tasks in addition to other responsibilities relating to the coordination between the Board members and other departments of the Company.

Rule II: Establish Appropriate Roles and Responsibilities

- **Defining the Roles, Responsibilities and Duties for Board Members and for the Executive Management as well as the Authorities and Powers**

  The Board of Directors has specified the roles, responsibilities and duties of the Board of Directors and Executive Management, the authorities and powers delegated to the Executive Management (currently being updated) as well as creating procedures that ensure non-control of any party of absolute powers, with the aim of facilitating the process of questioning the Board by the Company's shareholders.
  The Board's roles and responsibilities (as per the Capital Markets Authority's Executive Bylaw) have been specified as follows:
  1. Setting the Company's policies and procedures and ensuring its transparency in the way that facilitates the process of decision making as well as achieving the good governance principles in line with the governance system approved by the Board and setting a monitoring program for it.
  2. Existence of the policies separating the powers and authorities of both the Board of Directors and Executive Management. The authorities delegated to the Executive Management, the decision-making process and the specified time period covering the delegation period have been defined.
  3. Formation of the Board Committees (Audit Committee, Risk Committee and Nomination and Remunerations Committee) where the Board has adopted regulations and processes organizing the activities of those committees.
  4. Through the reports provided by the Internal Audit Function, the Board shall periodically ensure the applicable internal audit systems' efficiency in the Company and its Subsidiaries thereof, as well as ensuring adoption of the appropriate Internal control systems to measure and manage risks and to share the same, in a transparent way, with the stakeholders and the other relative parties in the Company (Upon Necessity). The Board Chairman shall be ensure sound and effective performance of the Board and shall ensure that the members and independent members are providing full and correct information on time to enable them to take sound Investment decisions.
  5. Presentation of a comprehensive Annual Report at the Company's Annual General Meeting.
  6. Monitoring the performance of each Board member and members of the Executive Management pursuant to the set objectives through adequate performance measurement indicators.

- **Most Notable Achievements of the Board during the Year 2017**

  The Board of Directors have convened 8 times during the financial year ended 31 December 2017. During these meetings, the following discussions and decisions have occurred:

  1. Discussion and approval of the consolidated financial statements for the year ended 31 December 2016 and the interim financial statements for the quarters ended on 31 March 2017, 30 June 2017 and 30 September 2017.
  2. Approved the report on the Company's compliance with all the regulatory requirements mentioned in the Anti-Money Laundering and Combating the Financing of Terrorism for the financial year ended 31 December 2016 issued by the Compliance Department and the other report issued by Auditor's – M/s Grant Thornton Al Qatami Al Aiban & Partners.
  3. Restructuring of the Board Committee (Nomination and Remunerations Committee).
  4. Approved the amendments on the Company's Organizational structure in line with regulatory requirements.
  5. Decisions related to the restructuring of capital in Subsidiaries and Associate companies.
  6. Discussing and approving the Corporate Governance report for the financial year ended 31 December 2017.
  7. Approving settlement of certain debts with the creditors.
  8. Approving the agenda of the Ordinary and Extraordinary General Meetings.
  9. Disposal of share fractions resulting from the previous years.

- **Application of the Requirements to the pertaining Formation of Independent Specialized Committees**

  Within the context of its roles, the Board has formed four specialized committees that enable it to effectively fulfill its roles in accordance with the Company needs. Adequate number of members were appointed in such committees including non-executive members as well as one independent member in two of the said committees pursuant to the internal regulations set and approved by the Board and which include specification of the committee's role, its term, the granted authorities during the term and the supervision of the Board over each committee. The said committees shall notify the Board with the results of its activities and the decisions taken in absolute transparency through periodical reports.

Board's Committees:

Nomination & Remunerations Committee:

Date of Formation	Term	Number of Meetings
28th September 2015	3 Years	3

- **Terms of Reference and tasks of the Committee**

  Entrusted with the preparation of recommendations on nomination of members for the Board of Directors and Executive management; recommendations on policies and regulations governing remuneration, nominations and the re-nomination acceptance of members of the Board of Directors and Executive Management as well as setting policy with respect to the remuneration of the members of the Board of Directors and Executive Management.

- **Members of the Nomination & Remunerations Committee:**

Sr	Name of the Member	Title	Attendance Percentage	Remarks
1	Mr. Abdulghani Mohammed Behbehani	Head of Committee	100%	
2.	Dr. Fahad Sulaiman Al-Khaled	Member	100%	Joined 30th oct 2017
3.	Mr. Riyadh Salem Edrees	Member	100%	
4.	Mr. Faisal Abdul Aziz Al-Nassar	Member	100%	
5.	Hussam Ali Marafie	Independent Member	100%	

- **Most Notable Achievements of the Committee**

  1. Deciding remuneration of the Board of Directors.
  2. Preparation of the Performance Evaluation format for the Directors.
  3. Approval related to employees' Training and Development policy.
  4. Approvals related to the Company's Medical Insurance plan.
  5. Recommendations with regards to amendments in the Human Resources Policy.

Executive Committee:

Date of Formation	Term	Number of Meetings
28th September 2015	3 Years	2

- **Terms of Reference and Tasks of the Committee**

  The Executive Committee has been entrusted by the Board and been granted authority for them to take limited decisions on behalf of the Board with respect to certain Financial, Investment and Administrative proposals. Additionally, the committee will review the Company's strategies and plans and accordingly provide recommendations to the Board of Directors.

- **Members of the Executive Committee:**

S.	Name of the Member	Title	Attendance Percentage	Remarks
1.	Mr. Faisal Abdul Aziz Al-Nassar	Head of Committee	100%	
2.	Mr. Abdulghani Mohammed Behbehani	Member	100%	
3.	Mr. Riyadh Salem Edrees	Member	100%	

- **Most Notable Achievements of the Executive of the Committee:**

  1. Approved the recommendation to restructure the Company's debts with lenders.
  2. Discussed and Approved the Anti-Money Laundering report.

Audit Committee:

Date of Formation	Term	Number of Meetings
9th November 2015	3 Years	5

- **Terms of Reference and Tasks of the Committee**

  This Committee seeks to strengthen the culture of Internal controls within the Company to ensure fairness and integrity across the Company. Tasks of the committee include overseeing the efficiency of the Internal Control systems within the company, reviewing periodical financial statements prior to their submission to the Board of Directors, evaluating the efficiency of the Internal Controls applied in the Company, providing the Board with recommendations concerning the appointment, re-appointment, or replacement of the External and Internal Auditors and ensuring their independence and monitoring the technical supervision on the Company's Internal Audit department in order to ensure its effectiveness in performing the operations and tasks assigned by the Board of Directors.

- **Members of the Audit Committee:**

Sr	Name of the Member	Title	Attendance Percentage	Remarks
1.	Mr. Riyadh Salem Edrees	Head of Committee	100%	
2.	Mr. Faisal Abdul Aziz Al-Nassar	Member	60%	
3.	Mr. Bader Hamad Al Rabiah	Member	100%	
4.	Mr. Hussam Ali Marafie	Independent Member	100%	

- **Most Notable Decisions and Achievements of the Audit Committee**

  1. Discussed and reviewed the draft of the consolidated financial statements for the year as ended 31 December 2016 and the interim financial information for the quarters ended on 31 March 2017, 30 June 2017 and 30 September 2017.
  2. Discussed the appointment and re-appointment of the External and Internal Auditor and submitted a recommendation on the same to the Board.
  3. Discussions related to the appointment of an independent external firm for the issuance of the Internal Control Report (ICR).
  4. Recomended to re-engage the existing External Audit firm to assist with the Internal Audit and risk assessment.
  5. Approved the Internal Audit plan for the year 2017.
  6. Reviewed the estimated budget for the financial year ended 31 December 2017.
  7. Discussed various Internal audit reports on the Company's units and departments.

Risk Committee:

Date of Formation	Term	Number of Meetings
9th November 2015	3 Years	4

- **Terms of Reference and Tasks of the Committee**

  Works mainly to evaluate, monitor and limit various types of risks facing the Company. The Committee reviews transactions to be made by the Company with related parties and provides recommendations thereof to the Board of Directors. It evaluates systems in place within the environment to identify, measure and monitor various types of risks that may face the Company and assists the Board of Directors in evaluating the Company's acceptable risk appetite ensuring that the Company does not exceed set risk levels after requisite approvals by the Board of Directors.

- **Members of the Risk Committee:**

Sr	Name of the Member	Title	Attendance Percentage	Remarks
1.	Mr. Bader Hamad Al Rabiah	Head of Committee	100%	
2.	Mr. Faisal Abdul Aziz Al-Nassar	Member	75%	
3.	Mr. Riyadh Salem Edrees	Member	100%	

- **Most Notable Decisions and Achievements of the Risk Committee**

  1. Reviewed and approved the periodical risk report.
  2. Discussed the or re-appointment of External firm to assist in undertaking some of the Committee's tasks.
  3. Reviewed the risk management process for the Company's operations and activities.

- **The Mechanisms that enable Board Members to obtain Accurate and Timely Information and Data**

  The Board Secretary shall provide the Board Members with the sufficient information about the topics that will be discussed during the meeting at least 3 business days before the meeting to enable them to review all material in order to take informed decisions. The discussions and decisions taken by the Board members are recorded in the minutes of meetings and are assigned serial numbers, defining the attendees and recording their votes on the decisions taken during the meeting. This ensures that accurate records are maintained and whenever required there is availability of all decisions and agenda relating to the working of the Board through the minutes of meetings' record.

  Members of the Board of Directors shall have full and quick access to all the Company's information, documents and records through the Board Secretary or the Chief Executive Officer as these are classified documents which are archived in a way facilitating cross-referencing as and when required.The Company's Executive Management shall provide the Board and its committees with all the required documents and information through relying on information technology infrastructure providing periodical reports that are used to take proper and timely decisions.

Rule III: Recruit highly Qualified Candidates for the Members of a Board of Directors and the Executive Management

- **A brief on the formation of the Nomination & Remunerations Committee**

  The Nomination and Remunerations Committee comprises of 5 Board members. The Board of Directors ensured that composition of the committee included an Independent member to the Committee and was to be headed by one of the Non-Executive Members of the Board of Directors. Further, in view of the nature of the committee, members with expertise in Human Resources & Administration along with strong leadership and management capabilities were selected to be a part of the committee.

Remunerations Report 2017

The Board of Directors Remunerations for the year 2017:

	Count	Value of Remuneration	Clarification
Board Member	6	KWD 54,000	As per the provisions of Kuwait Corporate law of 2016, the BOD remuneration of KWD 9,000 for each member is recommended which is subject to approval by the company's general assembly and related regulators in Kuwait.

The Board Committees Remunerations for the year 2017:

Board Committees	No. of Members	Remuneration
1. Risk Committee 2. Audit Committee 3. Remunerations & Nominations Committee 4. Executive Committee	3 4 5 3	KD 90,000 Combined remuneration for all the committees and it's members

Remuneration paid to Executive Management during the year 2017

	Count	Annual Salaries	Variable Bonus	Benefits	Total Amount *
Chief Executive Officer (1) Chief Operation officer (1) Financial Manager (1) Heads of units (4)	7	KD 291,829	KD 42,670	KD 13,723	**KD 348,222**

* This included fixed Salaries, Benefits and Variable Bonus

Rule IV: Safeguard the Integrity of Financial Reporting

- **The Board of Directors and the Executive Management's Written Undertakings of Soundness and Integrity of Financial Reporting**

A written undertaking was obtained from the Chief Executive Officer, the Chief Financial Officer and his assistants that the Company's financial reports are fair and sound and represent all the financial aspects of the Company, including data and operational results, and that they are prepared in accordance with the International Accounting Standards approved by the Capital Markets Authority and other regulatory bodies. Another undertaking was taken from the Board Members indicating that the financial statements provided in the Annual General Meeting are sound and fair.

- **A brief on the formation of the Audit Committee**

The Audit Committee comprises of 4 members, one of which is independent. The Board Chairman or Executive Members of a Board of Directors are not members in such committee. In addition, the Committee includes at least a member of educational qualification and practical experience in the accounting and financial fields.

In case of any conflicts between the recommendations of the Audit Committee and the resolutions of the Board of Directors, the Board of Directors shall include a statement detailing clearly such recommendations and reasons of noncompliance therewith.

- **Ensure Independence and Neutrality of External Auditor**

The Audit Committee is responsible for recommending the re-appointment of the external auditor after ensuring that the firm is listed in the regulator's External Auditors register and fulfills all required provisions as stated by the regulator. The committee also ensures that the External Auditor is independent from the Company and its Board of Directors and no services other than services related to the audit functions are provided to the Company, as this may compromise the Auditors' neutrality.

Rule V: Apply sound systems of Risk Management and Internal Audit

- **A brief Statement on adopting the formation of an Independent Risk Management Unit**

An Independent Risk Management Unit has been created which enjoys full independence by way of reporting directly to the Board of Directors. The Risk Unit fulfills their duties in the optimal way, without being granted financial authorities and powers.

- **A brief on application of formation of the Risk Management Committee's Requirements**

The Board of Directors have formed a Risk Management Committee consisting of 3 members. The Head of this Committee is a Non-Executive Member of the Board. Special consideration was given to ensure that the Chairman of the Board of Directors is not a member in this Committee. The membership term for this Committee has been specified as 3 years pursuant to the Committee's charter which also states the terms of reference of the Committee.

- **A brief on systems of Internal Control and Internal Audit**

The Company has highly efficient internal control and risk management system in place. The Board of Directors have approved an Organizational structure matching the Company's strategy, its activities, detailed job descriptions for employee positions as well as the official policies and procedures governing all departments and Company Operations. Execution of the same is monitored by the Internal Audit Unit which also ensures that the said systems specify the policies, procedures, duties and responsibilities of each job as well as the authorities and reporting mechanism for the multiple levels of administrators thereby fulfilling the Four Eyes Principles and the Principle of Separation of Powers in order to ensure segregation of duties.
The Company is conducting the Internal Control Review (ICR) through an Independent audit firm in addition to the Company's external auditors to ensure adequacy of the Internal control systems. An Annual Report is prepared and is provided to the Capital Markets Authority. In addition, the Company has regulations enabling the employees to contact the Chairman to report any of their concerns about possible violation by any employee in the Company (whistle blowers) by approving a 'Whistle Blowers Policy' which contains procedures to be followed by employees. The policy has been published and is available for all employees to view.

- **A brief Statement on adopting the formation of an Independent Internal Audit Unit Requirements**

The Internal Audit Unit was formed to report to the Audit Committee and consequently to the Board of Directors. The Unit is fully independent and the Board has appointed the Head of the Unit based on the recommendation of the Audit Committee. The Board has specified the tasks, reporting line and responsibilities of the Internal Audit Unit.

Rule VI: Promote Code of Conduct and Ethical Standards

- **A brief on the Business Charter Including Standards and Determinants of Code of Conduct and Ethical Standards**

The Board of Directors have introduced specific standards and determinants that establish the Company's ethical concepts. They have assigned the Executive Management to ensure that the Company's vision and goals are in accordance with such standards and determinants. Similarly, the Business Charter of the Company specifies tasks entrusted to the Board and all employees. Furthermore, the charter included a set of standards and determinants which establish the principle that each member of the Board of Directors and Executive Management shall abide by the laws and instructions, represent all shareholders, and abide by what is in the interest of the Company, the shareholders, and other Stakeholders, without limitation to one group only, not to use the official position of influence to achieve a private interest or any personal interest for them or for any third party, not to use the Company's assets and resources to achieve personal interests and use such assets and resources optimally to achieve the Company's goals, ensure developing an elaborate system and a clear mechanism that prevents the Members of the Board of Directors and employees from exploiting the information they have due to the position thereof for personal interest and prohibiting disclosure of the Company's information and data, except in the cases that permit disclosure in accordance with legal requirements.

- **Policies and Mechanisms to Reduce the Conflicts of Interest Cases**

The Board of Directors has approved a policy for conflict of interest, which includes clear examples of the conflict of interest cases and the methods for resolving and dealing with the same, without prejudice to the cases set out in the Companies Law.

The Conflict of Interest Policy include that any member of the Board of Directors shall inform the Board of Directors of the personal interest related thereto in works or agreements concluded for the company and such reporting shall be listed in the minutes. The member of interest shall not be entitled to vote on the resolution issued in this regard.

Furthermore, the Board Chairman shall report to the general assembly at the meeting, the works and agreements, in which a Members of a Board of Directors has a personal interest, and such reporting shall be enclosed with a special report by the Auditor

Rule VII: Ensure Timely and High Quality Disclosure and Transparency

- **Mechanisms for Presentation as well as Accurate and Transparent Disclosure defining Aspects, Scopes and Specifications of Disclosure**

  The Company has set a policy for the quality and accurate disclosure which was approved by the Board. Furthermore, it has set criteria for disclosure of material information as specified in the Executive Bylaws of the Capital Markets Authority, identified aspects, fields, and features of disclosure, the departments responsible of disclosure as well as the steps of disclosure process, method of presentation and the entities to which the disclosure shall be made, in addition to the other means of disclosure represented in the Company's website.

- **Record of Disclosures of the Member of a Board of Directors and the Executive Management**

  The Company has prepared a record of disclosures of the members of the Board of Directors and the Executive Management at the Compliance Unit along with notifying the Board members and the Executive Management to provide the head of the Unit with any trading activities made by them or for their minors on the Company's stocks, the mother Company's stocks or the subsidiaries. An undertaking was taken from them in this regard.

- **Requirements of Formation of the Investors' Affairs Unit**

  The Investors' Affairs Unit was established and an employee was recruited for the same. Employee of this Unit has deen given complete independence to execute work and the Unit is reporting to the Chief Executive Officer.

- **Develop the Infrastructure for the Information Technology on which it shall significantly rely on in the Disclosure Processes**

  Information technology is considered as a main pillar in the Company's work. Systems were implemented to monitor the customers' portfolios and the units' holders of the investment funds managed by the Company. Periodical reports of the client are obtained easily from such systems.

  Periodical reports are obtained and submitted to the Board members. The company has expanded its reliance and adoption of information technology in order to communicate with shareholders, investors, and stakeholders by creating a separate section on the Company's website for corporate governance and investors' affairs, where all new information and data, that may help the shareholders, and current and potential investors to have access to the company's performance. A section was created for the Company's disclosures as well as for presenting the financial statements and the periodical results of the Company.

Rule VIII: Respect the Rights of Shareholders

- **Requirements of Identify and Protecting the General Rights of Shareholders to Ensure Fairness and Equality amongst all Shareholders**

  The Company's articles of association and internal regulations include the procedures and conditions necessary to ensure having access by all shareholders to the rights thereof, in a manner that achieve fairness and equality without contradiction with the applicable laws, regulations, resolutions and instructions issued in this regard. Shareholders' rights include listing the ownership value of their shared investment in the company records, disposal of shares, including registration and transfer of ownership, receiving the stock dividend, receiving a share in Company's assets in case of liquidation, having access to data and information of the Company's activity and operational and investment strategy regularly, participating in meetings of the shareholders' general assembly and voting on the resolutions thereof as well as electing Members of the Board of Directors, questioning the Board members and the Executive Management and filing liability claim against them in case of failure in executing their tasks. The Company shall treat all shareholder owning the same type of shares equally and without any discrimination.

- **A brief on Creating and Keeping a Special Record at the Clearing Agency within the Requirement of On-going Monitoring of Shareholders' Data**
  A contract was concluded for keeping the shareholders' record at a clearing agency licensed by Capital Markets Authority "Kuwait Clearing Company" which is entrusted with the task of recording, maintaining and updating the shareholders'' record. The clearing agency shall provide the Company with a copy of the record on a weekly basis.

- **Encouraging Shareholders to Participate and Vote in the Company's General Assembly Meetings**

  The right of participation by shareholders in the meeting of the Company's general assemblies and voting on resolutions thereof is an inherent right for all shareholders regardless of the different levels thereof. The Company shall extend a call for shareholders to attend the general assembly based on an invitation from the Board of Directors within three month after the end of the financial year and upon necessity. The Board of Directors may call the general assembly to meet based on a reasoned request by shareholders owning not less than 10% of the company's capital or a request by the Auditor within 15 days as of the date of such request. The Company shall extend call for shareholders to attend the general assembly, including the agenda, time and place of holding such meeting through announcement in daily newspapers. Another announcement shall be made as a reminder a week before the date of the general assembly, in addition to publishing the invitation on Boursa Kuwait's website and the Company's website along with confirming that any shareholder shall be entitled to authorize another person to attend to the general assembly in accordance with a special proxy. The members of the Board of Directors may not participate in voting on the general assembly resolutions concerning limitation of the responsibility thereof, to management regarding a private interest for their own selves, their spouses, or first degree relatives; or a conflict between them and the company. The Company shall allow shareholders, prior to holding the general assembly with sufficient time, to have access to all information and data related to the agenda, and in particular the reports of the Board of Directors and the Auditor and financial statements through the Company's website and visiting the Company's head office.

Rule IX: Recognize the Roles of Stakeholders

- **Conditions and Policies that Ensure Protection of the Rights of Stakeholders**

  The Company has developed policies including rules and measures to ensure protection and acknowledgment of the rights of Stakeholders and allow them to have access to remedies, in case of any breach of the rights thereof, as set forth by the relevant laws.

- **Encouraging Stakeholders to Keep Track of the Company's various Activities**

  Stakeholders have an important and influential role in enriching the Company's works and assisting it to succeed. The Company's Board of Directors realizes that the Company's ultimate success is stemming from the mutual efforts of many parts including the shareholders, the lenders and employees. The Company's procedures, policies and practices are stressing on the importance of respecting the Stakeholders' rights pursuant to the relevant laws and regulations.

  The Company encourages Stakeholders to keep track of its diverse activities and to develop mechanisms and frameworks that ensure maximum benefit from contributions of Stakeholders and encouraging them to keep track of the company activities, in a manner that is consistent with achieving the benefits thereof and to allow Stakeholders to have access to information and data related to the activities thereof. In addition, the Company has set proper mechanisms allowing Stakeholders to report to the Board of Directors of any unfair practices committed by the Company against them and providing proper protection for whistle-blowers.

Rule X: Encourage and Enhance Performance

- **The requirements of developing mechanisms that allow the Board Members and Executive Management to attend Training Programs and Courses regularly**

  During the financial year ended 31 December 2017, the Company introduced induction programs for newly appointed Board members and employees to ensure that they have a full understanding of the Company's Operations. These programs encompass the Company's strategic objectives, financial and operational activities, legal and regulatory obligations of the Board members towards the Company in addition to their authorities and rights and their respective roles on the Board's various committees.

  Appropriate training programs, workshops, and conferences related to the current roles of the Members of the Board of Directors and Executive Management were highlighted and recommended, in order to develop skills and experience thereof and cope with the developments, in a manner that help them to perform assignments entrusted thereto. Further, the Company also arranged to conduct a workshop and a training program on 'Anti-money Laundering and Combating the financing of terrorism' for all the Board Members, Executive Management and employees.

- **Evaluate the Performance of the Board of Directors as a whole as well as the Performance of each Board Member and Executive Management**

  The Company has developed systems and mechanisms to evaluate the performance of each member of the Board of Directors and Executive Management annually through developing a set of performance measurement indicators. The evaluation measures the achievement of strategic goals, quality of risk management and adequacy of internal control systems.

Rule XI: Focus on the Importance of Corporate Social Responsibility

- **A brief on developing a Policy that ensures balance between the Company Goals and Society Goals**

  The Company has developed a CSR Policy approved by the Board of Directors that aims to achieve a balance between the Company's goals and those of the society at large. Under its ambit, the company has executed a CSR initiative during 2017 which involved supporting students of the 'Engineering and Petroleum College' by way of providing them with specialized scientific calculators. This initiative is in line with the Company's objectives of providing support at all levels for the education sector.

  Additionally, in 2017 the Company included a provision in its policy to provide health insurance coverage for the children of all the Company's employees in order to cover their health care costs; a move taken after the significant increase of healthcare costs in the Government Hospitals.

Board Audit Committee Report and Internal Control Review Report

Board Audit Committee ("BAC" or "Committee") Formation

The BAC membership comprises of four Committee members, of which one member is an Independent member thereby ensuring neutrality and impartiality in carrying out the responsibilities.

BAC Meetings 2017

During the financial year 2017, five meetings of the BAC were held, wherein they discussed matters pertaining to the Company along with providing their recommendations and taking various decisions as detailed below.

Tasks and Duties performed by the BAC

The Committee reviewed Internal Audit reports of the Administration, Alternative Investments, Compliance, Marketing, Settlements, Information Technology and Risk Management Departments. The Committee noted that the volume of observations were low compared to the past and advised resolving those observations rated as 'high' on a priority

- The Committee approved the Audit Plan for 2017.
- The Committee approved to engage BDO Al-Nisf & Partners to prepare the Internal Control Review Report (ICR).
- The Committee approved to renew Internal Audit engagement with Protiviti for the year 2017.
- The Committee reviewed a detailed Internal Control Report of Noor prepared by Internal Audit Department which also contains a brief summary of the BAC Meetings held during the year 2017.
- The Committee recommended to the Board of Directors for the reappointment of Anwar Al-Qatami of M/s Grant Thornton – Al-Qatami, Al-Aiban & Partners as the external auditor for the financial year ended 31 December 2017.
- The Committee reviewed the annual and quarterly draft financial statements of the Company and provided their recommendation to the Board for approvals.
- The External Auditors – M/s Grant Thornton briefed the BAC on the audit findings for Noor and its subsidiaries for the year ended 31 December 2016, for the period ended 31 March 2017 and 30 September 2017. Grant Thornton provided the details of the overall review of consolidated financial statements, status of the audit, overview of audit findings including significant findings and the loans that Noor has settled.
- The Committee submitted a recommendation to the Board to take the necessary actions pertaining to applying the IFRS 9.

Internal Control Review Report

The Board Audit Committee (BAC) in 2017 has overseen the quality and integrity of internal audit practices at Noor Financial Investment Company. To assess this, the BAC held five meetings during the year; with at least one meeting being held each quarter. Some members of the executive management whom the Committee deemed necessary were asked to attend the meetings as required.

The Committee's opinion on the internal controls

The BAC oversaw the adequacy of the Company's controls and systems. No significant issues in internal controls were noted during the year and whilst some minor issues were reported in the application of controls, the audit committee was satisfied that these were addressed by the management and had no material impact on the overall operations of the business.

Scope and methodology

The overall evaluation of the Internal control systems for the year 2017 was carried out in accordance with the Capital Market Authority (Book 15, Article 6-8) instructions encompassing the following aspects: :

- Procedures of audit and supervision of efficiency and effectiveness of Internal control systems necessary to protect the Company's assets, accuracy of financial statements, efficiency of operations, including the administrative, financial, and accounting aspects thereof.
- Compare development of risk factors and the current systems to evaluate the extent of efficiency of the Company's daily business operations, and its ability to manage the market changes.
- Evaluate performance of the executive management in applying internal audit systems.
- Reasons of any weakness in applying the internal control, which affect or may affect the Company's financial performance as well as the procedures followed by the Company to resolve identified issues.

Important Outcomes

Following are important outcomes for above mentioned meetings:

- BAC reported that it was satisfied with the Company's Internal Control procedures which are based on a solid and professional framework, being implemented efficiently and that all necessary actions have been or are being taken to rectify the weaknesses reported during the year.
- BAC assessed the effectiveness of the Company's Internal Control systems, including Information technology security and controls, and reviewed the results of Internal and External Auditors' review of internal controls by obtaining reports on significant findings, recommendations and management's responses thereto.
- BAC reviewed the key assumptions used in preparation of the financial statements. Moreover, the BAC placed particular emphasis on the fair presentation, reasonableness of the judgment applied, and the appropriateness of significant accounting policies used in their preparation.
- BAC reviewed and evaluated the financial statements for the reasonableness, compliance with the accounting standards and regulatory requirements, completeness and accuracy, prior to issue and approval by the Board of Directors and gave opinion and recommendations with respect thereto.
- BAC discussed the risk assessment for all activities of the company, inspected the level of risk identified. This formed the basis for the annual Internal Audit plan which was discussed and adopted.
- BAC supervised and reviewed the activities carried out by the Internal Audit function and received reports covering the year 2017 annual Internal Audit plan. The BAC discussed the key findings, evaluated the performance of the executive management in applying internal control systems and challenged management with respect to the remedial action, controls to be implemented in order to mitigate the underlying risks, in accordance with the recommendations of Internal Audit, and the planned time frame to resolve such observations.

Reyadh S. Al-Edrissi
BAC Chairman

Noor Financial Investment Company - KPSC
and Subsidiaries
Kuwait

Consolidated Financial Statements
and
Independent Auditors' Report
31 December 2017

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Grant Thornton
Al-Qatami, Al-Aiban & Partners
Auditors & Consultants
Souq Al Kabeer Building - Block A - 9th Floor
Tel: +965 22443900-9
Fax: +965 22438451
P.O.Box 2986, Safat 13030
Kuwait
Email: gt@kw.gt.com
www.grantthornton.com.kw

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 2017, 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 2017, 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 invest in various assets classes, of which 25% 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 available for sale investments. 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 30.3. 46% of these investments are carried at fair value based on Level 1 valuations, and the balance 54% 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 5.14.2, 5.14.6, 15, 17 and 30.2 for more information on fair valuation of available for sale investments and investments at fair value through statement of profit or loss.

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 18% 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 30.4. 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 19 and 30.4 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 2017 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 2017 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 2017 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.

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.

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 2017 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 and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2017 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 material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of the banking business, and its related regulations during the year ended 31 December 2017 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 2018

Noor Financial Investment Company – KPSC and Subsidiaries
Consolidated Financial Statements
31 December 2017
Kuwait

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue from hotel operations and IT Services		**17,308,900**	14,908,096
Realised gain on investments at fair value through profit or loss		**23,040**	81,182
Unrealised gain/(loss) on investments at fair value through profit or loss	10.2	**229,540**	(9,707)
Realised gain/(loss) on sale of available for sale investments		**229,081**	(439,723)
Dividend income		**1,169,989**	1,116,662
Change in fair value of investment properties	19	**(2,094,860)**	(603,728)
Rental Income		**1,205,004**	1,711,205
Realised gain/(loss) on sale of investment properties		**50,000**	(852,018)
Share of results of associates	18	**7,704,486**	8,277,686
Management and placement fees		**38,235**	26,707
Total Income		**25,863,415**	24,216,362
Cost of sales and services from hotel operations and IT services	8	**(13,714,035)**	(11,474,747)
General, administrative and other expenses	8	**(5,875,516)**	(5,637,336)
Operating profit		**6,273,864**	7,104,279
Interest and other income	9	**2,259,888**	676,256
Foreign exchange loss		**(60,123)**	(5,488)
Finance costs	11	**(5,453,323)**	(4,444,747)
Impairment in value of available for sale investments	17	**(455,329)**	(2,092,851)
Impairment in value of accounts receivable		**(356,124)**	(630,149)
Profit before taxes and directors' remuneration		**2,208,853**	607,300
Provision for contribution to KFAS		**(24,769)**	(9,405)
Provision for Zakat		**(29,688)**	(6,199)
Provision for National Labour Support Tax		**-**	(20,654)
Directors remuneration		**(54,000)**	-
Profit for the year		**2,100,396**	571,042
Attributable to:			
Owners of the Parent Company		**2,838,552**	1,153,581
Non-controlling interests		**(738,156)**	(582,539)
		2,100,396	571,042
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	12	**7.05**	2.86

The notes set out on pages 59 to 112 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Profit for the year	**2,100,396**	571,042
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	**(4,132,163)**	(226,315)
Available for sale investments:		
-Net changes in fair value arising during the year	**(263,324)**	(4,220,180)
-Transferred to consolidated statement of profit or loss on sale	**(229,081)**	439,723
-Transferred to consolidated statement of profit or loss on impairment	**455,329**	2,092,851
Share of other comprehensive (loss)/ income of associates		
- Changes in fair value	**(2,370,398)**	2,283,818
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(6,539,637)**	369,897
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement of defined benefit plan of a foreign associate	**(174,934)**	58,639
Other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods	**(174,934)**	58,639
Other comprehensive (loss)/income for the year	**(6,714,571)**	428,536
Total comprehensive (loss)/gain for the year	**(4,614,175)**	999,578
Total comprehensive (loss)/income attributable to:		
Owners of the Parent Company	**(3,559,809)**	3,329,682
Non-controlling interests	**(1,054,366)**	(2,330,104)
	(4,614,175)	999,578

The notes set out on pages 59 to 112 form an integral part of these consolidated financial statements.

Noor Financial Investment Company – KPSC and Subsidiaries
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Consolidated statement of financial position

	Note	31 Dec. 2017 KD	31 Dec. 2016 KD
Assets			
Cash and bank balances	13	**8,491,863**	10,417,011
Short term deposits	13	**5,258,181**	6,804,031
Murabaha, wakala and sukuk investments	14	**1,152,965**	1,164,446
Investments at fair value through profit or loss	15	**10,905,180**	11,268,515
Accounts receivable and other assets	16	**10,901,343**	14,767,065
Inventories		**771,994**	774,786
Available for sale investments	17	**33,721,451**	35,073,157
Investment in associates	18	**61,985,767**	60,754,860
Investment properties	19	**30,054,977**	33,819,875
Property and equipments		**3,083,632**	3,397,447
Goodwill and other intangible assets	20	**4,786,265**	5,346,161
Total assets		**171,113,618**	183,587,354
Liabilities and Equity			
Liabilities			
Due to banks	13	**917,504**	1,198,111
Accounts payable and other liabilities	21	**7,118,614**	6,583,029
Borrowings from banks and other financial institutions	22	**99,773,371**	106,172,825
Provision for end of service indemnity		**881,971**	717,575
Total liabilities		**108,691,460**	114,671,540
Equity			
Share capital	23	**41,316,276**	41,316,276
Share premium	23	**3,410,573**	3,410,573
Treasury shares	24	**(3,410,573)**	(3,410,573)
Legal reserve	25	**2,058,597**	1,763,896
Voluntary reserve	25	**2,058,597**	1,763,896
Cumulative changes in fair value	26	**3,808,238**	5,896,895
Foreign currency translation reserve	26	**(13,873,258)**	(9,738,488)
Retained earnings		**7,067,935**	5,038,821
Equity attributable to the owners of the Parent Company		**42,436,385**	46,041,296
Non-controlling interests	26	**19,985,773**	22,874,518
Total equity		**62,422,158**	68,915,814
Total liabilities and equity		**171,113,618**	183,587,354

Fahad Sulaiman Al-Khaled
Chairman

Abdulghani M.S. Behbehani
Vice Chairman

The notes set out on pages 59 to 112 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	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2017	41,316,276	3,410,573	(3,410,573)	1,763,896	1,763,896	5,896,895	(9,738,488)	5,038,821	46,041,296	22,874,518	68,915,814
Net Redemption of units by non-controlling interest of subsidiary	-	-	-	-	-	-	-	-	-	(7,987)	(7,987)
Reduction of share capital by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(86,863)	(86,863)
Decrease in non-controlling interests due to purchase of shares of subsidiary (note 26.3.3)	-	-	-	-	-	-	-	(45,102)	(45,102)	(1,226,048)	(1,271,150)
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 59 to 112 form an integral part of these consolidated financial statements.

	Equity attributable to owners of the Parent Company										Total Equity
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings	Sub-Total	Non-controlling interests	
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2016	41,316,276	3,410,573	(3,410,573)	1,644,912	1,644,912	3,848,484	(9,807,539)	4,847,152	43,494,197	20,445,159	63,939,356
Increase in non-controlling interest of subsidiary during the year (Note 26.3.2)	-	-	-	-	-	-	-	(782,583)	(782,583)	6,113,283	5,330,700
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(13,730)	(13,730)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(1,340,090)	(1,340,090)
Transactions with owners	-	-	-	-	-	-	-	(782,583)	(782,583)	4,759,463	3,976,880
Profit/(loss) for the year	-	-	-	-	-	-	-	1,153,581	1,153,581	(582,539)	571,042
Other comprehensive income/(loss) for the year	-	-	-	-	-	2,048,411	69,051	58,639	2,176,101	(1,747,565)	428,536
Total comprehensive income/(loss) for the year	-	-	-	-	-	2,048,411	69,051	1,212,220	3,329,682	(2,330,104)	999,578
Transfer to reserves	-	-	-	118,984	118,984	-	-	(237,968)	-	-	-
Balance as at 31 December 2016	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

The notes set out on pages 59 to 112 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
OPERATING ACTIVITIES			
Profit before taxes		**2,208,853**	607,300
Adjustments:			
Realised (gain)/loss on sale of available for sale investments		**(229,081)**	439,723
Dividend income		**(1,169,989)**	(1,116,662)
Realized (gain)/loss on sale of investment properties		**(50,000)**	852,018
Change in fair value of investment properties		**2,094,860**	603,728
Share of results of associates	18	**(7,704,486)**	(8,277,686)
Net gain recognised on business combination		**(2,371)**	-
Interest income and income from murabaha and wakala investments		**(131,063)**	(45,849)
Loss on sale of intangible assets		**133,883**	-
Depreciation and amortisation		**583,012**	657,306
Provision for end of service indemnity		**195,962**	164,796
Provision for slow moving inventory		**100,000**	160,000
Finance costs		**5,453,323**	4,444,747
Discount on settlement of loan		**(2,062,500)**	-
Impairment in value of accounts receivable		**356,124**	630,149
Impairment in value of available for sale investments		**455,329**	2,092,851
		231,856	1,212,421
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**363,335**	430,676
Accounts receivable and other assets		**2,090,628**	(968,494)
Accounts payable and other liabilities		**179,213**	(1,053,099)
Inventories		**(97,208)**	(49,908)
Cash from/(used in) operation		**2,767,824**	(428,404)
Zakat, KFAS and NLST paid		**(27,389)**	(56,816)
Payment of end of service indemnity		**(31,566)**	(40,062)
Net cash from/(used in) operating activities		**2,708,869**	(525,282)
INVESTING ACTIVITIES			
Change in blocked deposits	13	**106,699**	(730)
Proceeds from sale of available for sale investments		**1,946,237**	5,887,796
Purchase of available for sale investments		**(857,853)**	(1,191,366)
Investments in associate		**(4,269,069)**	(357,050)
Dividend received from associate		**4,004,335**	3,833,433
Dividend received from other investments		**1,167,556**	1,116,662
Purchase of shares of subsidiary (note26.3.2)		**(200,000)**	-
Net cash on acquisition of a subsidiary (note7.3)		**244,090**	-
Increase in murabaha, wakala and sukuk investments		**11,481**	(164,446)
Acquisition and development of investment property		**(1,230,821)**	(5,466,737)
Proceeds from sale of investments properties		**4,400,000**	10,824,939
Net acquisition of property and equipment		**(24,263)**	(51,713)
Interest income and income from murabaha & wakala investments received		**131,063**	45,849
Net cash from investing activities		**5,429,455**	14,476,637
FINANCING ACTIVITIES			
Repayments of borrowings (net)		**(4,336,954)**	(5,725,459)
Redemption of units by non-controlling interests of a subsidiary		**(7,987)**	(13,730)
Payment to non-controlling interests on reduction of share capital by subsidiaries		**(108,883)**	(288,741)
Additional investment made by non-controlling interest in the capital of a subsidiary		**-**	5,330,700
Dividend paid by subsidiaries to non-controlling interests		**(587,464)**	(1,251,197)
Dividend paid		**-**	(319)
Finance costs paid		**(6,180,728)**	(4,314,974)
Net cash used in financing activities		**(11,222,016)**	(6,263,720)
Net (decrease)/increase in cash and cash equivalents		**(3,083,692)**	7,687,635
Cash and cash equivalents at beginning of the year		**15,697,135**	8,009,500
Cash and cash equivalents at end of the year	13	**12,613,443**	15,697,135

The notes set out on pages 59 to 112 form an integral part of these consolidated financial statements.

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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 SAK ("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 and unlisted in Boursa Kuwait and foreign stock exchanges 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.

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 2018. 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, available for sale financial investments and investment properties.

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

Notes to the consolidated financial statements

Fundamental accounting concept
The Group has prepared these consolidated financial statements under the going concern concept of accounting. As detailed in note 22.1 though certain loan instalments/loans had fallen due, the Parent Company is actively engaged with all its lenders to restructure its loans (totalling KD89,818,625) and is confident that based on the constructive discussions held to date they will be able to achieve an acceptable rescheduling within a short period of time. As of 31 December 2017 the Group's total current liabilities exceeded current assets by KD32,974,620 However Group's total assets exceeded its total liabilities by KD62,422,158 and, a significant amount of the current liabilities (borrowing from banks and financial institutions in Parent Company) amounting to KD89,818,625 are being currently negotiated by the Group's management which is referred to in note 22.1 and the management doesn't expect such liabilities to be called upon until the loan restructuring is completed.

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

3 - Statement of compliance
These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

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 2017 which have been adopted by the Group but did not have any significant impact on the financial position or the results for the year. 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*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses – Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

IAS 7 Statement of Cash Flows- Amendments
The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

The Amendments:
- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

A reconciliation between the opening and closing balances of liabilities arising from financing activities are provided in note 35. Apart from these additional disclosures the application of the amendments did not have any impact on the consolidated financial statements of the Group.

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses – Amendments
The Amendments to IAS 12 make the following changes:
- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

Notes to the consolidated financial statements

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

The application of the amendments did not have any impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B10-B16) apply to an entity's interests in a subsidiary, joint venture or an associate irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

The application of the amendments did not have any impact on the consolidated financial statements of the Group as none of the Group entities are classified as, or included in disposal group that is classified as held for sale.

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 Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017 and 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over income tax treatments	1 January 2019

IFRS 10 and IAS 28 Sale or Contribution of Assets between and 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.

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 9 Financial Instruments
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.

Notes to the consolidated financial statements

The main areas of expected 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 (FVTOCI) 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 (FVTOCI) 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 FVTOCI 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 2017 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:

Classification and measurement:

- Management 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.

  The Group's debt type financial assets mainly consist of trade receivables, due from related parties and cash and cash equivalent and these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analyzed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

- Certain available for sale investments amounting to KD 29,587,164 which are included under note 17 to the consolidated financial statements, qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the fair valuation reserve will no longer be subsequently reclassified to profit or loss on de-recognition under IFRS 9, which is different from the current treatment. This will affect the amounts recognized in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

  All other investments classified as available for sale investments amounting to KD 4,134,287are carried at fair value and included under note 17 to the consolidated financial statements, will be classified as measured at FVTPL under IFRS 9, which is different from the current treatment. This will affect the amounts recognized in the Group's fair value reserve and retained earnings and as such there will be no material impact on equity due to changes in these classification.

  The Group intends to continue same classification for investments at fair value through profit or loss under IFRS 9 except for the investments with a fair value of KD2,577,296 will be reclassified to FVTOCI.

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

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Impairment:
IFRS 9 requires the Group to record expected credit losses on all of its debt securities, instalment credit loans and trade receivables, due from related parties either on a 12-month or lifetime basis. Instalment credit debtors are subject to the minimum provisioning requirements of the Central Bank of Kuwait. Management believes that the impairment allowance for the instalment credit debtors under the CBK requirements exceed the requirements of IFRS 9.

The Group expects to apply simplified approach to impairment for accounts receivable and due from related parties as required or permitted under the standard.

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.

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 –
  - o non-cash consideration and asset exchanges
  - o contract costs
  - o rights of return and other customer options
  - o supplier repurchase options
  - o warranties
  - o principal versus agent
  - o licencing
  - o breakage
  - o non-refundable upfront fees, and
  - o consignment and bill-and-hold arrangements.

The Group has assessed the impact of IFRS 15. Based on the assessment, adoption of IFRS 15 is not expected to have any material effect on the Group's consolidated financial statements.

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

Notes to the consolidated financial statements

- 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.

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.

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.

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.

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.

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.

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.

IFRIC 23 Uncertainty over income tax treatments
The Interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specified item of income in a tax return is an uncertain treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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.

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.

Notes to the consolidated financial statements

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.

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of profit or loss or as charge to consolidated statement of profit or loss and other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within consolidated statement of profit or loss and other comprehensive income.

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.

Notes to the consolidated financial statements

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.

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
Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised.

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. Rental income is recognised on a straight-line basis over the term of the lease.

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 on completion of sale contract and after transferring the risk and rewards associated with the investments property to the purchaser and the amount can be reliably measured.

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 services are recognised in the period in which the services are rendered and revenue from sale is recognised on delivery of goods to customer.

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 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.

5.10 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.

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

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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.

5.12 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.

5.13 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.

5.14 Financial instruments

15.14.1 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

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(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.

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

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All significant income and expenses relating to financial assets that are recognised in consolidated statement of profit or loss are presented, under separate headings in the consolidated statement of profit or loss.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The Group categorises loans and receivables into following categories:

- *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.

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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.

- *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.

- *Loans and advances*

Loans and advances are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- *Receivables and other financial assets*

Trade receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

- ***Financial assets at FVTPL***

Classification of investments as financial assets at FVTPL depends on how management monitors the performance of these investments. Investments at FVTPL are either "held for trading" or "designated" as such on initial recognition.

The Group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss, they are as designated at FVTPL upon initial recognition.

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.

- ***AFS financial assets***

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in consolidated statement of profit or loss and other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in consolidated statement of profit or loss and other comprehensive income is reclassified from the equity reserve to consolidated statement of profit or loss and presented as a reclassification adjustment within consolidated statement of profit or loss and other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss is removed from consolidated statement of profit or loss and other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in consolidated statement of profit or loss and other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

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5.14.3 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.

The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL).

- ***Financial liabilities other than at fair value through profit or loss(FVTPL)***

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.

- *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.

5.14.4 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.

5.14.5 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.

5.14.6 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 30.3

5.15 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

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 available for sale financial assets 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.

5.16 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.

5.17 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.

5.18 Foreign currency translation

5.18.1 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.

5.18.2 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.

5.18.3 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.

Notes to the consolidated financial statements

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.

5.19 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.

5.20 Taxation

5.20.1 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.

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.

5.20.2 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.

5.20.3 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.

5.20.4 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.

Notes to the consolidated financial statements

5.21 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.

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

5.23 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.

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. Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or consolidated statement of profit or loss and other comprehensive income.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets at fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading property and equipment or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost less depreciation and impairment, cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss or consolidated statement of profit or loss and other comprehensive income.

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 and equipment if it is acquired with the intention of owner occupation or being developed for owner occupation.

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

6.1.3 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.

Notes to the consolidated financial statements

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.

6.2.4 Impairment of available for sale investments
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted entities and the future cash flows and discount factors for unquoted entities.

During the year ended 31 December 2017, impairment loss recognised for available for sale investments amounted to KD455,329 (2016: KD2,092,851) (see note 17).

6.2.5 Impairment of loans and receivables
The Group's management reviews periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2017, impairment loss recognised for loans and receivables amounted to KD356,124 (2016: KD630,149).

6.2.6 Fair value of financial instruments
Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. 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.

6.2.7 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.

6.2.8 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 2017, provision for slow moving inventories amounted to KD100,000 (2016: KD160,000).

Notes to the consolidated financial statements

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. 2017	31 Dec. 2016	
Noor Telecommunication Company - KSCC	Kuwait	49.11%	49.11%	Telecommunications and IT Services
(though the Group holds 49.11% of the subsidiary, the Group exercises control over the subsidiary based on majority board members)				
Noor Al Salhiya Real Estate Co.- KSCC (Note 26.3.2)	Kuwait	59.10%	53.71%	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	93.77%	93.63%	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. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	%	%	KD	KD	KD	KD
Noor Telecommunication Company- KSCC, (NTEL)	50.89%	50.89%	(43,616)	(422,596)	9,524,322	9,892,015
Noor Salhiya Real Estate Company- KSCC (NSRE)	40.90%	46.29%	(679,697)	(182,961)	8,713,269	11,082,615
Kuwaiti Indian Holding Company -KSCC (KIHC)	43.41%	43.41%	(5,718)	11,096	1,204,548	1,347,111
Individually immaterial subsidiaries with non-controlling interests			(9,125)	11,922	543,634	552,777
			(738,156)	(582,539)	19,985,773	22,874,518

Notes to the consolidated financial statements

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

	NTEL		NSRE		KIHC	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	KD	KD	KD	KD	KD	KD
Non-current assets	14,281,721	16,308,736	20,844,226	24,030,845	116,335	112,960
Current assets	11,078,586	9,743,971	9,317,861	7,270,902	2,721,424	3,119,738
Total assets	25,360,307	26,052,707	30,162,087	31,301,747	2,837,759	3,232,698
Non-current liabilities	1,561,804	2,032,503	6,489,821	29,564	3,387	2,495
Current liabilities	6,517,359	6,090,524	2,369,274	7,410,640	63,170	134,204
Total liabilities	8,079,163	8,123,027	8,859,095	7,440,204	66,557	136,699
Equity attributable to owners of the Parent Company	7,756,822	8,037,665	12,589,723	12,778,928	1,566,654	1,748,888
Non-controlling interests (including NCI of the sub subsidiary)	9,524,322	9,892,015	8,713,269	11,082,615	1,204,548	1,347,111
Total income	15,359,140	12,330,966	(571,069)	325,235	44,825	112,022
(Loss)/profit for the year	(102,984)	(983,561)	(1,558,547)	(451,555)	(13,171)	25,560
Other comprehensive (Loss)/ income for the year	(636,817)	(2,896,029)	-	80,924	3,375	-
Total comprehensive (Loss)/ income for the year	(739,801)	(3,879,590)	(1,558,547)	(370,631)	(9,796)	25,560
-attributable to owners of the Parent Company	(372,109)	(1,983,205)	(878,850)	(209,261)	(5,543)	14,464
-attributable to NCI	(367,692)	(1,896,385)	(679,697)	(161,370)	(4,253)	11,096
Net cash flow used in operating activities	1,284,755	(137,831)	(1,975,533)	(2,309,174)	(58,982)	(57,543)
Net cash flow from /(used in) investing activities	575,317	7,394,112	3,080,208	(2,535,827)	123,560	1,304,603
Net cash flow (used in)/from financing activities	(534,331)	(3,939,103)	(305,000)	5,697,110	(203,126)	(1,274,873)
Net cash inflow/(outflow)	1,325,741	3,317,178	799,675	852,109	(138,548)	(27,813)

Notes to the consolidated financial statements

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
Libilities	(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 and amount of KD4,923 (loss) to the Group net results for the year and did not contribute to the revenue of the Group.

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

* As per the original asset purchase agreement, the total purchase consideration is 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 is 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 has been 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 has been recognised as other income in the consolidated statements of profit or loss during the year.

8 - Cost of sales and services and general, administrative and other expenses

a) Cost of sales and services include staff costs of KD6,864,668 (2016: KD6,406,340), and amortization of KD244,933 (2016: KD251,214).
b) General, administrative and other expenses include the following:

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Staff costs	2,438,580	2,035,697
Depreciation and amortization	338,079	406,092
Provision for slow moving inventories	100,000	160,000
Other expenses	2,998,857	3,035,547
	5,875,516	5,637,336

Number of staff employed by the Parent Company as at 31 December 2017 was 40 (2016: 44).

Notes to the consolidated financial statements

9 - Interest and other income

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Interest income	115,713	34,077
Income from murabaha and wakala investments	15,350	11,772
Income from future trade customers	55,434	265,048
Discount on settlement of borrowings (Refer note 22)	2,062,500	-
Loss on sale of intangible asset (Refer note 20)	(133,554)	-
Net gain on business combination (refer note 7.3)	2,371	-
Other income	142,074	365,359
	2,259,888	676,256

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. 2017 KD	Year ended 31 Dec. 2016 KD
Loans and receivables		
- Interest on cash and bank balances and short term deposits	115,713	34,077
- Profit from murabaha and wakala investment	15,350	11,772
- Income from future trade customers	55,434	265,048
- Impairment in value of accounts receivable	(356,124)	(630,149)
Investments at fair value through profit or loss		
- Net gain on held for trading	739,278	1,172,489
- Net (loss)/gain on designated as such on initial recognition	(78,331)	(693,269)
Available for sale investments		
- recognised directly in consolidated statement of profit or loss and other comprehensive income (net)	(37,076)	(1,687,606)
- recognised directly in consolidated statement of profit or loss		
on sale and dividend income	761,622	708,917
- recycled from equity to consolidated statement of profit or loss		
on impairment	(455,329)	(2,092,851)
on sale	229,081	(439,723)
	989,618	(3,351,295)

Notes to the consolidated financial statements

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
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	23,040	81,182
-Unrealized gain/(loss) on investments at fair value through profit or loss	229,540	(9,707)
-Realized gain/(loss) on sale of available for sale investments	229,081	(439,723)
-Dividend income	1,169,989	1,116,662
-Impairments in value of accounts receivable	(356,124)	(630,149)
-Impairments in value of available for sale investments	(455,329)	(2,092,851)
-Others (part of interest and other income)	186,497	310,897
Net loss recognised in the consolidated statement of profit or loss and other comprehensive income	(37,076)	(1,687,606)
	989,618	(3,351,295)

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 - Finance costs
Finance costs relate to borrowings from banks and other financial institutions which are financial liabilities stated at amortised cost.

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. 2017 KD	Year ended 31 Dec. 2016 KD
Profit for the year attributable to the owners of the Parent Company	2,838,552	1,153,581
Weighted average number of shares outstanding during the year	413,162,761	413,162,761
Less: Weighted average number of treasury shares	(10,359,065)	(10,359,065)
	402,803,696	402,803,696
Basic and diluted earnings per share (Fils)	7.05	2.86

Notes to the consolidated financial statements

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. 2017	Effective annual interest/ profit rates 31 Dec. 2016	31 Dec. 2017 KD	31 Dec. 2016 KD
Cash and bank balances	0.25%-0.62%	0.25%-0.62%	8,491,863	10,417,011
Short term deposits	1.5%-1.875%	0.75%-1.75%	5,258,181	6,804,031
			13,750,044	17,221,042
Less: Due to banks	4.75%-5.25%	5.0%-5.5%	(917,504)	(1,198,111)
Less: Blocked balances			(219,097)	(325,796)
Cash and cash equivalents as per consolidated statements of cash flows			12,613,443	15,697,135

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 2017 of KD1,008,181 (2016: KD994,031).

Cash and cash equivalents include bank balances of KD909,817 (2016: KD999,612) which are designated for the purpose of payment on account of capital reduction and dividend payment of two subsidiaries.

Short term deposit of KD 1,000,000 (2016: KD Nil) is secured against bank loans.

14 - Murabaha, wakala and sukuk investments

	Effective annual interest/ profit rates 31 Dec. 2017	Effective annual interest/ profit rates 31 Dec. 2016	31 Dec. 2017 KD	31 Dec. 2016 KD
Murabaha and wakala investments				
Placed with local Islamic banks	1.37%	1.37%	1,000,000	1,011,481
Sukuk investments			152,965	152,965
			1,152,965	1,164,446

Wakala investments of KD14,324,160 (31 December 2016: 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 2017, the court of first instance has ordered the related parties to pay KD1,683,250 to the Group and the related party has appealed against the court decision.

No profit was recognized on impaired Wakala investment during the current year (2016: Nil).

Notes to the consolidated financial statements

15 - Investments at fair value through profit or loss

	31 Dec. 2017 KD	31 Dec. 2016 KD
Held for trading:		
Quoted shares	**9,527,148**	9,763,934
- Local	**5,798,764**	5,239,183
- Foreign	**3,728,384**	4,524,751
Designated on initial recognition:		
-Unquoted foreign shares	**1,378,032**	1,504,581
	10,905,180	11,268,515

In 2008 as a result of significant developments in the global financial markets, the Group had reclassified investments from "fair value through profit or loss" category to "available for sale" category. The fair value of the remaining re-classified investments as of 31 December 2017 was KD8,047,015 (2016: KD7,115,912) (note 17).

Quoted shares with a fair value of KD1,199,264 (2016: KD985,400) are secured against bank loans (refer note 22).

16 - Accounts receivable and other assets

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial assets:		
Accounts receivable	**4,646,693**	4,268,331
Due from the Ultimate Parent Company	**1,822**	2,158
Due from other related parties	**3,851,906**	3,485,014
Due from investment brokerage companies	**578,196**	1,759,406
Due from future trade customers	**-**	2,908,877
Accrued income	**952,908**	849,575
Other financial assets	**278,406**	375,943
	10,309,931	13,649,304
Non-financial assets:		
Other assets	**591,412**	1,117,761
	10,901,343	14,767,065

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17 - Available for sale investments

	31 Dec. 2017 KD	31 Dec. 2016 KD
Quoted shares	**11,076,029**	10,211,074
- Local	**8,460,400**	7,625,387
- Foreign	**2,615,629**	2,585,687
Unquoted shares	**18,702,115**	20,248,105
- Local	**8,163,847**	7,576,590
- Foreign	**10,538,268**	12,671,515
Foreign funds	**3,943,307**	4,613,978
	33,721,451	35,073,157

17.1 Available for sale investments include investments in unquoted shares and foreign funds whose fair values cannot be reliably determined and as a result investment with a carrying value of KD1,349,590 (2016: KD2,992,807) are carried at cost or cost less impairment. The Group's management is not aware of any circumstance that would indicate impairment in value of these investments.

17.2 Quoted shares with a fair value of KD4,937,674 (2016: KD4,271,919) and unquoted shares with a fair value of KD6,887,878 (2016: KD6,200,000) are secured against bank loans (refer note 22).

17.3 During the year, the Group recognised an impairment loss of KD17,701 (2016: KD418,473) for certain local and foreign quoted shares, as the market value of these shares declined significantly below their cost. Further the Group also recognised an impairment loss of KD437,628 (2016: KD1,674,378) against certain unquoted shares, and foreign funds based on valuations, estimate and the net asset values reported by the investment managers at the reporting date.

17.4 Quoted shares with a carrying value of KD8,047,015 (2016: KD7,115,912) represent investments which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 15).

18 - 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. 2017	Percentage of ownership 31 Dec. 2016	Nature of business
Meezan Bank Limited	Pakistan	**49.11%**	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
Jabal Ali Real Estate Company WLL(Refer note 7.3)	Kuwait	**-**	50.00%	Real Estate Developments
Durra United Central Market Company WLL	Kuwait	**33.00%**	-	General Trading

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Balance at 1 January	**60,754,860**	53,076,227
Additions during the year	**4,269,069**	387,050
Transfer to subsidiary during the year	**(23,797)**	-
Share of results	**7,704,486**	8,277,686
Share of other comprehensive income of associates	**(2,545,332)**	2,342,457
Dividend received	**(4,004,335)**	(3,833,433)
Foreign currency translation adjustment	**(4,169,184)**	504,873
Balance at the end of the year	**61,985,767**	60,754,860

18.1 During the current 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 the reporting date. The right issue did not result in any changes to ownership percentage of the Group in the associate.

18.2 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.

18.2.1. Meezan Bank Limited.

	31 Dec. 2017 KD	31 Dec. 2016 KD
Total assets	**2,142,389,746**	1,939,500,805
Total liabilities (including non-controlling interests)	**(2,040,440,470)**	(1,841,393,555)
Equity attributable to shareholders of Meezan Bank	**101,949,276**	98,107,250
Revenue	**98,387,571**	91,905,302
Profit for the year attributable to the shareholders	**15,314,940**	18,076,868
Other comprehensive income for the year	**(4,820,536)**	4,697,882
Total comprehensive income for the year	**10,494,404**	22,774,750
Dividends received from the associate during the year (net of taxes)	**3,812,335**	3,833,433
Proportion of the Group's ownership interest in Meezan Bank	**49.11%**	49.11%
Group share in Meezan Bank's net assets	**50,067,289**	48,180,470
Goodwill	**8,636,523**	9,265,014
Carrying value of Group's ownership interest in Meezan Bank	**58,703,812**	57,445,484

As at 31 December 2017 the fair value of the Group's interest in Meezan Bank Limited, which is listed on the Pakistan Stock Exchange was KD 95,480,532 (2016: KD98,085,423), based on the quoted market price available on that exchange, which is a level 1 input in terms of IFRS 13.

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Group share of results for the year	**178,146**	(90,873)
Group share of total comprehensive income	**3,212**	(90,873)
Aggregate carrying value of the Group interest in associates	**3,281,955**	3,309,376

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Guarantees	**22,639,982**	22,180,715
Letters of credit	**97,918,539**	80,328,047
Commitments in respect of forward exchange contracts	**166,739,260**	203,595,449
Commitment for the acquisition of operating fixed assets	**270,798**	185,711
Commitment in respect of financing	**186,457,552**	177,605,363
Bills for collection	**52,072,707**	43,780,401
	526,098,838	527,675,686

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 KD4.9 million (Group's share KD2.4 million)) for tax year 2015. 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 is respect of this matter would be in Group's favour and, accordingly, no provision is made in these consolidated financial statements with respect thereto.

19 - Investment properties

The movement in investment properties is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Fair value as at 1 January	**33,819,875**	39,755,699
Acquisition of properties	**-**	3,006,667
Developments and construction costs	**1,709,589**	2,588,292
Addition due to acquisition of a subsidiary (note 7.3)	**1,326,890**	-
Transfers in settlement of receivable	**-**	880,511
Disposals (note 19.5)	**(4,700,000)**	(11,676,957)
Changes in fair value (note 19.3)	**(2,094,860)**	(603,728)
Foreign currency translation	**(6,517)**	(130,609)
	30,054,977	33,819,875

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Kuwait	**27,001,675**	32,343,755
Outside Kuwait	**3,053,302**	1,476,120
	30,054,977	33,819,875

19.2 Investments properties amounting to KD8,859,000 (2016: KD11,091,000) and KD14,906,000 (2016: KD14,886,000) are secured against bank loans and Ijara Financing facilities respectively (refer note 22).

19.3 At 31 December 2017, the Group re-valued its properties based on lower of two independent valuations. (Refer note. 30.4 for further details relating to fair values).

19.4 The above investment properties include jointly controlled investment properties with a carrying value of KD11,601,000 (2016: KD11,348,000) 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 2017 amounting to KD6,750,075 has been included under borrowings (2016: KD4,875,075).

As of the reporting date, the Group has contingent liability in respect of Ijara payable of KD6,750,075 (2016: KD3,250,075).

19.5 During the year, the Group disposed investment properties with a carrying value of KD4,150,000 (2016: KD11,281,811) for a consideration of KD4,200,000 (2016: KD10, 824,939) resulting in a gain of KD50,000 (2016: loss of KD852,018). Further during the year, Group sold property at its carrying value of KD550,000 (2016: KD395,146) to a related party without any gain or loss.

19.6 The investment properties with a carrying value of KD1,823,758 (2016: KD1,936,075) are in the name of a related party.

19.7 At the reporting date, a property located in Kuwait with a carrying value of KD5,735,000 (2016: Two properties with a carrying value of KD11,348,000) is under development. During the year borrowing cost of KD240,749 (2016: KD128,222) has been capitalised for two investment properties which were under development. Another property in UAE with a carrying value of KD1,467,800 is also being developed.

20 - Goodwill and other Intangible assets

20.1 Goodwill

The movement in Goodwill is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 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.

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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 3% (2016: 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 3% (2016: 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% (2016: 17.2%). 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.

20.2 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. 2017 KD	31 Dec. 2016 KD
Cost		
At the beginning of the year	**3,630,900**	3,630,900
Sale	**(363,090)**	-
Balance at the end of the year	**3,267,810**	3,630,900
Accumulated amortization		
At the beginning of the year	**(314,017)**	(62,803)
Charge for the year	**(244,933)**	(251,214)
Relating to disposal	**48,127**	-
At the end of the year	**(510,823)**	(314,017)
Net book value at the end of the year	**2,756,987**	3,316,883
Total goodwill (note 20.1) and intangible assets	**4,786,265**	5,346,161

During the year the Group has disposed a portion of its IRU rights for a consideration equivalent to KD180,000 (USD 600,000) realising a loss of KD133,833. Consequently, management has performed an internal impairment assessment of the intangible assets and no indications were noted that the carrying value of the intangible assets are impaired.

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21 - Accounts payable and other liabilities

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial liabilities:		
Accounts payable	**2,011,301**	1,363,945
Payable on acquisition of subsidiary	**1,508,750**	1,506,488
Payable on acquisition of intangible assets	**-**	355,081
Accrued interest	**28,910**	277,547
Accrued expenses	**1,173,073**	1,750,270
Dividend payable	**30,146**	104,128
Other payables	**660,631**	239,284
Due to related parties	**822,922**	81,386
Payable on account of capital reduction by subsidiaries (Note 26.3.1)	**882,881**	904,900
	7,118,614	6,583,029

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

22 - Borrowings from banks and other financial institutions

	Effective interest/profit rate (p.a.%)		Security		
	31 Dec. 2017	31 Dec. 2016		31 Dec. 2017 KD	31 Dec. 2016 KD
Short term					
Ijara Financing – Kuwaiti Dinar	**5.0%**	4.5%-4.75%	Secured	**1,100,000**	6,075,075
Loan Payable – Kuwaiti Dinnar	**-**	4.5%-4.75%	Secured	**-**	1,080,000
Tawaraq Payable – Kuwaiti Dinnar	**4.0%-5.75%**	5.5%	Secured	**746,252**	703,089
				1,846,252	7,858,164
Long term					
Loans payable – Kuwaiti Dinar	**4.0%-5.75%**	4.0%-4.5%	Secured	**62,318,625**	69,193,625
Wakala payable – Kuwaiti Dinar	**6.75%**	4.0%-4.25%	Secured	**27,500,000**	27,500,000
Ijara financing – Kuwaiti Dinar	**4.75%-5.75%**	4.5%-5.25%	Secured	**8,108,494**	1,621,036
				97,927,119	98,314,661
				99,773,371	106,172,825

22.1 During the years 2011 and 2012, the Parent Company restructured its financing arrangements with some local banks and accordingly loans amounting to KD154,710,000 (out of which KD64,891,375 has been settled till reporting date) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 31 December 2017, these are partly secured (notes 15,17and 19) and the identification and securitization of the required balance is still in process.

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The third instalment of the loan of KD38,677,500 fell due in the years 2014 and 2015 and the lenders agreed for payment of 50% of that amount within four months from the original due date. KD15,024,500 was paid in the year 2015 and the balance KD4,314,250 was settled in the year 2016.

The process of rescheduling the Parent Company's loans amounting to KD89,818,625 as of the reporting date comprising of the remaining 50% (KD17,963,875 of the third instalment and KD71,854,750 for the final instalment) is ongoing. However, based on the previous agreements, the final instalment of one loan (along with the 50% of the third instalment) totalling to KD39,059,250 fell due on September 2017 and the final instalments of the other loans (along with the 50% of the third instalment) totalling KD50,759,375 are falling due in the year 2018.

During the current period, a loan due to one of the lenders amounting to KD 6,875,000 has been settled in cash with a 30% discount. The gain which has resulted from the waiver of the principal which amounted to KD2,062,500 has been recongised as other income during the current period.

The Parent Company had submitted a debt rescheduling plan to all its lenders and had also requested from all of the lenders to extend the standstill as the restructuring is still in process and to continue negotiations to reach an acceptable debt rescheduling solution. During the year ended 31 December 2017 and subsequent to the reporting date, the lenders have agreed to extend the final repayment dates/ confirmed that they will continue to negotiate the terms and conditions of the restructuring to bring it to a successful closure. Accordingly, the Parent Company's management expects to finalize the debt rescheduling within the next few months.

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

22.2 Ijara financing contracts and loan amounting to KD8,956,365 (2016: KD7,281,881) are secured by investments properties (Note 19).

Long term loans and wakala amounting to KD89,818,625 (2016: KD96,693,625) are secured by investment at fair value through profit or loss (note 15), available for sale investments (note 17) and investment properties (note 19) and against shares of two unlisted subsidiaries of the Parent Company.

22.3 The above loans are due as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Short term Ijara Financing	**1,100,000**	6,075,075
Short term loans	**-**	1,080,000
Short term Tawaruq Payable	**746,252**	703,089
Long term loans and Wakala payable		
- Current portion due within one year	**89,818,625**	45,934,250
- Due after more than one year	**-**	50,759,375
Long term Ijara financing		
- Current portion due within one year	**656,564**	304,500
- Due after more than one year	**7,451,930**	1,316,536
	99,773,371	106,172,825

22.4 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 KD7,278,870 (2016: KD50,271,768) with carrying value of KD7,451,930 (2016: KD50,759,375). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.75% (2016: 4.5 %) and are within level 2 of the fair value hierarchy.

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23 - Share capital and share premium

23.1. The authorised, issued and paid up share capital of the Parent Company as at 31 December 2017 comprise of 413,162,761 shares of 100 Fils each (2016: 413,162,761 shares of 100 Fils each) fully paid up in cash.

23.2 Share premium is not available for distribution.

24 - Treasury shares

The Group holds treasury shares as follows:

	31 Dec. 2017	31 Dec. 2016
Number of shares	**10,359,065**	10,359,065
Percentage of issued shares	**2.51%**	2.51%
Market value (KD)	**626,723**	466,158
Cost (KD)	**3,410,573**	3,410,573

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

25 - 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.

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 2017, 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.

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

26.1 Cumulative changes in fair value

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Balance at 1 January	**5,896,895**	3,848,484
Other comprehensive income:		
Net changes in fair value of available for sale investments	**55,493**	(2,616,818)
Transferred to consolidated statement of profit or loss on disposal of available for sale of investments	**(229,081)**	427,988
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	**455,329**	1,953,423
Share of other comprehensive income of associates	**(2,370,398)**	2,283,818
Other comprehensive income/(loss) for the year	**(2,088,657)**	2,048,411
Balance at 31 December	**3,808,238**	5,896,895

26.2 Foreign currency translation reserve

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Balance at 1 January	**(9,738,488)**	(9,807,539)
Other comprehensive income:		
Exchange differences arising from translation of foreign subsidiaries	**34,414**	(435,819)
Exchange difference arising on translation of foreign associates	**(4,169,184)**	504,870
Other comprehensive (loss)/income for the year	**(4,134,770)**	69,051
Balance at 31 December	**(13,873,258)**	(9,738,488)

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26.3 Non-controlling interests

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Balance at 1 January	**22,874,518**	20,445,159
Amounts due to non-controlling interest on reduction of share capital/redemption of units of subsidiaries	**(94,850)**	(13,730)
Increase in non-controlling interests of subsidiary during the year (26.3.2)	**(1,226,048)**	6,113,283
Dividend paid to non-controlling interest by subsidiaries	**(513,481)**	(1,340,090)
Transactions with non-controlling interests	**(1,834,379)**	4,759,463
Loss for the year	**(738,156)**	(582,539)
Other comprehensive income :		
- Net change in fair value of available for sale investments	**(318,817)**	(1,603,362)
- Transfer to consolidated statement of profit or loss on sale	**-**	11,735
-Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	**-**	139,428
-Share of foreign currency translation reserve	**2,607**	(295,366)
Total other comprehensive (loss)/income for the year	**(316,210)**	(1,747,565)
Total comprehensive loss for the year	**(1,054,366)**	(2,330,104)
Balance at 31 December	**19,985,773**	22,874,518

26.3.1 Capital reduction by subsidiaries

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 pertains to non-controlling interests. After completing its necessary formalities an amount of KD2,075,824 including prior capital reduction (2016: KD1,990,522) has been paid to non-controlling interests and the balance amount is shown under accounts payable and other liabilities.

Further an amount of KD848,024 (2016: KD871,605) is due to non-controlling interest for decrease in the share capital by Noor Telecommunication Company KSCC during 2012 and it is included under accounts payable and other liabilities.

26.3.2 Increase in non-controlling interest of subsidiary

During the previous year, one of the subsidiaries of the Group (Noor Al-Salhiya Real Estate Company KSCC) increased its share capital from KD15,000,000 to KD20,000,000 (50,000,000 shares with a par value of 100 fils per each share) (2016: from KD15,000,000 to KD20,000,0000). The Parent Company did not subscribe for this increase and consequently the Parent Company's shareholding in this subsidiary diluted from 73.32% to 53.71%. The proportionate carrying value of net assets on the date of dilution amounting to KD5,781,099 relating to non-controlling interests was transferred to non-controlling interest in the consolidated statement of changes in equity, in the previous year. Consequently, the difference, between cash proceeds received and non- controlling interests share of net assets on the date of dilution, amounting to KD781,099 was recognized as a dilution loss in the consolidated statement of changes in equity as of 31 December 2016.

Further, during the year, one of the local subsidiaries of the Group acquired 5.38% of the share capital of the Noor Al-Salhiya Real Estate Company KSCC (the above-mentioned subsidiary of the Group) for a consideration of KD 1,271,250. This has resulted in increasing the Group's effective holding in the subsidiary (Noor Al-Salhiya Real Estate Company KSCC) to 59.09% from 53.71%. The proportionate carrying value of net assets on the date of acquisition amounting to KD1,226,048 has been 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 has been recognized in retained earnings in the consolidated statement of changes in equity as of 31 December 2017.

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27 - 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 not to make any distributions (2016: Nil).

The shareholders of the Parent Company at the Annual General Meeting held on 29 May 2017 approved the consolidated financial statements of the Group for the year ended 31 December 2016 and the directors' proposal to distribute a total amount of KD36,000 as remuneration to the Board of Directors for the year ended 31 December 2016, which has been recorded as other expenses during the current year ended 31 December 2017.

The Board of Directors' of the Parent Company proposed to distribute an amount of KD 54,000 as directors' remuneration for year ended 31 December 2017 subject to approval of the General Assembly of the Parents Company's Shareholders.

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28 - 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 2017 and 31 December 2016 are as follows:

	Investments		Real Estate		IT services		Hotel operations		Total	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Sales	-	-	-	-	**14,514,248**	12,402,881	**2,794,652**	2,505,215	**17,308,900**	14,908,096
Investments related income (realised, unrealised and dividend income)	**1,651,650**	748,414	-	-	-	-	-	-	**1,651,650**	748,414
Rental income	-	-	**1,205,004**	1,711,205	-	-	-	-	**1,205,004**	1,711,205
Change in fair value of investment properties	-	-	**(2,094,860)**	(603,728)	-	-	-	-	**(2,094,860)**	(603,728)
Management and placement fee	**38,235**	26,707	-	-	-	-	-	-	**38,235**	26,707
Share of results of associates	**7,526,280**	8,368,558	**178,206**	(90,872)	-	-	-	-	**7,704,486**	8,277,686
Realised gain/(loss) on sale of investment properties	-	-	**50,000**	(852,018)	-	-	-	-	**50,000**	(852,018)
Segment income	**9,216,165**	9,143,679	**(661,650)**	164,587	**14,514,248**	12,402,881	**2,794,652**	2,505,215	**25,863,415**	24,216,362
Cost of sales and services	-	-	-	-	**(12,566,996)**	(10,476,679)	**(1,147,039)**	(998,068)	**(13,714,035)**	(11,474,747)
General and administrative expenses	**(1,880,966)**	(1,779,601)	**(827,903)**	(562,313)	**(1,761,293)**	(1,835,875)	**(1,405,354)**	(1,459,547)	**(5,875,516)**	(5,637,336)
Operating profit or loss	**7,335,199**	7,364,078	**(1,489,553)**	(397,726)	**185,959**	90,327	**242,259**	47,600	**6,273,864**	7,104,279
Interest income, other income and foreign exchange gain/(loss)	**2,271,663**	520,523	-	-	**(71,898)**	-	-	150,245	**2,199,765**	670,768
Impairments	**(455,329)**	(2,092,851)	-	(95,957)	**(356,124)**	(534,192)	-	-	**(811,453)**	(2,723,000)
Finance cost	**(5,101,450)**	(4,089,345)	**(174,087)**	(135,745)	**(177,786)**	(219,657)	-	-	**(5,453,323)**	(4,444,747)
Segment profit/(loss) before taxes	**4,050,083**	1,702,405	**(1,663,640)**	(629,428)	**(419,849)**	(663,522)	**242,259**	197,845	**2,208,853**	607,300
Assets	**109,815,424**	119,905,262	**41,807,233**	44,515,634	**15,426,639**	14,576,895	**4,064,322**	4,589,563	**171,113,618**	183,587,354
Liabilities	**(90,955,816)**	(98,277,355)	**(9,972,639)**	(8,856,442)	**(7,064,134)**	(6,741,079)	**(698,871)**	(796,664)	**(108,691,460)**	(114,671,540)
Net Assets	**18,859,608**	21,627,907	**31,834,594**	35,659,192	**8,362,505**	7,835,816	**3,365,451**	3,792,899	**62,422,158**	68,915,814

Notes to the consolidated financial statements

Geographical Segments

The geographical segments are as follows:

	Profit before taxes and BOD remuneration		Assets		Liabilities	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Domestic and GCC	**(5,379,334)**	(7,250,204)	**88,303,141**	99,268,267	**107,992,590**	113,874,875
Others	**7,588,187**	7,857,504	**82,810,477**	84,319,087	**698,870**	796,665
	2,208,853	607,300	**171,113,618**	183,587,354	**108,691,460**	114,671,540

Notes to the consolidated financial statements

29 - Related party transactions

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

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Consolidated statement of financial position:		
Due from related parties and Ultimate Parent Company (refer note 16)		
-Due from Ultimate Parent Company	1,822	2,158
-Due from associates	2,207,887	2,728,071
-Due from other related parties	1,644,019	756,943
-Accrued income and management fees	675,556	686,145
Due to related parties (refer note 21)	822,922	81,386
Transactions with related parties		
Purchase of investment properties	-	2,356,667
Sale of investment properties to related parties	550,000	395,146
Transfer of other asset to a related party	350,000	-
Participation of capital increase in a subsidiary by related parties	-	3,350,000
Purchase of shares in a subsidiary	1,271,750	-
Purchase of available for sale investments	-	609,458
Sale of available for sale investments	623,033	-
Development and construction costs	1,089,198	2,536,631
Investments in related parties		
Investments at fair value through profit or loss	1,212,540	926,163
Available for sale investments	5,179,728	4,318,923
Consolidated statement of profit or loss		
- Management and placement fees	1,452	1,515
- Dividend income	-	261,615
Impairment of investments	30,523	313,532
Real estate operating cost	326,390	91,548
Compensation of key management personnel of the Group:		
Short term employee benefits	626,527	607,435
End of service benefits	41,128	17,504
Board of directors remuneration – 2017 (note 27)	54,000	-
Board of directors remuneration – 2016 (note 27)	36,000	-
Total key management compensation	757,655	624,939

Notes to the consolidated financial statements

30 - Summary of financial assets and liabilities by category and fair value measurement

30.1 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. 2017 KD	31 Dec. 2016 KD
Loans and receivables (at amortised cost):		
• Cash and bank balances	8,491,863	10,417,011
• Short term deposits	5,258,181	6,804,031
• Murabaha and wakala investments	1,152,965	1,164,446
• Accounts receivable and other assets (note 16)	10,309,931	13,649,304
	25,212,940	32,034,792
Investments at fair value through profit or loss: (note 15)		
• Held for trading	9,527,148	9,763,934
• Designated on initial recognition	1,378,032	1,504,581
	10,905,180	11,268,515
Available for sale investments (note 17)		
• At fair value	32,371,861	32,080,350
• At cost / cost less impairment (refer note17.1)	1,349,590	2,992,807
	33,721,451	35,073,157
Total financial assets	69,839,571	78,376,464
Financial liabilities (at amortised costs) :		
• Due to banks (note 13)	917,504	1,198,111
• Accounts payable and other liabilities (note 21)	7,118,614	6,583,029
• Borrowings from banks and other financial institutions (note 22)	99,773,371	106,172,825
	107,809,489	113,953,965

30.2 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 available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in Note 17 to the consolidated financial statements) at fair value and measurement details are disclosed in note 30.3 to the consolidated financial statements. In the opinion of the Group's management, except for certain long term borrowing (refer note 22) 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 30.4).

Notes to the consolidated financial statements

30.3 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 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
31 December 2016					
Financial assets at fair value:					
Investments at fair value through profit or loss					
-Quoted shares	a	9,763,934	-	-	9,763,934
-Unquoted shares	c	-	-	1,504,581	1,504,581
Available for sale investments					
-Quoted shares	a	8,493,587	1,134,763	582,724	10,211,074
-Unquoted shares	c	-	4,294,115	14,761,566	19,055,681
-Foreign funds	b	-	2,813,595	-	2,813,595
Total assets		18,257,521	8,242,473	16,848,871	43,348,865

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous year, except for certain quoted and unquoted investments at fair value through profit or loss and available for sale investments that have been fair valued based on valuation techniques as the Group's management believes that such valuations are more representative of the fair values of such investments based on the information available to the management.

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.

Notes to the consolidated financial statements

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

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. 2017 KD	31 Dec. 2016 KD
As at 1 January	16,848,871	7,911,930
Changes in fair value during the year recognised in other comprehensive income	(326,910)	89,286
Net addition	-	4,345
Transfer from level 1 and level 2	208,576	9,555,486
Disposals	(623,033)	-
Impairment loss recognised in the profit or loss	(86,202)	(712,176)
As at 31 December	16,021,302	16,848,871

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

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.

31 December 2016

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%-2.5%	Higher the growth rate, higher the fair value.
		WACC	11%-13%	Higher the WACC, lower the fair value.
		Discount for lack of marketability	15%	Higher the discount rate, lower the value.

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.

Notes to the consolidated financial statements

In case of AFS assets, the impairment charge in the consolidated statement of profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through consolidated statement of profit or loss and comprehensive income) and, would not have an effect on consolidated statement of profit or loss.

30.4 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 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
- Land in Jordan and UAE	-	-	2,136,026	2,136,026
- Building in London	-	-	917,276	917,276
	-	-	30,054,977	30,054,977

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

31 December 2016:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
- Lands and buildings in Kuwait	-	-	20,995,755	20,995,755
- Properties under development in Kuwait	-	-	11,348,000	11,348,000
- Land in Jordan and UAE	-	-	663,280	663,280
- Building in London	-	-	812,840	812,840
	-	-	33,819,875	33,819,875

The above 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 land above also represents land categorized as investment lands. The fair value of the investment property has been determined based on valuations obtained from two independent valuators, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. 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 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, the Group has selected the lower value of the two valuations (2016: lower of two valuations).

Notes to the consolidated financial statements

Further information regarding the level 3 fair value measurements is set out in the table below:

31 December 2017

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)	KD1,100– KD7,500	The higher the price per square meter, the higher the fair value
		Construction cost (per sqm)	KD59-KD385	The higher the construction cost 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 KD119	The higher the price per square meter, the higher the fair value

Notes to the consolidated financial statements

31 December 2016

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)	KD930– KD7,750	The higher the price per square meter, the higher the fair value
		Construction cost (per sqm)	KD58-KD430	The higher the construction cost per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD2.53– KD8.08	The higher the rent per square meter, the higher the fair value
		Yield rate	5.07% to 7.9%	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)	KD8.73	The higher the rent per square meter, the higher the fair value
		Yield rate	5.19%	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)	KD1,470 to KD8,200	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)	KD54 to KD112	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.

Notes to the consolidated financial statements

31 - Risk management objectives and policies

The Group's principal financial liabilities comprise of borrowings from banks and financial institution, 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.

The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, murabaha & wakala 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.

31.1 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, UAE Dirham and UK Pound. 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:

	2017 Equivalent KD	2016 Equivalent KD
US Dollar	(120,575)	(170,266)
UAE Dirhams	2,221,286	1,708,582
UK Pound	409,528	-

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

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 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
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
Murabaha and wakala 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
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)		

At 31 December 2016	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	17,538	-	-	-	10,399,473	10,417,011
Short term deposits	1,373,498	5,430,533	-	-	-	6,804,031
Murabaha and wakala investments	1,011,481	-	-	152,965	-	1,164,446
Investments at fair value through profit or loss	-	-	-	-	11,268,515	11,268,515
Accounts receivable and other assets	-	-	-	-	14,767,065	14,767,065
Inventories	-	-	-	-	774,786	774,786
Available for sale investments	-	-	-	-	35,073,157	35,073,157
Investment in associates	-	-	-	-	60,754,860	60,754,860
Investment properties	-	-	-	-	33,819,875	33,819,875
Property and equipment	-	-	-	-	3,397,447	3,397,447
Goodwill and other intangible assets	-	-	-	-	5,346,161	5,346,161
	2,402,517	5,430,533	-	152,965	175,601,339	183,587,354
LIABILITIES						
Borrowings from banks, other financial institutions and due to banks	-	14,106,700	41,182,328	52,081,908	-	107,370,936
Accounts payable and other liabilities	-	-	-	-	6,583,029	6,583,029
Provision for end of service indemnity	-	-	-	-	717,575	717,575
	-	14,106,700	41,182,328	52,081,908	7,300,604	114,671,540
Total interest rate sensitivity Gap	2,402,517	(8,676,167)	(41,182,328)	(51,928,943)		
Cumulative interest rate sensitivity gap	2,402,517	(6,273,650)	(47,455,978)	(99,384,921)		

Notes to the consolidated financial statements

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/loss 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 (2016: Interest rate +25 and -25 for basis point for KIBOR). The calculation is based on the Group's financial instruments held at reporting position 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. 2017 KD	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Profit for the year	**(151,693)**	(211,961)	**151,693**	211,961

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 available for sale 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.

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. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Investments at fair value through profit or loss	**952,715**	976,393	**-**	-
Available for sale investments				
- Impaired investments (refer *)	**3,657**	181,055	**-**	77,994
- Un-impaired investments	**-**	-	**1,134,688**	716,833
	956,372	1,157,448	**1,134,688**	794,827

* Had equity prices been higher by 10%, the impairment which was recognised in the consolidated statement of profits or loss would be reduced and consequently the profit for the years 2017 and 2016 would be higher.

For a 10% decrease in the equity prices the impaired and un-impaired available for sale investment would have decreased the profit for the year by KD30,752 (2016: KD176,435) and other comprehensive income by KD1,107,593 the investments at fair value through profit of loss would have decreased the profit for the year by KD952,715 (2016: KD976,393).

31.2 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.

Notes to the consolidated financial statements

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. 2017 KD	31 Dec. 2016 KD
Bank balances	**8,488,602**	10,413,263
Short term deposits	**5,258,181**	6,804,031
Murabaha, wakala and sukuk investments	**1,152,965**	1,164,446
Accounts receivable and other assets (refer note 16)	**10,309,931**	13,649,304
Available for sale investments (refer note 17)	**3,943,307**	4,613,978
	29,152,986	36,645,022

Except for the wakala investment referred to in note 14, accounts receivable and other assets referred to in note 16, and 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 and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 31.3.

Notes to the consolidated financial statements

31.3 Concentration of assets

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 2017					
Cash and bank balances	**7,986,824**	**493,784**	**11,255**	**-**	**8,491,863**
Short term deposits	**5,258,181**	**-**	**-**	**-**	**5,258,181**
Murabaha, 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 from banks and other financial institutions	**99,773,371**	**-**	**-**	**-**	**99,773,371**
	107,110,619	**533,655**	**165,215**	**-**	**107,809,489**
At 31 December 2016					
Cash and bank balances	9,775,393	615,187	26,431	-	10,417,011
Short term deposits	6,804,031	-	-	-	6,804,031
Murabaha and wakala investments	1,164,446	-	-	-	1,164,446
Investments at fair value through profit or loss	5,239,183	4,622,839	1,393,550	12,943	11,268,515
Accounts receivable and other assets (note 16)	10,014,488	3,115,676	11,897	507,243	13,649,304
Available for sale investments	15,201,977	10,679,975	7,841,614	1,349,591	35,073,157
	48,199,518	19,033,677	9,273,492	1,869,777	78,376,464
Due to banks	1,198,111	-	-	-	1,198,111
Accounts payable and other liabilities	5,781,796	796,912	-	4,321	6,583,029
Borrowings from banks and other financial institutions	106,172,825	-	-	-	106,172,825
	113,152,732	796,912	-	4,321	113,953,965

31.4 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 available for sale 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, available for sale investments and investment properties is determined based on management's estimate of liquidation of those investments.

Notes to the consolidated financial statements

Maturity profile of assets and liabilities are as follows:

At 31 December 2017	1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and bank balances	**8,491,863**	**-**	**8,491,863**
Short term deposits	**5,258,181**	**-**	**5,258,181**
Murabaha and wakala 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 other 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 from banks and other financial institutions	**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**
At 31 December 2016			
ASSETS			
Cash and bank balances	10,417,011	-	10,417,011
Short term deposits	6,804,031	-	6,804,031
Murabaha and wakala investments	1,011,481	152,965	1,164,446
Investment at fair value through profit or loss	11,268,515	-	11,268,515
Accounts receivable and other assets	14,417,065	350,000	14,767,065
Inventories	774,786	-	774,786
Available for sale investments	20,252,975	14,820,182	35,073,157
Investment in associates	-	60,754,860	60,754,860
Investment properties	2,450,000	31,369,875	33,819,875
Property and equipment	-	3,397,447	3,397,447
Goodwill and intangible assets	-	5,346,161	5,346,161
	67,395,864	116,191,490	183,587,354
LIABILITIES			
Accounts payable and other liabilities	6,583,029	-	6,583,029
Due to banks	1,198,111	-	1,198,111
Borrowings from banks and financial institutions	54,096,914	52,075,911	106,172,825
Provision for end of service indemnity	-	717,575	717,575
	61,878,054	52,793,486	114,671,540

Notes to the consolidated financial statements

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

31 December 2017	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	-	-	7,118,614	-	7,118,614
Borrowings from banks and financial institutions including 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
31 December 2016					
Financial liabilities					
Accounts payable and other liabilities	-	-	6,583,029	-	6,583,029
Borrowings from banks and financial institutions	-	15,325,664	43,898,513	53,188,770	112,412,947
	-	15,325,664	50,481,542	53,188,770	118,995,976

32 - 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. 2017 KD	31 Dec. 2016 KD
Borrowings from banks and financial institutions (refer note 22)	99,773,371	106,172,825
Less: Cash and cash equivalents (refer note 13)	(12,613,443)	(15,697,135)
Net debt	87,159,928	90,475,690
Total equity	62,422,158	68,915,814

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. 2017 KD	31 Dec. 2016 KD
Net debt	87,159,928	90,475,690
Total equity	62,422,158	68,915,814
Net debt to total equity ratio	140%	131%

Notes to the consolidated financial statements

33 - 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 2017 amounted to KD48,075,565 (2016: KD46,843,638) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD42,204,324 (2016: KD44,553,519).

34 - 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 (KD1,911,154). 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.

The local income tax authority in Pakistan has raised demands requesting the Parent Company to pay additional amount of KD356,303 towards a super tax charge on dividends received by the Parent Company from its associate, Mezzan Bank Limited. The Parent Company has obtained stay order against these demands and has also filed appeals with the relevant Appellate Authorities. The Parent Company's management, in consultation with tax and legal advisors, is confident that such demands are in violation of relevant laws and that the decision is respect of this matter would be in the Parent Company's favour. Accordingly, no provision is made in these consolidated financial statements with respect thereto.

Capital commitments

At the reporting date the Group had commitments of KD5,970,271 towards purchase of investments and development of investment properties (2016: KD8,223,712) and guarantees amounting to KD8,427,179 (2016: KD7,352,782).

35 - Reconciliation of liabilities arising from financing activities

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

	Long term Borrowings KD	Short term borrowings KD	Total KD
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
1 January 2016	99,942,626	11,955,658	111,898,284
Cash flows:			
- Repayment	(3,307,465)	(4,871,158)	(8,178,623)
- Proceeds	-	2,453,164	2,453,164
Non-cash			
- Reclassification	(44,559,250)	44,559,250	-
31 December 2016	52,075,911	54,096,914	106,172,825

Notes to the consolidated financial statements

36 - Subsequent event

At the ordinary general meeting which was held on 22nd January 2018, the shareholders of the Parent Company have approved the issuance of bonds or sukuk in Kuwait or abroad in order to raise the funds for the operations of Parent Company.

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.

نـــــور للإستثمار
Noor Investment

الكويت بتاريخ : 22 يناير 2018م

تعهد وإقرار مجلس الإدارة بشأن دقة التقارير والبيانات المالية

عن السنة المالية المنتهية في 31 ديسمبر2017

Pledged & Endorsement the Board of Director about the accuracy of financial statements & reports. For year, end 31 Dec. 2017

يتعهد مجلس إدارة شركة نور للاستثمار المالي بأن التقارير المالية يتم عرضها بصورة سليمة وعادلة، وأن تلك البيانات تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية، كما أنه يتم إعدادها وفق معايير المحاسبة الدولية المعتمدة من قبل هيئة أسواق المال والجهات الرقابية الأخرى.

We pledge that the financial reports of Noor Financial Investment is displayed properly and fairly and in accordance with, and that such data be reviewed all the financial aspects of the company's data and operating results, as it is prepared in accordance with the approved international accounting standards by the Capital Markets Authority and other regulatory authorities.

د. فهد سليمان الخالد رئيس مجلس الإدارة	عبدالغني محمد صالح بهبهاني نائب رئيس مجلس الإدارة
رياض سالم علي إدريس عضو	فيصل عبدالعزيز النصار عضو
بدر حمد الربيعة عضو	حسام علي صفر معرفي عضو (مستقل)

COMPLIANCE & AML Unit
Noor Financial Investment Co.

نــــور للإستثمار
Noor Investment

الكويت بتاريخ : 08 يناير2018م.

السادة الأفاضل/ رئيس وأعضاء مجلس الإدارة المحترمين.

تعهد وإقرار الإدارة التنفيذية بشأن دقة التقارير المالية

للسنة المالية المنتهية في 31 ديسمبر2017

Pledge & Endorsement by the Executive Management
about the accuracy of financial statements
For Year, end 31 Dec. 2017

نتعهد بأن التقارير المالية لشركة نور للاستثمار المالي يتم عرضها بصورة سليمة وعادلة، وأن تلك البيانات تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية، كما أنه يتم إعدادها وفق معايير المحاسبة الدولية المعتمدة من قبل هيئة أسواق المال والجهات الرقابية الأخرى. وأن الإدارة التنفيذية مسؤولة بشكل كامل عن صحة تلك البيانات ودقتها.

The executive management undertake that the company financial reports are provided soundly and fairly, it is present all financial aspects of the company, including data and operational results, and they are prepared in accordance with the International Accounting Standards approved by the Authority.
The Executive Management is fully responsible for the fairness and accuracy of the data.

المقر بما فيه

Name :	Gurunras Rao	: الإسم
Job Title :	CEO	: المسمى الوظيفي
Signature :	Gmmf R	: التوقيع
Date :	17/Apr/18	: التاريخ

يحفظ هذا التعهد لدى وحدة المطابقة والالتزام.

COMPLIANCE & AML Unit
Noor Financial Investment Co.

نــــور للإستثمار
Noor Investment

الكويت بتاريخ : 08 يناير2018م.

السادة الأفاضل/ رئيس وأعضاء مجلس الإدارة المحترمين.

تعهد وإقرار الإدارة التنفيذية بشأن دقة التقارير المالية

للسنة المالية المنتهية في 31 ديسمبر2017

Pledge & Endorsement by the Executive Management
about the accuracy of financial statements
For Year, end 31 Dec. 2017

نتعهد بأن التقارير المالية لشركة نور للاستثمار المالي يتم عرضها بصورة سليمة وعادلة. وأن تلك البيانات تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية. كما أنه يتم إعدادها وفق معايير المحاســـبة الدولية المعتمدة من قبل هيئة أســـواق المال والجهات الرقابية الأخرى. وأن الإدارة التنفيذية مسؤولة بشكل كامل عن صحة تلك البيانات ودقتها.

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The Executive Management is fully responsible for the fairness and accuracy of the data.

المقر بما فيه

Name :	NAUMAN SAJID SEHGAL	:	الإسم
Job Title :	EVP & COO	:	المسمى الوظيفي
Signature :	Nauman	:	التوقيع
Date :	18 Feb 2018	:	التاريخ

يحفظ هذا التعهد لدى وحدة المطابقة والالتزام.

COMPLIANCE & AML Unit
Noor Financial Investment Co.

Noor Financial Investment Company K.P.S.C شركة نور للاستثمار المالي ش.م.ك.ع
رأس المال المصرح به والمصدر والمدفوع: 41,316,276.100 د.ك رقم السجل التجاري: 71652
Authorized, Issued and Paid Up Share Capital: KD 41,316,276.100 Com.Reg.No: 71652
مبنى نور، تقاطع شارع الجهراء وطريق المطار، الشويخ، ص.ب: 3311 الصفاة 13034 الكويت، تلفون: 80 80 181 (965+) فاكس: 24929561/2 (965+)
Noor Building, Intersection of Al Jahra Street & Airport Road, Shuwaikh, P.O. Box: 3311, Safat 13034 Kuwait, Telephone: (+965) 181 8080, Fax: (+965) 24929561/2
www.noorinvestment.com

نـــور للإستثمار
Noor Investment

الكويت بتاريخ : 08 يناير2018م.

السادة الأفاضل/ رئيس وأعضاء مجلس الإدارة المحترمين.

تعهد وإقرار الإدارة التنفيذية بشأن دقة التقارير المالية

للسنة المالية المنتهية في 31 ديسمبر2017

Pledge & Endorsement by the Executive Management
about the accuracy of financial statements
For Year, end 31 Dec. 2017

نتعهد بأن التقارير المالية لشركة نور للاستثمار المالي يتم عرضها بصورة سليمة وعادلة، وأن تلك البيانات تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية، كما أنه يتم إعدادها وفق معايير المحاسبة الدولية المعتمدة من قبل هيئة أسواق المال والجهات الرقابية الأخرى، وأن الإدارة التنفيذية مسؤولة بشكل كامل عن صحة تلك البيانات ودقتها.

The executive management undertake that the company financial reports are provided soundly and fairly, it is present all financial aspects of the company, including data and operational results, and they are prepared in accordance with the International Accounting Standards approved by the Authority.
The Executive Management is fully responsible for the fairness and accuracy of the data.

المقر بما فيه

Name :	MOHAMMAD MOAZZAM RAFIQUE	: الإسم
Job Title :	HEAD OF FINANCE	: المسمى الوظيفي
Signature :	MR	: التوقيع
Date :	20/Feb/2018	: التاريخ

يحفظ هذا التعهد لدى وحدة المطابقة والالتزام.

COMPLIANCE & AML Unit
Noor Financial Investment Co.

Noor Financial Investment Company K.P.S.C شركة نور للاستثمار المالي ش.م.ك. ع
رأس المال المصرح به والمصدر والمدفوع: 41,316,276.100 د.ك رقم السجل التجاري: 71652
Authorized, Issued and Paid Up Share Capital: KD 41,316,276.100 Com.Reg.No: 71652
مبنى نور، تقاطع شارع الجهراء وطريق المطار، الشويخ، ص.ب: 3311 الصفاة 13034 الكويت، تلفون: 80 80 181 (965+) فاكس 24929561/2 (965+)
Noor Building, Intersection of Al Jahra Street & Airport Road, Shuwaikh, P.O. Box: 3311, Safat 13034 Kuwait, Telephone: (+965) 181 8080, Fax: (+965) 24929561/2
www.noorinvestment.com

الكويت بتاريخ : 08 يناير2018م.

السادة الأفاضل/ رئيس وأعضاء مجلس الإدارة المحترمين.

تعهد وإقرار الإدارة التنفيذية بشأن دقة التقارير المالية

للسنة المالية المنتهية في 31 ديسمبر2017

Pledge & Endorsement by the Executive Management

about the accuracy of financial statements

For Year, end 31 Dec. 2017

نتعهد بأن التقارير المالية لشركة نور للاستثمار المالي يتم عرضها بصورة سليمة وعادلة، وأن تلك البيانات تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية، كما أنه يتم إعدادها وفق معايير المحاسـبة الدولية المعتمدة من قبل هيئة أسـواق المال والجهات الرقابية الأخرى. وأن الإدارة التنفيذية مسؤولة بشكل كامل عن صحة تلك البيانات ودقتها.

The executive management undertake that the company financial reports are provided soundly and fairly, it is present all financial aspects of the company, including data and operational results, and they are prepared in accordance with the International Accounting Standards approved by the Authority.
The Executive Management is fully responsible for the fairness and accuracy of the data.

المقربما فيه

Name :	Sanjeewa Senarathna	:	الإسم
Job Title :	Manager Accounts	:	المسمى الوظيفي
Signature :		:	التوقيع
Date :	25/03/2018	:	التاريخ

يحفظ هذا التعهد لدى وحدة المطابقة والالتزام.

COMPLIANCE & AML Unit
Noor Financial Investment Co.