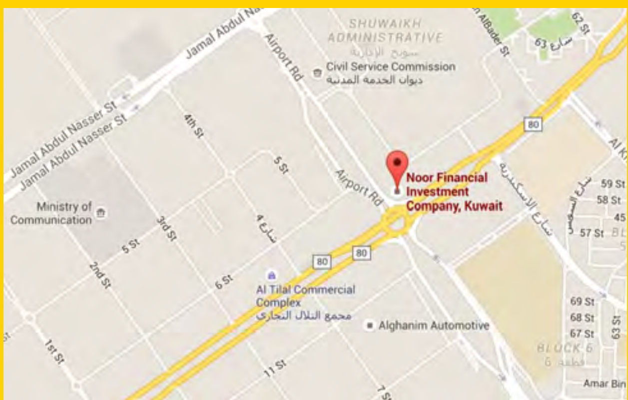
نــــور للإستثمار
Noor Investment

# Annual Report
# 2016

## Value | Sustainability | Growth

Noor Financial Investment Company - KPSC and Subsidiaries

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Noor Financial Investment Company - KPSC
and Subsidiaries

# Annual Report

# 2016

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

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# **Our History** *Creates Value*

# VISION

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

# **Our Potential** *Creates Sustainability*

# 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

# **Our Investment** *Creates Growth*

# VALUES

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

# KEY FIGURES 2016

in KD millions

| | |
|---|---|
| Consolidated Income | 24.22 |
| Operating Profit | 7.10 |
| Shareholders' Profit | 1.15 |
| Earnings Per Share (Fils) | 2.86 |
| Consolidated Assets | 183.59 |
| Cash & Cash Equivalents | 15.70 |
| Shareholders' Equity | 46.04 |
| Book Value Per Share (Fils) | 114.30 |

# 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.

# SUBSIDIARIES AND ASSOCIATES

**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 570 branches across 143 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 6.3 Billion and deposits of more than USD 5.3 Billion.

**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.

**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.

**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.

**Meezan Bank Limited - Pakistan**

**Hotels Global Group Company - Jordan (HGG)**


**Noor Al-Salhiya Real Estate Company KSCC - Kuwait**

**Noor Telecommunication Company KSCC - Kuwait (Noortel)**

## BOARD OF DIRECTORS CHAIRMAN

### Dr. Fahad Sulaiman Al-Khaled

**Academic Qualifications:**

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

**Current & Previous Positions:**

- 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 Telecommunication Company K.S.C.C, 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 Economic Consultancy Company, Kuwait
- Managing Partner, Askamo Economic Consultancy Company, Kuwait

# BOARD OF DIRECTORS VICE CHAIRMAN

## Abdulghani M.S. Behbehani

**Academic Qualification:**
- B.Sc. in Mechanical Engineering, Kuwait University.

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

# BOARD OF DIRECTORS MEMBER

## Riyadh S. A. A. Edrees

**Academic Qualifications:**

- B.Sc. in Chemical Engineering, University of Newcastle Upon Tyne, UK
- M.Sc. in Chemical Engineering, Kuwait University

**Current & Previous Positions:**

- Board Member, Noor Financial Investment Company, Kuwait
- Deputy CEO, Investments and Mega Projects, National Industries Group Holding, Kuwait
- Chairman, Privatization Holding Company, Kuwait
- Chairman, Meezan Bank Limited, Pakistan
- Board Member, Saudi International Petrochemical Company, (SIPCHEM), Saudi Arabia
- Vice Chairman, Airport International Group, Jordan
- Board Member, Ikarus Petroleum Industries Company, Kuwait
- Vice Chairman, Noor Telecommunication Company, Kuwait
- Chairman, Middle East Complex for Eng. Electronics and Heavy Industries Company, Jordan
- Advisory Board Member, Markaz Energy Fund, Kuwait
- Board Member, Investment Committee of Bouniya Fund, Kuwait Investment Company, Bahrain
- Advisory Board Member, Cleantech I & II- Zouk Venture Limited, U.K.
- Vice Chairman, Gas & Oil Fields Services Company, Kuwait
- Board member, The Karachi Electric Supply Corporation Limited, Pakistan
- Board member, United Gas Transmission Company Limited, (UGTC), UAE
- Director, Saja Gas Private Limited Company, (SajGas), UAE
- Vice Chairman, Eastern United Petroleum Services, Kuwait
- Board Member, Kuwait Ceramic Company, Kuwait
- Advisory Board Member, zSOL, U.K.

# BOARD OF DIRECTORS MEMBER

## Faisal A. Al-Nassar

**Academic Qualification:**

- Bachelor in Accounting, Kuwait University

**Current & Previous Positions:**

- Board Member, Noor Financial Investment Company, Kuwait
- Board Member, Hotels Global Group, Jordan
- Deputy CEO, Finance and Admin., 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 Telecommunication 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, AGI, Real Estate & Agriculture Development, Egypt
- Vice Chairman, Salbookh Trading Company, Kuwait
- Executive Committee Member, ARADI Abu Dhabi Investment, UAE

# BOARD OF DIRECTORS MEMBER

## Bader H. A. Al-Rabiah

**Academic Qualification:**

- Bachelor in Accounting, Kuwait University

**Current & Previous Positions:**

- 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
- Board Member, Osoul Investment Company, Kuwait
- Vice Chairman, Al-Durra National Real Estate Company, Kuwait
- Board Member, Hotels Global Group, Jordan
- Chairman AGI, Real Estate & Agriculture Development, Egypt
- General Manager, Sidra Middle East for Electrical, Mechanical & Building Contracting Company, Kuwait
- General Manager, Ikarus Real Estate Company, UAE
- General Manager, Noor Al-Salhiya Real Estate Company, Saudi Arabia
- Board Member, Khatif Holding Company, Kuwait
- Member of the Kuwaiti Association of Accountants

# BOARD OF DIRECTORS MEMBER

## Hussam Ali Marafie

**Academic Qualification:**

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

**Current & Previous Positions:**

- Board Member (Independent) - 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

## CHIEF EXECUTIVE OFFICER

## Gururaj Rao

**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

## EVP AND CHIEF OPERATING OFFICER

### Nauman S. Sehgal

**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 December 31, 2016 and we seek help and guidance from Almighty Allah.

## Noor's Operations

The last quarter of the year 2016 witnessed a recovery in the oil prices, despite 23% decline in the average oil price of Brent from an average of $ 63.9 in the year 2015 to $ 49.3 in the year 2016. Boursa Kuwait had flat performance for this year, after two consecutive years of decline. Regionally, Saudi Tadawul index and Dubai Financial Market index had positive performance of 4.3% and 12% respectively during 2016.

In this changing economic landscape, Noor made tangible progress on numerous fronts in implementing Board of Directors' strategic goals to transform and reshape Noor into a stronger and leaner organization to become a leader amongst its peers.

One of our major investments – Meezan Bank Limited – has performed extremely well as reflected in the value of our investment which reached KD 98 million as of 31 December 2016 based on the share price quoted on Pakistan Stock Exchange whereas the investment is carried at KD 57 million in our books as of 31 December 2016. This incredible performance is the result of Meezan Bank's continued growth and leading position within the Islamic Banking sector in Pakistan through a network of more than 570 branches. The Bank's total assets grew by 24% during the year reaching USD 6.3 billion as of 31 December 2016.

Noor continued to rebalance its portfolio of available for sale investment and generated KD 5.89 million cash during the year from sale of these investments. Noor also took initiatives to adjust its real estate portfolio and sold properties of KD 11.7 million during the year and invested KD 5.5 million in new properties and in the development of real estate projects to seek growth and additional returns.

Noor initiated steps towards the improvement of its operating companies in 2015. Noor's subsidiary – Hotels Global Group Jordan – had 19% growth in revenues which reflected on its net profits during the year 2016. Also, restructuring of IT businesses resulted in reduction of its losses by 78% in 2016 as compared to 2015.

In the current environment of rising interest rates, Noor continued its focus to reduce its debt by payment of KD 5.7 million during the year 2016. Since 2012, Noor (on standalone basis) has settled KD 58 million towards its debt. Currently, Noor is negotiating the restructuring of its facilities of KD 96.7 million with the lenders and is hopeful to bring it to a successful closure within the next few months.

## Noor's Financial Performance

Noor achieved a net profit attributable to the owners of the Parent Company of KD 1.15 million (EPS of 2.86 Fils) for the financial year ended December 31, 2016 compared to a net profit of KD 1.33 million (EPS of 3.31 Fils) for the previous year. Total income was KD 24.22 million (2015: KD 29.62 million) and operating profit was KD 7.10 million (2015: KD 11.13 million).

The Board has proposed not to make dividends distribution for the year ended 31 December 2016. The Board of Directors has proposed to distribute a total amount of KD 36,000 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 availing the best 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**

# SUMMARY OF FINANCIAL STATEMENTS

*Amounts in Million KD*

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| **Summary of Financial Position** | | | | | | |
| Share capital | **41.32** | 41.32 | 41.32 | 37.56 | 37.56 | 75.00 |
| Shareholders' equity | **46.04** | 43.49 | 45.30 | 44.45 | 40.81 | 34.26 |
| Total bank borrowings | **106.17** | 111.90 | 124.93 | 134.56 | 147.46 | 159.94 |
| Capital employed | **172.90** | 164.47 | 169.03 | 167.00 | 195.70 | 134.69 |
| Long term assets | **116.19** | 140.56 | 143.68 | 143.56 | 147.91 | 159.22 |
| Net working capital | **5.52** | 23.92 | 25.35 | 23.45 | 47.82 | (24.53) |
| Total assets | **183.59** | 186.02 | 200.57 | 206.09 | 219.22 | 234.10 |
| **Summary of Profit or Loss** | | | | | | |
| Consolidated income | **24.22** | 29.62 | 30.63 | 27.70 | 18.15 | 3.73 |
| Profit/(loss) for the year | **0.57** | (1.45) | 0.05 | 7.22 | 4.85 | (17.73) |
| Profit/(loss) for the year attributable to the owners of the Parent Company | **1.15** | 1.33 | 0.92 | 9.05 | 4.52 | (15.15) |
| **Summary of Cash Flows** | | | | | | |
| Net cash flow (used in)/from operating activities | **(0.53)** | 6.44 | 12.40 | 1.09 | 11.14 | 16.26 |
| Net cash flow from investing activities | **14.48** | 10.18 | 5.11 | 20.45 | 2.61 | 15.83 |
| Net cash flow used in financing activities | **(6.26)** | (14.86) | (19.08) | (25.01) | (26.50) | (21.22) |
| Changes in cash and cash equivalents | **7.69** | 1.76 | (1.57) | (3.47) | (12.75) | 10.87 |
| Cash and cash equivalents at end of the year | **15.70** | 8.01 | 6.25 | 7.82 | 11.29 | 24.04 |
| **Ratios** | | | | | | |
| Return on equity | **3%** | 3% | 2% | 20% | 11% | -44% |
| Current ratio | **109%** | 211% | 180% | 160% | 303% | 75% |
| Quick ratio | **29%** | 53% | 33% | 32% | 119% | 32% |
| Debt to equity ratio | **131%** | 162% | 186% | 196% | 203% | 223% |

## Vertical analysis of the consolidated statement of financial position

*Amounts in Million KD*

| | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | % | | % | | % | | % | | % | | % |
| Cash and bank balances | **10.42** | **5.7%** | 7.74 | 4.2% | 8.14 | 4.1% | 8.00 | 3.9% | 16.38 | 7.5% | 24.60 | 10.5% |
| Short term deposits | **6.80** | **3.7%** | 2.61 | 1.4% | 1.57 | 0.8% | 0.19 | 0.1% | 0.33 | 0.2% | 0.53 | 0.2% |
| Murabaha, wakala and sukuk investments | **1.16** | **0.6%** | 1.00 | 0.5% | 0.60 | 0.3% | 4.50 | 2.2% | 11.29 | 5.1% | 6.88 | 2.9% |
| Investments at fair value through profit or loss | **11.27** | **6.1%** | 11.70 | 6.3% | 17.37 | 8.7% | 21.55 | 10.4% | 23.43 | 10.7% | 25.41 | 10.9% |
| Accounts receivable and other assets | **14.77** | **8.1%** | 15.27 | 8.2% | 14.29 | 7.1% | 27.95 | 13.5% | 19.77 | 9.0% | 35.96 | 15.4% |
| Inventories | **0.77** | **0.4%** | 0.88 | 0.5% | 0.31 | 0.2% | 0.35 | 0.2% | 0.11 | 0.1% | 0.11 | 0.0% |
| Available for sale investments | **35.07** | **19.1%** | 43.99 | 23.6% | 58.21 | 29.0% | 68.62 | 33.3% | 81.84 | 37.3% | 79.20 | 33.8% |
| Investment in associates | **60.76** | **33.1%** | 53.08 | 28.5% | 50.29 | 25.1% | 39.87 | 19.3% | 44.89 | 20.5% | 45.70 | 19.5% |
| Investment properties | **33.82** | **18.4%** | 39.76 | 21.4% | 32.84 | 16.3% | 28.60 | 13.9% | 16.75 | 7.6% | 12.74 | 5.5% |
| Property and equipment | **3.40** | **1.9%** | 4.39 | 2.4% | 6.63 | 3.3% | 4.47 | 2.2% | 4.43 | 2.0% | 2.97 | 1.3% |
| Goodwill and other intangible assets | **5.35** | **2.9%** | 5.60 | 3.0% | 10.32 | 5.1% | 1.99 | 1.0% | - | - | - | - |
| **Total assets** | **183.59** | **100.0%** | **186.02** | **100.0%** | **200.57** | **100.0%** | **206.09** | **100.0%** | **219.22** | **100.0%** | **234.10** | **100.0%** |
| | | | | | | | | | | | | |
| **Liabilities and Equity** | | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | |
| Due to banks | **1.20** | **0.6%** | 2.02 | 1.1% | 1.51 | 0.8% | - | - | - | - | 0.98 | 0.4% |
| Accounts payable and other liabilities | **6.58** | **3.6%** | 7.57 | 4.1% | 9.93 | 4.9% | 6.43 | 3.1% | 4.24 | 1.9% | 11.98 | 5.1% |
| Borrowings from banks and other financial institutions | **106.17** | **57.8%** | 111.90 | 60.2% | 124.93 | 62.3% | 134.56 | 65.2% | 147.46 | 67.3% | 159.94 | 68.4% |
| Provision for end of service indemnity | **0.72** | **0.4%** | 0.59 | 0.3% | 0.52 | 0.3% | 0.53 | 0.3% | 0.31 | 0.1% | 0.29 | 0.1% |
| **Total liabilities** | **114.67** | **62.4%** | **122.08** | **65.7%** | **136.89** | **68.3%** | **141.52** | **68.6%** | **152.01** | **69.3%** | **173.2** | **74.0%** |
| | | | | | | | | | | | | |
| **Equity** | | | | | | | | | | | | |
| Share capital | **41.32** | **22.5%** | 41.32 | 22.2% | 41.32 | 20.6% | 37.56 | 18.2% | 37.56 | 17.1% | 75.00 | 32.0% |
| Share premium | **3.41** | **1.9%** | 3.41 | 1.8% | 3.41 | 1.7% | 3.41 | 1.7% | 3.41 | 1.6% | 5.90 | 2.5% |
| Treasury shares | **(3.41)** | **-1.9%** | (3.41) | -1.8% | (3.41) | -1.7% | (3.41) | -1.7% | (3.41) | -1.6% | (5.87) | -2.5% |
| Legal reserve | **1.76** | **1.0%** | 1.64 | 0.9% | 1.51 | 0.8% | 1.41 | 0.7% | 0.47 | 0.2% | - | - |
| Voluntary reserve | **1.76** | **1.0%** | 1.64 | 0.9% | 1.51 | 0.8% | 1.41 | 0.7% | 0.47 | 0.2% | - | - |
| Gain on sale of treasury shares | **-** | **-** | - | - | - | - | - | - | - | - | 0.07 | 0.0% |
| Cumulative changes in fair value | **5.90** | **3.2%** | 3.85 | 2.1% | 6.01 | 3.0% | 6.54 | 3.2% | 8.96 | 4.1% | 4.71 | 2.0% |
| Foreign currency translation reserve | **(9.74)** | **-5.3%** | (9.81) | -5.3% | (9.54) | -4.8% | (13.21) | -6.4% | (10.23) | -4.6% | (8.01) | -3.4% |
| Retained earnings/(accumulated losses) | **5.04** | **2.7%** | 4.85 | 2.6% | 4.49 | 2.2% | 10.74 | 5.2% | 3.58 | 1.6% | (37.54) | -16.0% |
| **Equity attributable to the owners of the Parent Company** | **46.04** | **25.1%** | **43.49** | **23.4%** | **45.30** | **22.6%** | **44.45** | **21.6%** | **40.81** | **18.6%** | **34.26** | **14.6%** |
| Non-controlling interests | **22.88** | **12.5%** | 20.45 | 10.9% | 18.38 | 9.1% | 20.12 | 9.8% | 26.40 | 12.1% | 26.65 | 11.4% |
| **Total equity** | **68.92** | **37.6%** | **63.94** | **34.3%** | **63.68** | **31.7%** | **64.57** | **31.4%** | **67.21** | **30.7%** | **60.91** | **26.0%** |
| **Total liabilities and equity** | **183.59** | **100.0%** | **186.02** | **100.0%** | **200.57** | **100.0%** | **206.09** | **100.0%** | **219.22** | **100.0%** | **234.10** | **100.0%** |

## Vertical analysis of the consolidated statement of profit or loss

*Amounts in Million KD*

| | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | % | | % | | % | | % | | % | | % |
| Revenue from hotel operations and IT services | **14.91** | **61.6%** | 15.70 | 53.0% | 13.64 | 44.5% | 7.25 | 26.2% | 3.98 | 21.9% | 0.69 | 18.5% |
| Realised gain/(loss) on investments at fair value through profit or loss | **0.08** | **0.3%** | 0.55 | 1.9% | 1.15 | 3.8% | 0.55 | 2.0% | 1.16 | 6.4% | (1.14) | -30.6% |
| Unrealised (loss) /gain on investments at fair value through profit or loss | **(0.01)** | **-0.1%** | (1.61) | -5.5% | (0.15) | -0.5% | 2.21 | 8.0% | 1.05 | 5.8% | (6.26) | -167.8% |
| Realised (loss) /gain on sale of available for sale investments | **(0.44)** | **-1.8%** | 1.56 | 5.3% | 1.96 | 6.4% | 3.82 | 13.8% | 0.64 | 3.5% | 0.50 | 13.4% |
| Change in fair value of investment properties | **(0.60)** | **-2.5%** | 0.96 | 3.2% | 1.10 | 3.6% | 1.23 | 4.4% | 2.17 | 12.0% | 0.17 | 4.6% |
| Dividend income | **1.12** | **4.6%** | 2.14 | 7.2% | 1.72 | 5.6% | 4.15 | 15.0% | 2.52 | 13.9% | 2.78 | 74.5% |
| Share of results of associates | **8.28** | **34.2%** | 7.17 | 24.2% | 9.85 | 32.1% | 6.94 | 25.0% | 4.85 | 26.7% | 3.07 | 82.3% |
| Management and placement fees | **0.02** | **0.1%** | 1.62 | 5.5% | 0.05 | 0.2% | 0.31 | 1.1% | 0.90 | 5.0% | 3.87 | 103.8% |
| Realised (loss) /gain on sale of investment properties | **(0.85)** | **-3.5%** | - | - | 0.30 | 1.0% | - | - | 0.06 | 0.3% | 0.05 | 1.3% |
| Rental income | **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** | **24.22** | **100.0%** | **29.62** | **100.0%** | **30.63** | **100.0%** | **27.70** | **100.0%** | **18.15** | **100.0%** | **3.73** | **100.0%** |
| Cost of sales and services from hotel operations and IT services | **(11.48)** | **-47.4%** | (13.41) | -45.3% | (11.62) | -37.9% | (6.08) | -21.9% | (3.27) | -18.0% | (1.00) | -26.8% |
| General, administrative and other expenses | **(5.64)** | **-23.3%** | (5.08) | -17.1% | (5.15) | -16.8% | (5.29) | -19.1% | (4.15) | -22.9% | (4.35) | -116.6% |
| **Operating profit/(loss)** | **7.10** | **29.3%** | **11.13** | **37.6%** | **13.86** | **45.3%** | **16.33** | **59.0%** | **10.73** | **59.1%** | **(1.62)** | **-43.4%** |
| Interest and other income | **0.68** | **2.8%** | 2.56 | 8.6% | 1.04 | 3.4% | 2.49 | 9.0% | 7.26 | 40.0% | 3.22 | 86.3% |
| Foreign exchange gain/(loss) | **(0.01)** | **-0.1%** | 0.11 | 0.4% | (0.06) | -0.2% | (0.03) | -0.1% | (0.06) | -0.3% | 0.04 | 1.1% |
| Finance costs | **(4.44)** | **-18.3%** | (4.24) | -14.3% | (4.54) | -14.8% | (4.60) | -16.6% | (6.71) | -37.0% | (7.98) | -213.9% |
| Impairment in value of intangible assets | **-** | **-** | (2.01) | -6.8% | - | - | - | - | - | - | - | - |
| Impairment in value of available for sale investments | **(2.09)** | **-8.6%** | (8.25) | -27.9% | (8.67) | -28.3% | (6.45) | -23.3% | (5.13) | -28.3% | (9.65) | -258.7% |
| Impairment in value of investment in associate | **-** | **-** | (0.39) | -1.3% | (0.11) | -0.4% | - | - | - | - | (0.33) | -8.9% |
| Impairment in value of accounts receivable | **(0.63)** | **-2.6%** | (0.32) | -1.1% | (1.44) | -4.7% | (0.13) | -0.5% | (1.06) | -5.8% | (0.85) | -22.8% |
| Effect of discounting on receivables | **-** | **-** | - | - | - | - | - | - | - | - | (0.56) | -15.0% |
| **Profit /(loss) before taxes and directors' remuneration** | **0.61** | **2.5%** | **(1.41)** | **-4.8%** | **0.08** | **0.3%** | **7.61** | **27.5%** | **5.03** | **27.7%** | **(17.73)** | **-475.3%** |
| Provision for KFAS, Zakat and NLST | **(0.04)** | **-0.2%** | (0.04) | -0.1% | (0.03) | -0.1% | (0.33) | -1.2% | (0.15) | -0.8% | - | - |
| Directors' remuneration | **-** | **-** | - | - | - | - | (0.06) | -0.2% | (0.03) | -0.2% | - | - |
| **Profit /(loss) for the year** | **0.57** | **2.3%** | **(1.45)** | **-4.9%** | **0.05** | **0.2%** | **7.22** | **26.1%** | **4.85** | **26.7%** | **(17.73)** | **-475.3%** |
| Attributable to non-controlling interests | **(0.58)** | **-2.4%** | (2.78) | -9.4% | (0.87) | -2.8% | (1.83) | -6.6% | 0.33 | 1.8% | (2.58) | -69.1% |
| **Attributable to the owners of the Parent Company** | **1.15** | **4.7%** | **1.33** | **4.5%** | **0.92** | **3.0%** | **9.05** | **32.7%** | **4.52** | **24.9%** | **(15.15)** | **-406.2%** |

## Horizontal analysis of the consolidated statement of financial position

*Amounts in Million KD*

| | 2016 | 16 vs 15 | 2015 | 15 vs 14 | 2014 | 14 vs 13 | 2013 | 13 vs 12 | 2012 | 12 vs 11 | 2011 | 11 vs 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | % | | % | | % | | % | | % | | % |
| Cash and bank balances | **10.42** | **35%** | 7.74 | -5% | 8.14 | 2% | 8.00 | -51% | 16.38 | -33% | 24.60 | 63% |
| Short term deposits | **6.80** | **161%** | 2.61 | 66% | 1.57 | 726% | 0.19 | -42% | 0.33 | -38% | 0.53 | -65% |
| Murabaha, wakala and sukuk investments | **1.16** | **16%** | 1.00 | 67% | 0.60 | -87% | 4.50 | -60% | 11.29 | 64% | 6.88 | -53% |
| Investments at fair value through profit or loss | **11.27** | **-4%** | 11.70 | -33% | 17.37 | -19% | 21.55 | -8% | 23.43 | -8% | 25.41 | -36% |
| Accounts receivable and other assets | **14.77** | **-3%** | 15.27 | 7% | 14.29 | -49% | 27.95 | 41% | 19.77 | -45% | 35.96 | 13% |
| Inventories | **0.77** | **-13%** | 0.88 | 184% | 0.31 | -11% | 0.35 | 218% | 0.11 | 0% | 0.11 | 175% |
| Available for sale investments | **35.07** | **-20%** | 43.99 | -24% | 58.21 | -15% | 68.62 | -16% | 81.84 | 3% | 79.20 | -17% |
| Investment in associates | **60.76** | **14%** | 53.08 | 6% | 50.29 | 26% | 39.87 | -11% | 44.89 | -2% | 45.70 | 0% |
| Investment properties | **33.82** | **-15%** | 39.76 | 21% | 32.84 | 15% | 28.60 | 71% | 16.75 | 31% | 12.74 | -47% |
| Property and equipment | **3.40** | **-23%** | 4.39 | -34% | 6.63 | 48% | 4.47 | 1% | 4.43 | 49% | 2.97 | -8% |
| Goodwill and other intangible assets | **5.35** | **-4%** | 5.60 | -46% | 10.32 | 419% | 1.99 | 100% | - | - | - | - |
| **Total assets** | **183.59** | -1% | **186.02** | **-7%** | **200.57** | **-3%** | **206.09** | **-6%** | **219.22** | **-6%** | **234.10** | **-14%** |
| **Liabilities and Equity** | | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | |
| Due to banks | **1.20** | **-41%** | 2.02 | 100% | 1.51 | 100% | - | - | - | -100% | 0.98 | -72% |
| Accounts payable and other liabilities | **6.58** | **-13%** | 7.57 | -24% | 9.93 | 54% | 6.43 | 52% | 4.24 | -65% | 11.98 | 154% |
| Borrowings from banks and other financial institutions | **106.17** | **-5%** | 111.90 | -10% | 124.93 | -7% | 134.56 | -9% | 147.46 | -8% | 159.94 | 0% |
| Provision for end of service indemnity | **0.72** | **22%** | 0.59 | 13% | 0.52 | -2% | 0.53 | 71% | 0.31 | 7% | 0.29 | -22% |
| **Total liabilities** | **114.67** | -6% | **122.08** | **-11%** | **136.89** | **-3%** | **141.52** | **-7%** | **152.01** | **-12%** | **173.19** | **3%** |
| **Equity** | | | | | | | | | | | | |
| Share capital | **41.32** | - | 41.32 | - | 41.32 | 10% | 37.56 | - | 37.56 | -50% | 75.00 | - |
| Share premium | **3.41** | - | 3.41 | - | 3.41 | - | 3.41 | - | 3.41 | -42% | 5.90 | -86% |
| Treasury shares | **(3.41)** | - | (3.41) | - | (3.41) | - | (3.41) | - | (3.41) | -42% | (5.87) | -1% |
| Legal reserve | **1.76** | **7%** | 1.64 | 9% | 1.51 | 7% | 1.41 | 200% | 0.47 | 100% | - | - |
| Voluntary reserve | **1.76** | **7%** | 1.64 | 9% | 1.51 | 7% | 1.41 | 200% | 0.47 | 100% | - | - |
| Gain on sale of treasury shares | - | - | - | - | - | - | - | - | - | -100% | 0.07 | -36% |
| Cumulative changes in fair value | **5.90** | **53%** | 3.85 | -36% | 6.01 | -8% | 6.54 | -27% | 8.96 | 90% | 4.71 | -45% |
| Foreign currency translation reserve | **(9.74)** | **-1%** | (9.81) | 3% | (9.54) | -28% | (13.21) | 29% | (10.23) | 28% | (8.01) | 24% |
| Retained earnings/(accumulated losses) | **5.04** | **4%** | 4.85 | 8% | 4.49 | -58% | 10.74 | 200% | 3.58 | -110% | (37.54) | -36% |
| **Equity attributable to the owners of the Parent Company** | **46.04** | **6%** | 43.49 | -4% | **45.30** | **2%** | **44.45** | **9%** | **40.81** | **19%** | **34.26** | **-37%** |
| Non-controlling interests | **22.88** | **12%** | 20.45 | 11% | 18.38 | -9% | 20.12 | -24% | 26.40 | -1% | 26.65 | -45% |
| **Total equity** | **68.92** | **8%** | 63.94 | 0% | **63.68** | **-1%** | **64.57** | **-4%** | **67.21** | **10%** | **60.91** | **-41%** |
| **Total liabilities and equity** | **183.59** | -1% | **186.02** | **-7%** | **200.57** | **-3%** | **206.09** | **-6%** | **219.22** | **-6%** | **234.10** | **-14%** |

## Horizontal analysis of the consolidated statement of profit or loss

*Amounts in Million KD*

| | 2016 | 16 vs 15 | 2015 | 15 vs 14 | 2014 | 14 vs 13 | 2013 | 13 vs 12 | 2012 | 12 vs 11 | 2011 | 11 vs 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | % | | % | | % | | % | | % | | % |
| Revenue from hotel operations and IT services | **14.91** | **-5%** | 15.70 | 15% | 13.64 | 88% | 7.25 | 82% | 3.98 | 477% | 0.69 | -40% |
| Realised gain/(loss) on investments at fair value through profit or loss | **0.08** | **-85%** | 0.55 | -52% | 1.15 | 109% | 0.55 | -53% | 1.16 | -202% | (1.14) | -138% |
| Unrealised (loss)/gain on investments at fair value through profit or loss | **(0.01)** | **-99%** | (1.61) | 973% | (0.15) | -107% | 2.21 | 110% | 1.05 | -117% | (6.26) | 146% |
| Realised (loss) /gain on sale of available for sale investments | **(0.44)** | **-128%** | 1.56 | -20% | 1.96 | -49% | 3.82 | 497% | 0.64 | 28% | 0.50 | -70% |
| Change in fair value of investment properties | **(0.60)** | **-163%** | 0.96 | -13% | 1.10 | -11% | 1.23 | -43% | 2.17 | 1176% | 0.17 | -105% |
| Dividend income | **1.12** | **-48%** | 2.14 | 24% | 1.72 | -59% | 4.15 | 65% | 2.52 | -9% | 2.78 | 48% |
| Share of results of associates | **8.28** | **15%** | 7.17 | -27% | 9.85 | 42% | 6.94 | 43% | 4.85 | 58% | 3.07 | 55% |
| Management and placement fees | **0.02** | **-99%** | 1.62 | 3140% | 0.05 | -84% | 0.31 | -66% | 0.90 | -77% | 3.87 | 37% |
| Realised (loss) /gain on sale of investment properties | **(0.85)** | **-100%** | - | -100% | 0.30 | 100% | - | -100% | 0.06 | 20% | 0.05 | 100% |
| Rental income | **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** | **24.22** | **-18%** | **29.62** | **-3%** | **30.63** | **11%** | **27.70** | **53%** | **18.15** | **387%** | **3.73** | **-43%** |
| Cost of sales and services from hotel operations and IT services | **(11.48)** | **-14%** | (13.41) | 15% | (11.62) | 91% | (6.08) | 86% | (3.27) | 227% | (1.00) | -56% |
| General, administrative and other expenses | **(5.64)** | **-11%** | (5.08) | -1% | (5.15) | -3% | (5.29) | 27% | (4.15) | -5% | (4.35) | -35% |
| **Operating profit/(loss)** | **7.10** | **-36%** | **11.13** | **-20%** | **13.86** | **-15%** | **16.33** | **52%** | **10.73** | **-762%** | **(1.62)** | **-33%** |
| Interest and other income | **0.68** | **-73%** | 2.56 | 146% | 1.04 | -58% | 2.49 | -66% | 7.26 | 125% | 3.22 | 48% |
| Foreign exchange gain/(loss) | **(0.01)** | **-109%** | 0.11 | -283% | (0.06) | 100% | (0.03) | -50% | (0.06) | -250% | 0.04 | -111% |
| Finance costs | **(4.44)** | **5%** | (4.24) | -7% | (4.54) | -1% | (4.60) | -31% | (6.71) | -16% | (7.98) | -14% |
| Impairment in value of intangible assets | **-** | **-100%** | (2.01) | 100% | - | - | - | - | - | - | - | - |
| Impairment in value of available for sale investments | **(2.09)** | **-75%** | (8.25) | -5% | (8.67) | 34% | (6.45) | 26% | (5.13) | -47% | (9.65) | 108% |
| Impairment in value of investment in associate | **-** | **-100%** | (0.39) | 255% | (0.11) | 100% | - | - | - | -100% | (0.33) | 100% |
| Impairment in value of accounts receivable | **(0.63)** | **97%** | (0.32) | -78% | (1.44) | 1008% | (0.13) | -88% | (1.06) | 25% | (0.85) | -94% |
| Effect of discounting on receivables | **-** | **-** | - | - | - | - | - | - | - | -100% | (0.56) | -68% |
| **Profit /(loss) before taxes and directors' remuneration** | **0.61** | **-143%** | **(1.41)** | **-1862%** | **0.08** | **-99%** | **7.61** | **51%** | **5.03** | **-128%** | **(17.73)** | **-44%** |
| Provision for KFAS, Zakat and NLST | **(0.04)** | **0%** | (0.04) | 33% | (0.03) | -91% | (0.33) | 120% | (0.15) | 100% | - | - |
| Directors' remuneration | **-** | **-** | - | - | - | -100% | (0.06) | 100% | (0.03) | 100% | - | - |
| **Profit /(loss) for the year** | **0.57** | **-139%** | **(1.45)** | **-3000%** | **0.05** | **-99%** | **7.22** | **49%** | **4.85** | **-127%** | **(17.73)** | **-44%** |
| Attributable to non-controlling interests | **(0.58)** | **-79%** | (2.78) | 220% | (0.87) | -52% | (1.83) | -655% | 0.33 | -113% | (2.58) | 187% |
| **Attributable to the owners of the Parent Company** | **1.15** | **-14%** | **1.33** | **45%** | **0.92** | **-90%** | **9.05** | **100%** | **4.52** | **-130%** | **(15.15)** | **-51%** |

Noor Financial Investment Company - KPSC
and Subsidiaries
Kuwait

Consolidated Financial Statements
and
Independent Auditors' Report
31 December 2016

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## Independent Auditors' Report to the Shareholders of Noor Financial Investment Company KPSC

### 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 2016, and the 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 2016, 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 24% 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. 42% of these investments are carried at fair value based on Level 1 valuations, and the balance 58% 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. We furthermore assessed that the property related data (i.e rental income and occupancy) used as input for the external valuations is consistent with information obtained during our audit.

**Other information included in the Group's 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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
6 April 2017

## Noor Financial Investment Company – KPSC and Subsidiaries

Consolidated Financial Statements
31 December 2016
Kuwait

## Consolidated statement of profit or loss

| | Note | Year ended 31 Dec. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|---|
| Revenue from hotel operations and IT services | | **14,908,096** | 15,701,305 |
| Realised gain on investments at fair value through profit or loss | | **81,182** | 550,494 |
| Unrealised loss on investments at fair value through profit or loss | 10.2 | **(9,707)** | (1,607,280) |
| Realised (loss)/gain on sale of available for sale investments | | **(439,723)** | 1,557,548 |
| Dividend income | | **1,116,662** | 2,134,423 |
| Change in fair value of investment properties | 19 | **(603,728)** | 959,509 |
| Rental Income | | **1,711,205** | 1,535,047 |
| Realised loss on sale of investment properties | | **(852,018)** | - |
| Share of results of associates | 18 | **8,277,686** | 7,165,450 |
| Management and placement fees | | **26,707** | 1,620,595 |
| **Total Income** | | **24,216,362** | 29,617,091 |
| Cost of sales and services from hotel operations and IT services | 8 | **(11,474,747)** | (13,408,641) |
| General, administrative and other expenses | 8 | **(5,637,336)** | (5,075,212) |
| **Operating profit** | | **7,104,279** | 11,133,238 |
| Interest and other income | 9 | **676,256** | 2,561,188 |
| Foreign exchange (loss)/gain | | **(5,488)** | 110,242 |
| Finance costs | 11 | **(4,444,747)** | (4,241,042) |
| Impairment in value of intangible assets | 20 | **-** | (2,010,441) |
| Impairment in value of available for sale investments | 17 | **(2,092,851)** | (8,252,823) |
| Impairment in value of investment in associates | 18 | **-** | (389,136) |
| Impairment in value of accounts receivable | | **(630,149)** | (322,927) |
| **Profit/(loss) before taxes** | | **607,300** | (1,411,701) |
| Provision for contribution to KFAS | | **(9,405)** | - |
| Provision for Zakat | | **(6,199)** | (7,479) |
| Provision for National Labour Support Tax | | **(20,654)** | (29,305) |
| **Profit/(loss) for the year** | | **571,042** | (1,448,485) |
| **Attributable to:** | | | |
| Owners of the Parent Company | | **1,153,581** | 1,333,267 |
| Non-controlling interests | | **(582,539)** | (2,781,752) |
| | | **571,042** | (1,448,485) |
| **BASIC AND DILUTED EARNINGS PER SHARE (FILS)** | 12 | **2.86** | 3.31 |

*The notes set out on pages 43 to 88 form an integral part of these consolidated financial statements.*

## Consolidated statement of profit or loss and other comprehensive income

| | Year ended 31 Dec. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|
| Profit/(loss) for the year | **571,042** | (1,448,485) |
| **Other comprehensive income:** | | |
| ***Items to be reclassified to profit or loss in subsequent periods:*** | | |
| Exchange differences arising from translation of foreign operations | **(226,315)** | (293,540) |
| Available for sale investments: | | |
| - Net changes in fair value arising during the year | **(4,220,180)** | (7,400,454) |
| - Transferred to consolidated statement of profit or loss on sale | **439,723** | (1,557,548) |
| - Transferred to consolidated statement of profit or loss on impairment | **2,092,851** | 8,252,823 |
| Share of other comprehensive income of associates | **2,342,457** | 258,420 |
| Total other comprehensive income/(loss) for the year | **428,536** | (740,299) |
| **Total comprehensive income/(loss) for the year** | **999,578** | (2,188,784) |
| **Total comprehensive income/(loss) attributable to:** | | |
| Owners of the Parent Company | **3,329,682** | (1,097,654) |
| Non-controlling interests | **(2,330,104)** | (1,091,130) |
| | **999,578** | (2,188,784) |

*The notes set out on pages 43 to 88 form an integral part of these consolidated financial statements.*

## Consolidated statement of financial position

| | Note | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|---|
| **Assets** | | | |
| Cash and bank balances | 13 | **10,417,011** | 7,737,506 |
| Short term deposits | 13 | **6,804,031** | 2,613,255 |
| Murabaha, wakala and sukuk investments | 14 | **1,164,446** | 1,000,000 |
| Investments at fair value through profit or loss | 15 | **11,268,515** | 11,699,191 |
| Accounts receivable and other assets | 16 | **14,767,065** | 15,266,515 |
| Inventories | | **774,786** | 884,878 |
| Available for sale investments | 17 | **35,073,157** | 43,989,767 |
| Investment in associates | 18 | **60,754,860** | 53,076,227 |
| Investment properties | 19 | **33,819,875** | 39,755,699 |
| Property and equipment | | **3,397,447** | 4,395,216 |
| Goodwill and other intangible assets | 20 | **5,346,161** | 5,597,375 |
| **Total assets** | | **183,587,354** | 186,015,629 |
| **Liabilities and Equity** | | | |
| **Liabilities** | | | |
| Due to banks | 13 | **1,198,111** | 2,016,195 |
| Accounts payable and other liabilities | 21 | **6,583,029** | 7,568,953 |
| Borrowings from banks and other financial institutions | 22 | **106,172,825** | 111,898,284 |
| Provision for end of service indemnity | | **717,575** | 592,841 |
| **Total liabilities** | | **114,671,540** | 122,076,273 |
| **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 | **1,763,896** | 1,644,912 |
| Voluntary reserve | 25 | **1,763,896** | 1,644,912 |
| Cumulative changes in fair value | 26 | **5,896,895** | 3,848,484 |
| Foreign currency translation reserve | 26 | **(9,738,488)** | (9,807,539) |
| Retained earnings | | **5,038,821** | 4,847,152 |
| Equity attributable to the owners of the Parent Company | | **46,041,296** | 43,494,197 |
| Non-controlling interests | 26 | **22,874,518** | 20,445,159 |
| **Total equity** | | **68,915,814** | 63,939,356 |
| **Total liabilities and equity** | | **183,587,354** | 186,015,629 |

**Fahad Sulaiman Al-Khaled**
Chairman

**Abdulghani M.S. Behbehani**
Vice Chairman

*The notes set out on pages 43 to 88 form an integral part of these consolidated financial statements.*

## Noor Financial Investment Company – KPSC and Subsidiaries

Consolidated Financial Statements
31 December 2016
Kuwait

## 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 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 |
| Total 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 43 to 88 form an integral part of these consolidated financial statements.*

## Noor Financial Investment Company – KPSC and Subsidiaries
Consolidated Financial Statements
31 December 2016
Kuwait

## 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 2015** | 41,316,276 | 3,410,573 | (3,410,573) | 1,507,907 | 1,507,907 | 6,009,404 | (9,537,538) | 4,495,457 | 45,299,413 | 18,379,788 | 63,679,201 |
| Increase in non-controlling interest of subsidiary during the year (Note 26.3.2) | - | - | - | - | - | - | - | (707,562) | (707,562) | 5,107,562 | 4,400,000 |
| Redemption of units by non-controlling interests of subsidiary | - | - | - | - | - | - | - | - | - | (18,779) | (18,779) |
| Redemption of share capital by non-controlling interest of subsidiary (Note 26.3.1) | - | - | - | - | - | - | - | - | - | (1,731,882) | (1,731,882) |
| Dividend paid to non-controlling interests by a subsidiary | - | - | - | - | - | - | - | - | - | (200,400) | (200,400) |
| Transactions with owners | - | - | - | - | - | - | - | (707,562) | (707,562) | 3,156,501 | 2,448,939 |
| Profit/(loss) for the year | - | - | - | - | - | - | - | 1,333,267 | 1,333,267 | (2,781,752) | (1,448,485) |
| Total other comprehensive (loss)/ income for the year | - | - | - | - | - | (2,160,920) | (270,001) | - | (2,430,921) | 1,690,622 | (740,299) |
| Total comprehensive (loss)/ income for the year | - | - | - | - | - | (2,160,920) | (270,001) | 1,333,267 | (1,097,654) | (1,091,130) | (2,188,784) |
| Transfer to reserves | - | - | - | 137,005 | 137,005 | - | - | (274,010) | - | - | - |
| **Balance as at 31 December 2015** | 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 |

*The notes set out on pages 43 to 88 form an integral part of these consolidated financial statements.*

## Consolidated statement of cash flows

| | Note | Year ended 31 Dec. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Profit/(loss) before taxes** | | **607,300** | (1,411,701) |
| Adjustments: | | | |
| Realised loss/(gain) on sale of available for sale investments | | **439,723** | (1,557,548) |
| Dividend income | | **(1,116,662)** | (2,134,423) |
| Realized loss on sale of investment properties | | **852,018** | - |
| Change in fair value of investment properties | | **603,728** | (959,509) |
| Share of results of associates | 18 | **(8,277,686)** | (7,165,450) |
| Interest income and income from murabaha and wakala investments | | **(45,849)** | (37,128) |
| Reversal of impairment provision on amount due from Ultimate Parent Company | | **-** | (2,188,996) |
| Depreciation and amortisation | | **657,306** | 442,692 |
| Provision for end of service indemnity | | **164,796** | 182,261 |
| Provision for slow moving inventory | | **160,000** | - |
| Finance costs | | **4,444,747** | 4,241,042 |
| Impairment in value of accounts receivable | | **630,149** | 322,927 |
| Impairment in value of available for sale investments, investments in associates and intangible asset | | **2,092,851** | 10,652,400 |
| | | **1,212,421** | 386,567 |
| **Changes in operating assets and liabilities:** | | | |
| Investments at fair value through profit or loss | | **430,676** | 7,862,447 |
| Accounts receivable and other assets | | **(968,494)** | (1,169,585) |
| Accounts payable and other liabilities | | **(1,053,099)** | 329,758 |
| Inventories | | **(49,908)** | (573,778) |
| **Cash (used in)/from operation** | | **(428,404)** | 6,835,409 |
| Zakat, KFAS and NLST paid | | **(56,816)** | (10,267) |
| Payment of end of service indemnity | | **(40,062)** | (115,663) |
| **Net cash (used in)/from operating activities** | | **(525,282)** | 6,709,479 |
| **INVESTING ACTIVITIES** | | | |
| Change in short term deposits | 13 | **-** | 224,117 |
| Change in blocked deposits | 13 | **(730)** | 1,404,475 |
| Proceeds from sale of available for sale investments | | **5,887,796** | 7,956,774 |
| Purchase of available for sale investments | | **(1,191,366)** | (1,139,579) |
| Investments in associates | | **(357,050)** | (50,000) |
| Dividend received from associates | | **3,833,433** | 3,883,071 |
| Dividend received from other investments | | **1,116,662** | 2,134,423 |
| Increase in Murabaha, Wakala and sukuk investments | | **(164,446)** | (401,646) |
| Acquisition and development of investment properties | | **(5,466,737)** | (3,675,388) |
| Proceeds from sale of investments properties | | **10,824,939** | - |
| Net acquisition of property and equipment | | **(51,713)** | (463,612) |
| Interest income and income from Murabaha & Wakala investments received | | **45,849** | 37,128 |
| **Net cash from investing activities** | | **14,476,637** | 9,909,763 |
| **FINANCING ACTIVITIES** | | | |
| Repayment of borrowings (net) | | **(5,725,459)** | (13,028,798) |
| Redemption of units by non-controlling interests of a subsidiary | | **(13,730)** | (18,779) |
| Payment to non-controlling interests on reduction of share capital by subsidiaries | | **(288,741)** | (1,773,557) |
| Additional investments made by non-controlling interests in the capital of a subsidiary | | **5,330,700** | 4,400,000 |
| Dividend paid by subsidiaries to non-controlling interests | | **(1,251,197)** | (200,400) |
| Dividend paid | | **(319)** | (825) |
| Finance costs paid | | **(4,314,974)** | (4,233,284) |
| **Net cash used in financing activities** | | **(6,263,720)** | (14,855,643) |
| Net increase in cash and cash equivalents | | **7,687,635** | 1,763,599 |
| Cash and cash equivalents at beginning of the year | | **8,009,500** | 6,245,901 |
| **Cash and cash equivalents at end of the year** | 13 | **15,697,135** | 8,009,500 |

*The notes set out on pages 43 to 88 form an integral part of these consolidated financial statements.*

## 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 Markets 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 markets in the State of Kuwait;
- Trade, by selling and buying, in shares, bonds, Sukuks and other securities listed and unlisted in Kuwait stock exchange 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 new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 which cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012. The Executive Regulations of Law No. 1 of 2016 were issued on 12 July 2016.

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 6th April 2017. 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 concepts of accounting. As detailed in note 22.1 though certain loans instalments/loans had fallen due, the Parent Company is actively engaged with all its lenders to restructure its loans (totalling KD 96,693,625) 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. Further the Group's total assets exceeded its total liabilities by KD68,915,814 and, a significant amount of the current liabilities (borrowing from banks and financial institutions in Parent Company) amounting to KD 45,934,250 are being currently negotiated by the Group management which is referred to in note 22.3 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 2016 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* |
|---|---|
| IFRS 11 Accounting for Acquisitions of Interests in Joint Operations –Amendments | 1 January 2016 |
| IAS 1 'Disclosure Initiative – Amendments | 1 January 2016 |
| IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments | 1 January 2016 |
| IAS 27 Equity Method in Separate Financial Statements – Amendments | 1 January 2016 |
| IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments | 1 January 2016 |
| Annual Improvements to IFRSs 2012–2014 Cycle | 1 January 2016 |

***IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments***

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

***IAS 1 Disclosure Initiative – Amendments***

The Amendments to IAS 1 make the following changes:

- *Materiality:* The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income:* The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes:* The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

## Notes to the consolidated financial statements

***IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments***
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:
- A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Aan amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances.
- Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

***IAS 27 Equity Method in Separate Financial Statements - Amendments***
The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

***IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments***
The Amendments are aimed at clarifying the following aspects:
- *Exemption from preparing consolidated financial statements*. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

***Annual Improvements to IFRSs 2012–2014 Cycle***
(i) *Amendments to IFRS 5* - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
(ii) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
(iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
(iv) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

**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* |
|---|---|
| IAS 7 Statement of Cash Flows- Amendments | 1 January 2017 |
| IAS 12 Income Taxes – Amendments | 1 January 2017 |
| IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments | No stated date |
| IFRS 2 Share-based Payment- Amendments | 1 January 2018 |
| 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 |

## Notes to the consolidated financial statements

***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 non-cash 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.

The amendments are not expected to have any material impact on the Group's consolidated financial statements.

***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.
- 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 Group's management has yet to assess the impact of this on these Group consolidated financial statements.

***IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments***

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

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

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.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

***IFRS 2 Share-Based Payment- Classification and Measurement***

The amendments relate to clarification on the following:

- IFRS does not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The Amendments address this lack of guidance by clarifying that accounting for these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2.

- The amendment adds guidance to IFRS 2 to the effect that a scheme with compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature); and

- The amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

## Notes to the consolidated financial statements

***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.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the financial assets will need to be reviewed 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.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

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

The Group's management has yet to assess the impact of IFRS 15 on these Group consolidated financial statements.

## Notes to the 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
- 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.

The Group's management has yet to assess the impact of IFRS 16 on these Group consolidated financial statements.

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

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

***Annual Improvements to IFRSs 2014-2016 Cycle***
(i) Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B17) apply to an entity's interests 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. Amendment is effective for annual periods beginning on or after 1 January 2017.
(ii) 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.

These amendments are not expected to have any material 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.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

## 5- Summary of sigificant accunting policies

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

### 5.1 Basis of consolidation

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

## Notes 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.

### 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.

## Notes to the consolidated financial statements

### 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.

## Notes to the consolidated financial statements

***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.

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.

## Notes to the consolidated financial statements

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

  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.

## Notes to the consolidated financial statements

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.

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.

## Notes to the consolidated financial statements

• *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.

***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.

## Notes to the consolidated financial statements

● *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.

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 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.

## Notes to the consolidated financial statements

**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.

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.

With respect to its Kuwaiti national employees, the Group 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.

## Notes to the consolidated financial statements

### 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.

***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.

### 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.

## Notes to the consolidated financial statements

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.

### 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. During the year ended 31 December 2016, impairment loss recognised for intangible assets amounted to KD Nil (2015: KD2,010,441) (see note 20).

***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. During the year ended 31 December 2016, impairment loss recognised for investment in associate amounted to KD Nil (2015: KD389,136) (see note 18).

## Notes to the consolidated financial statements

***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 2016, impairment loss recognised for available for sale investments amounted to KD2,092,851 (2015: KD8,252,823) (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 2016, impairment loss recognised for loans and receivables amounted to KD630,149 (2015: KD322,927).

***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 2016, provision for slow moving inventories amounted to KD160,000 (2015: KD Nil).

## 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. 2016** | **31 Dec. 2015** | |
| Noor Telecommunication Company - KSCC (though the Group holds 49.11% of the subsidiary, the Group exercises control over the subsidiary based on majority board members) | Kuwait | **49.11%** | 49.11% | Telecommunications and IT Services |
| Noor Al Salhiya Real Estate Co.- KSCC (Note 26.3.2) | Kuwait | **53.71%** | 73.32% | Real estate and related activities |
| Noor Kuwait Holding - KSC (Holding) | 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 | **93.63%** | 93.34% | Investment and related activities |
| Hotels Global Group Company - PSC | Jordan | **100%** | 100% | Hospitality |

## Notes to the consolidated financial statements

**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. 2016 % | 31 Dec. 2015 % | 31 Dec. 2016 KD | 31 Dec. 2015 KD | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
| Noor Telecommunication Company- KSCC, (NTEL) | **50.89%** | 50.89% | **(422,596)** | (3,242,147) | **9,892,015** | 11,788,400 |
| Noor Salhiya Real Estate Company- KSCC (NSRE) | **46.29%** | 26.68% | **(182,961)** | 506,759 | **11,082,615** | 5,394,927 |
| Kuwaiti Indian Holding Company -KSCC (KIHC) | **43.41%** | 43.41% | **11,096** | 2,310 | **1,347,111** | 2,435,625 |
| Individually immaterial subsidiaries with non-controlling interests | | | **11,922** | (48,674) | **552,777** | 826,207 |
| | | | **(582,539)** | (2,781,752) | **22,874,518** | 20,445,159 |

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

| | NTEL | | NSRE | | KIHC | |
|---|---|---|---|---|---|---|
| | 31 Dec. 2016 KD | 31 Dec. 2015 KD | 31 Dec. 2016 KD | 31 Dec. 2015 KD | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
| Non-current assets | **16,308,736** | 27,877,631 | **24,030,845** | 22,141,166 | **112,960** | 194,867 |
| Current assets | **9,743,971** | 7,314,573 | **7,270,902** | 3,911,899 | **3,119,738** | 5,746,502 |
| Total assets | **26,052,707** | 35,192,204 | **31,301,747** | 26,053,065 | **3,232,698** | 5,941,369 |
| Non-current liabilities | **2,032,503** | 7,491,004 | **29,564** | 16,420 | **2,495** | 1,429 |
| Current liabilities | **6,090,524** | 5,890,983 | **7,410,640** | 5,817,211 | **134,204** | 339,502 |
| Total liabilities | **8,123,027** | 13,381,987 | **7,440,204** | 5,833,631 | **136,699** | 340,931 |
| Equity attributable to owners of the Parent Company | **8,037,665** | 10,021,817 | **12,778,928** | 14,824,507 | **1,748,888** | 3,164,813 |
| Non-controlling interests (including NCI of the sub subsidiary) | **9,892,015** | 11,788,400 | **11,082,615** | 5,394,927 | **1,347,111** | 2,435,625 |

## Notes to the consolidated financial statements

| | NTEL | | NSRE | | KIHC | |
|---|---|---|---|---|---|---|
| | 31 Dec. 2016 KD | 31 Dec. 2015 KD | 31 Dec. 2016 KD | 31 Dec. 2015 KD | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
| Total income | **12,330,966** | 13,585,702 | **325,235** | 2,569,855 | **112,022** | 138,986 |
| Profit/(loss) for the year | **(983,561)** | (6,196,913) | **(451,555)** | 1,916,226 | **25,560** | 35,828 |
| Total other comprehensive income/(loss) for the year | **(2,896,029)** | 3,142,581 | **80,924** | (80,225) | **-** | (49) |
| Total comprehensive income/ (loss) for the year | **(3,879,590)** | (3,054,332) | **(370,631)** | 1,836,001 | **25,560** | 35,779 |
| -attributable to owners of the Parent Company | **(1,983,205)** | (1,547,937) | **(209,261)** | 1,350,835 | **14,464** | 33,469 |
| -attributable to NCI | **(1,896,385)** | (1,506,395) | **(161,370)** | 485,166 | **11,096** | 2,310 |
| Net cash flow used in operating activities | **(288,541)** | (149,474) | **(2,309,174)** | (1,077,139) | **(57,543)** | (63,087) |
| Net cash flow from /(used in) investing activities | **7,425,839** | 68,475 | **(2,535,827)** | (4,088,317) | **1,304,603** | 669,773 |
| Net cash flow (used in)/from financing activities | **(4,379,149)** | (859,932) | **5,697,110** | 4,891,600 | **(1,274,873)** | (1,732,854) |
| Net cash inflow/(outflow) | **2,758,149** | (940,931) | **852,109** | (273,856) | **(27,813)** | (1,126,168) |

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

a) Cost of sales and services include staff costs of KD6,406,340 (2015: KD5,831,874), and depreciation and amortization of KD530,044 (2015:KD291,604).

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

| | Year ended 31 Dec. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|
| Staff costs | **2,035,697** | 2,389,219 |
| Depreciation and amortization | **127,313** | 151,088 |
| Provision for slow moving inventories | **160,000** | - |
| Other expenses | **3,314,326** | 2,534,905 |
| | **5,637,336** | 5,075,212 |

Number of staff employed by the Parent Company as at 31 December 2016 was 44 (2015: 42).

## Notes to the consolidated financial statements

### 9- Interest and other income

| | Year ended 31 Dec. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|
| Interest income | **34,077** | 28,405 |
| Income from murabaha and wakala investments | **11,772** | 8,723 |
| Income from future trade customers | **265,048** | 281,222 |
| Reversal of impairment provision on amount due from Ultimate Parent Company* | - | 2,188,996 |
| Other income | **365,359** | 53,842 |
| | **676,256** | 2,561,188 |

* This represents reversal of the provision for impairment made during a previous year, consequent to the agreement reached during the year 2015 between Parent Company and the Ultimate Parent Company to transfer shares of a special purpose vehicle (which owns share of a foreign listed entity) to settle the due balance from the Ultimate Parent Company.

### 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. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|
| **Loans and receivables** | | |
| - Interest on cash and bank balances and short term deposits | **34,077** | 28,405 |
| - Profit from murabaha and wakala investment | **11,772** | 8,723 |
| - Income from future trade customers | **265,048** | 281,222 |
| - Impairment in value of accounts receivable | **(630,149)** | (322,927) |
| - Reversal of impairment provision on amount due from Ultimate Parent Company | - | 2,188,996 |
| **Investments at fair value through profit or loss** | | |
| - Net gain/(loss) on held for trading | **1,172,489** | (820,937) |
| - Net (loss)/gain on designated as such on initial recognition | **(693,269)** | 164,301 |
| **Available for sale investments** | | |
| - recognised directly in consolidated statement of profit or loss and other comprehensive income (net) | **(1,687,606)** | (705,179) |
| - recognised directly in consolidated statement of profit or loss | | |
| on sale and dividend income | **708,917** | 1,734,273 |
| - recycled from equity to consolidated statement of profit or loss | | |
| on impairment | **(2,092,851)** | (8,252,823) |
| on sale | **(439,723)** | 1,557,548 |
| | **(3,351,295)** | (4,138,398) |

## Notes to the consolidated financial statements

| | Year ended 31 Dec. 2016 KD | Year ended 31 Dec. 2015 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 | **81,182** | 550,494 |
| - Unrealized loss on investments at fair value through profit or loss | **(9,707)** | (1,607,280) |
| - Realized gain on sale of available for sale investments | **(439,723)** | 1,557,548 |
| - Dividend income | **1,116,662** | 2,134,423 |
| - Impairments in value of accounts receivable | **(630,149)** | (322,927) |
| - Impairments in value of available for sale investments | **(2,092,851)** | (8,252,823) |
| - Others (part of interest and other income) | **310,897** | 2,507,346 |
| **Net loss recognised in the consolidated statement of profit or loss and other comprehensive income** | **(1,687,606)** | (705,179) |
| | **(3,351,295)** | (4,138,398) |

**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. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|
| Profit for the year attributable to the owners of the Parent Company | **1,153,581** | 1,333,267 |
| 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) | **2.86** | 3.31 |

## 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. 2016 | 31 Dec. 2015 | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
| Cash and bank balances | **0.25% - 0.62%** | 0.25%-0.62% | **10,417,011** | 7,737,506 |
| Short term deposits | **0.75%-1.75%** | 0.62%-1.35% | **6,804,031** | 2,613,255 |
| | | | **17,221,042** | 10,350,761 |
| Less: Due to banks | **5.0%-5.5%** | 5.5%-6.0% | **(1,198,111)** | (2,016,195) |
| Less: Blocked balances | | | **(325,796)** | (325,066) |
| Cash and cash equivalents as per consolidated statements of cash flows | | | **15,697,135** | 8,009,500 |

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 2016 of KD994,031 (2015: KD970,545).

Cash and cash equivalents include bank balances of KD999,612 (2015: KD1,194,334) which are designated for the purpose of payment on account of capital reduction and dividend payment of two subsidiaries.

### 14- Murabaha, wakala and sukuk investments

| | Effective annual interest/ profit rates | | | |
|---|---|---|---|---|
| | 31 Dec. 2016 | 31 Dec. 2015 | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
| **Murabaha and wakala investments** | | | | |
| Placed with local Islamic banks | **1.37%** | 1.13% | **1,011,481** | 1,000,000 |
| Due from a local Islamic investment company | | | **14,324,160** | 14,324,160 |
| Provision for impairment in value | | | **(14,324,160)** | (14,324,160) |
| | | | **1,011,481** | 1,000,000 |
| **Sukuk investments** | | | **152,965** | - |
| | | | **1,164,446** | 1,000,000 |

No profit was recognized on impaired Wakala investment during the current year (2015: Nil).

Wakala investments of KD14,324,160 (2015: 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 and 4th instalments due in June 2014, 2015 and 2016 respectively. The Group has initiated various legal cases against the investee company to recover these amount. Full provision is 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. Subsequent to the reporting date, 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.

## Notes to the consolidated financial statements

### 15- Investments at fair value through profit or loss

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| **Held for trading:** | | |
| **Quoted shares** | **9,763,934** | 9,334,848 |
| - Local | **5,239,183** | 5,265,476 |
| - Foreign | **4,524,751** | 4,069,372 |
| **Designated on initial recognition:** | | |
| -Unquoted foreign shares | **1,504,581** | 2,364,343 |
| | **11,268,515** | 11,699,191 |

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 2016 was KD7,115,912 (2015: KD11,058,126) (note 17).

Quoted shares with a fair value of KD985,400 (2015: KD1,131,470) are secured against bank loans (refer note 22).

### 16- Accounts receivable and other assets

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| **Financial assets:** | | |
| Accounts receivable | **4,268,331** | 4,352,489 |
| Due from the Ultimate Parent Company | **2,158** | 3,784 |
| Due from other related parties | **3,485,014** | 1,101,764 |
| Due from investment brokerage companies | **1,759,406** | 1,698,255 |
| Due from future trade customers | **2,908,877** | 4,845,544 |
| Due on sale of foreign investment properties (note 16.1) | - | 972,085 |
| Accrued income | **849,575** | 937,446 |
| Other financial assets | **375,943** | 1,111,222 |
| | **13,649,304** | 15,022,589 |
| **Non-financial assets:** | | |
| Other assets | **1,117,761** | 243,926 |
| | **14,767,065** | 15,266,515 |

The consideration due on sale of the Group’s investment property in the Kingdom of Saudi Arabia amounting to KD12,404,655 (sold during 2011) was due in instalments. In settlement of the consideration due as of 31 December 2015, Noor UK Holding Company Limited (a subsidiary of the Parent Company in United Kingdom) received an investment property located in London valued at GBP 2Mn (equivalent to KD880,511) during the year ended 31 December 2016. The difference between the consideration received in the form of property and the due balance as at 31 December 2015 amounting to KD91,574 has been treated as impairment in value of receivable and has been recognised during the year ended 31 December 2016.

## Notes to the consolidated financial statements

### 17- Available for sale investments

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| **Quoted shares** | **10,211,074** | 13,926,441 |
| - Local | **7,625,387** | 12,013,402 |
| - Foreign | **2,585,687** | 1,913,039 |
| **Unquoted shares** | **20,248,105** | 23,372,486 |
| - Local | **7,576,590** | 7,886,209 |
| - Foreign | **12,671,515** | 15,486,277 |
| **Foreign funds** | **4,613,978** | 6,690,840 |
| | **35,073,157** | 43,989,767 |

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 investments with a carrying value of KD2,992,807 (2015: KD2,835,639) 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 KD4,271,919 (2015: KD8,783,999) and unquoted shares with a fair value of KD6,200,000 (2015: KD6,600,000) are secured against bank loans (refer note 22).

17.3 During the year, the Group recognised an impairment loss of KD418,473 (2015: KD2,797,488) 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 KD1,674,378 (2015: KD5,455,335) against certain unquoted shares, local 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 KD7,115,912 (2015: KD11,058,126) 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 share's of following associates using the equity method.

| Associates | Country of Registration & principal place of business | Percentage of ownership | | Nature of business |
|---|---|---|---|---|
| | | 31 Dec. 2016 | 31 Dec. 2015 | |
| Meezan Bank Limited | Pakistan | **49.11%** | 49.11% | Islamic Banking |
| National Tamouh GTC Company – WLL | Kuwait | **48.00%** | 50.00% | 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%** | - | Real Estate Developments |
| Jabal Ali Real Estate Company WLL | Kuwait | **50.00%** | - | Real Estate Developments |

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

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Balance at 1 January | **53,076,227** | 50,294,896 |
| Additions during the year | **387,050** | 50,000 |
| Share of results | **8,277,686** | 7,165,450 |
| Share of other comprehensive income of associates | **2,342,459** | 258,420 |
| Impairment in value of associate | **-** | (389,136) |
| Dividend received | **(3,833,433)** | (3,883,071) |
| Foreign currency translation adjustment | **504,871** | (420,332) |
| **Balance at the end of the year** | **60,754,860** | 53,076,227 |

## Notes to the consolidated financial statements

18.1 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.

**18.1.1. Meezan Bank Limited.**

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Total assets | **1,939,500,805** | 1,553,054,278 |
| Total liabilities (including non-controlling interests) | **(1,841,393,555)** | (1,469,784,838) |
| Equity attributable to shareholders of Meezan Bank | **98,107,250** | 83,269,440 |
| | | |
| Revenue | **91,905,302** | 95,955,112 |
| Profit for the year attributable to the shareholders | **18,076,868** | 14,887,381 |
| Other comprehensive income for the year | **4,697,882** | 511,168 |
| Total comprehensive income for the year | **22,774,750** | 15,398,549 |
| Dividends received from the associate during the year (net of taxes) | **3,833,433** | 3,883,071 |
| | | |
| Proportion of the Group's ownership interest in Meezan Bank | **49.11%** | 49.11% |
| Group share in Meezan Bank's net assets | **48,180,470** | 40,893,622 |
| Goodwill | **9,265,014** | 9,181,367 |
| Carrying value of Group's ownership interest in Meezan Bank | **57,445,484** | 50,074,989 |

As at 31 December 2016 the fair value of the Group's interest in Meezan Bank Limited, which is listed on the Pakistan Stock Exchange was KD 98,085,423 (2015: KD65,289,895), based on the quoted market price available on that exchange, which is a level 1 input in terms of IFRS 13.

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

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Group share of results for the year | **(90,873)** | 190,102 |
| Group share of total comprehensive income | **(90,873)** | 189,404 |
| Aggregate carrying value of the Group interest in associates | **3,309,376** | 3,001,238 |

**18.1.2 Group's share of associate's contingent liabilities:**

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Guarantees | **22,180,715** | 17,931,421 |
| Letters of credit | **80,328,047** | 47,563,376 |
| Commitments in respect of forward exchange contracts | **203,595,449** | 203,352,545 |
| Commitment for the acquisition of operating fixed assets | **185,711** | 531,042 |
| Commitment in respect of financing | **177,605,363** | 151,710,297 |
| Bills for collection | **43,780,401** | 44,268,373 |
| | **527,675,686** | 465,357,054 |

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 KD5.3 million (Group's share KD2.6 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.

## Notes to the consolidated financial statements

### 19- Investment properties

The movement in investment properties is as follows:

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Fair value as at 1 January | **39,755,699** | 32,840,512 |
| Acquisition of properties | **3,006,667** | 1,905,599 |
| Developments and construction costs | **2,588,292** | 1,769,789 |
| Reclassification from property & equipment (note 19.5) | **-** | 2,280,290 |
| Transfers in settlement of receivable (note 16.1) | **880,511** | - |
| Disposals | **(11,676,957)** | - |
| Changes in fair value (note 19.3) | **(603,728)** | 959,509 |
| Foreign currency translation | **(130,609)** | - |
| | **33,819,875** | 39,755,699 |

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

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Kuwait | **32,343,755** | 39,325,000 |
| Outside Kuwait | **1,476,120** | 430,699 |
| | **33,819,875** | 39,755,699 |

19.2 Investments properties amounting to KD11,091,000 (2015: KD11,285,000) and KD14,886,000 (2015: KD20,290,000) are secured against bank loans and Ijara Financing facilities respectively (refer note 22).

19.3 At 31 December 2016, 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 KD11,348,000 (2015: KD8,852,000) which are partly financed from Ijara financing arrangement arranged by joint owner (related party) and the related Group's share of the jointly controlled liabilities at 31 December 2016 amounting to KD4,875,075 has been included under borrowings (2015: KD3,125,000).

19.5 During the previous year, one of the subsidiaries of the Group has transferred one of its buildings with a carrying value of KD 2,280,290 from owner occupied property to investment properties based on the change in use as it was rented out during that year. The fair value of the property as per the independent valuation obtained as of the transfer date approximated the transfer value.

19.6 During the year, the Group disposed investment properties with a carrying value of KD11,281,811 for a consideration of KD10,824,939 resulting in a loss of KD852,018. Further during the year, Group sold two lands in UAE at its carrying value of KD395,146 to a related party without any gain or loss.

19.7 During the year the one of the Group's subsidiary's acquired two properties, located in UAE and Kuwait, for a total consideration of KD2,356,667 from a related party and, they are in the name of the related party and the legal formalities to transfer the ownerships is in progress.

19.8 Two lands located in Kuwait with a carrying value of KD11,347,831 are under development and during the year borrowing cost of KD128,222 (2015: KD263,003) has been capitalised to these investment properties.
As of the reporting date, the Group has contingent liability in respect of Ijara payable of KD 3,250,075

### 20- Goodwill and other Intangible assets

**20.1 Goodwill**
The movement in Goodwill is as follows:

| | 31 Dec. 2016 KD | 31 Dec. 2015 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 |

## Notes to the consolidated financial statements

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

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

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

| *Key assumption* | *Basis used to determine value to be assigned to key assumption* |
|---|---|
| Growth rate | Anticipated average growth rate of 3% (2015: 5%) 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% (2015: 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 17.2% (2015: 16.9%). 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. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| **Cost** | | |
| At the beginning of the year | **3,630,900** | 8,325,996 |
| Reduction in the cost due to re-negotiation of the terms | - | (2,684,655) |
| Impairment in value | - | (2,010,441) |
| Balance at the end of the year | **3,630,900** | 3,630,900 |
| **Accumulated amortization** | | |
| At the beginning of the year | **(62,803)** | (40,614) |
| Charge for the year | **(251,214)** | (22,189) |
| At the end of the year | **(314,017)** | (62,803) |
| Net book value at the end of the year | **3,316,883** | 3,568,097 |
| **Total goodwill ( note 20.1) and intangible assets** | **5,346,161** | 5,597,375 |

20.3 During the previous year the subsidiary re-negotiated the financial and other terms of its use and, accordingly, as per the new contractual terms, its carrying value and that of the related liability was reduced by KD2,684,655 and KD2,604,655 respectively. Consequently, based on the information available, during the previous year the Group's management had recognised an impairment of KD2,010,441 which includes, net cancellation charges of KD456,239 related to the previous contract.

## Notes to the consolidated financial statements

### 21- Accounts payable and other liabilities

| | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| **Financial liabilities:** | | |
| Accounts payable | **776,011** | 993,012 |
| Payable on acquisition of subsidiary | **1,506,488** | 1,504,655 |
| Payable on acquisition of intangible assets | **355,081** | 540,000 |
| Accrued interest | **277,547** | 19,552 |
| Accrued expenses | **2,338,203** | 2,533,948 |
| Dividend payable | **104,128** | 15,554 |
| Other payables | **209,285** | 706,591 |
| Due to related parties | **111,386** | 62,000 |
| Payable on account of capital reduction by subsidiaries (Note 26.3.1) | **904,900** | 1,193,641 |
| | **6,583,029** | 7,568,953 |

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. 2016 | 31 Dec. 2015 | | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
| **Short term** | | | | | |
| Ijara Financing – Kuwaiti Dinar | **4.5%-4.75%** | 4.5% | Secured | **6,075,075** | 4,325,000 |
| Loan Payable – Kuwaiti Dinnar | **4.5%-4.75%** | 4.5% | Secured | **1,080,000** | 1,080,000 |
| Tawaraq Payable – Kuwaiti Dinnar | **5.5%** | - | Secured | **703,089** | - |
| | | | | **7,858,164** | 5,405,000 |
| **Long term** | | | | | |
| Loans payable – Kuwaiti Dinar | **4.0%-4.5%** | 3.5%-3.75% | Secured | **69,193,625** | 73,508,000 |
| Wakala payable – Kuwaiti Dinar | **4.0%-4.25%** | 3.5% | Secured | **27,500,000** | 27,500,000 |
| Ijara financing – Kuwaiti Dinar | **4.5%-5.25%** | 4.5%-5.0% | Secured | **1,621,036** | 5,485,284 |
| | | | | **98,314,661** | 106,493,284 |
| | | | | **106,172,825** | 111,898,284 |

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 KD58,016,375 has been paid 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 2016, these are partly secured (notes 15,17 and 19) and the identification and securitization of the required balance is still in process.

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 has been settled in the year 2016.

The process of rescheduling the Parent Company's loans amounting to KD96,693,625 as of the reporting date comprising of the remaining 50% (KD19,338,750 of the third instalment and KD77,354,875 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 KD 6,875,000 fell due during December 2016. The final instalments of the other loans (along with the 50% of the third instalment) totalling KD39,059,250 and KD 50,759,375 are falling due in the year 2017 and during the year 2018 respectively.

## Notes to the consolidated financial statements

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. Subsequent to the reporting date, the lenders have confirmed that they will continue to negotiate the terms and conditions of the restructuring to bring it to a successful closure. Accordingly, the Parent Company's management expects to finalize the debt rescheduling within the next few months.

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

22.2 Long term loans and wakala amounting to KD96,693,625 (2015: KD101,008,500) 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. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Short term Ijara Financing | **6,075,075** | 4,325,000 |
| Short term loans | **1,080,000** | 1,080,000 |
| Short term Tawaruq Payable | **703,089** | - |
| Long term loans and Wakala payable | | |
| - Current portion due within one year | **45,934,250** | 5,689,375 |
| - Due after more than one year | **50,759,375** | 95,318,625 |
| Long term Ijara financing | | |
| - Current portion due within one year | **304,500** | 861,283 |
| - Due after more than one year | **1,316,536** | 4,624,001 |
| | **106,172,825** | 111,898,284 |

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 Parent Company amounted to KD50,271,768 (2015: KD94,152,633) with carrying value of KD50,759,375 (2015: KD95,318,625). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.75% (2015: 4.5 %) and are within level 2 of the fair value hierarchy.

### 23- Share capital and share premium

23.1. The authorised, issued and paid up share capital of the Parent Company as at 31 December 2016 comprise of 413,162,761 shares of 100 Fils each (2015: 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. 2016 | 31 Dec. 2015 |
|---|---|---|
| Number of shares | **10,359,065** | 10,359,065 |
| Percentage of issued shares | **2.51%** | 2.51% |
| Market value (KD) | **466,158** | 481,697 |
| 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.

## Notes to the consolidated financial statements

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 2016, 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.

### 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 . 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|
| **Balance at 1 January** | **3,848,484** | 6,009,404 |
| *Other comprehensive income:* | | |
| Net changes in fair value of available for sale investments | **(2,616,818)** | (7,716,915) |
| Transferred to consolidated statement of profit or loss on disposal of available for sale of investments | **427,988** | (1,557,548) |
| Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments | **1,953,423** | 6,855,123 |
| Share of other comprehensive income of associates | **2,283,818** | 258,420 |
| **Other comprehensive income/(loss) for the year** | **2,048,411** | (2,160,920) |
| **Balance at 31 December** | **5,896,895** | 3,848,484 |

#### 26.2 Foreign currency translation reserve

| | Year ended 31 Dec. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|
| **Balance at 1 January** | **(9,807,539)** | (9,537,538) |
| *Other comprehensive income:* | | |
| Exchange differences arising from translation of foreign subsidiaries | **(435,819)** | 150,331 |
| Exchange difference arising on translation of foreign associates | **504,870** | (420,332) |
| **Other comprehensive income/(loss) for the year** | **69,051** | (270,001) |
| **Balance at 31 December** | **(9,738,488)** | (9,807,539) |

## Notes to the consolidated financial statements

### 26.3 Non-controlling interests

| | Year ended 31 Dec. 2016 KD | Year ended 31 Dec. 2015 KD |
|---|---|---|
| **Balance at 1 January** | **20,445,159** | 18,379,788 |
| Amounts due to non-controlling interest on reduction of share capital/ redemption of units of subsidiaries | **(13,730)** | (1,750,661) |
| Increase in non-controlling interests of subsidiary during the year (26.3.2) | **6,113,283** | 5,107,562 |
| Dividend paid to non-controlling interest by subsidiaries | **(1,340,090)** | (200,400) |
| **Transactions with non-controlling interests** | **4,759,463** | 3,156,501 |
| Loss for the year | **(582,539)** | (2,781,752) |
| *Other comprehensive income :* | | |
| - Net change in fair value of available for sale investments | **(1,603,362)** | 316,461 |
| - 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** | 1,397,700 |
| - Share of foreign currency translation reserve | **(295,366)** | (23,539) |
| **Total other comprehensive (loss)/income for the year** | **(1,747,565)** | 1,690,622 |
| **Total comprehensive loss for the year** | **(2,330,104)** | (1,091,130) |
| **Balance at 31 December** | **22,874,518** | 20,445,159 |

#### 26.3.1 Capital reduction by subsidiaries

On 1 September 2015, the shareholders of one of the subsidiaries of the Group, (Kuwaiti Indian Holding Company - KSCC) decided to further decrease its share capital by KD4,000,000 out of which KD1,731,882 pertains to non-controlling interests. After completing its necessary formalities an amount of KD1,990,522 including prior capital reduction (2015: KD1,726,223) has been paid to non-controlling interests and the balance amount is shown under accounts payable and other liabilities.

Further an amount of KD871,605 (2015: KD896,047) is due to non-controlling interest for decrease in the share capital by Noor Telecommunication Company KSCC during 2012 and it included under accounts payable and other liabilities.

#### 26.3.2 Increase in non-controlling interest of subsidiary

During the 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)(2015: from KD11,000,000 to KD15,000,0000). The Parent Company did not subscribe for this increase and consequently the Parent Company's shareholding in this subsidiary diluted from 73.32% to 54.99% (2015: from 100% to 73.32%). The proportionate carrying value of net assets on the date of dilution amounting to KD5,781,099 (2015: KD5,107,562) relating to non-controlling interests has been transferred to non-controlling interest in the consolidated statement of changes in equity. Consequently the difference, between cash proceeds received and non- controlling interests share of net assets on the date of dilution, amounting to KD781,099 (2015: KD707,562) has been recognized as a dilution loss in the consolidated statement of changes in equity as of 31 December 2016.

Further, during the year the Parent Company also disposed 1.28% of the share capital of the above subsidiary reducing the Group's effective holding in the subsidiary to 53.71%. The proportionate carrying value of net assets on the date of sale amounting to KD332,184 has been transferred to non-controlling interest in the consolidated statement of changes in equity. Consequently the difference of KD1,484 between sales consideration and the non- controlling interests share of net assets on the date of sale has been recognized as a loss in the consolidated statement of changes in equity as of 31 December 2016.

## 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 (2015: Nil).

The shareholders of the Parent Company at the Annual General Meeting held on 9 May 2016 approved the consolidated financial statement of the Group for the year ended 31 Desember 2015 and the directors' proposal to distribute a total amount of KD30,000 as remuneration to the Board of Directors for the year ended 31 December 2015, which has been recorded as expense during the current year ended 31 December 2016.

## Notes to the consolidated financial statements

### 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 2016 and 31 December 2015 are as follows:

| | **Investments** | | **Real Estate** | | **IT services** | | **Hotel operations** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **31 Dec 2016 KD** | **31 Dec 2015 KD** | **31 Dec 2016 KD** | **31 Dec 2015 KD** | **31 Dec 2016 KD** | **31 Dec 2015 KD** | **31 Dec 2016 KD** | **31 Dec 2015 KD** | **31 Dec 2016 KD** | **31 Dec 2015 KD** |
| Sales | **-** | - | **-** | - | **12,402,881** | 13,595,455 | **2,505,215** | 2,105,850 | **14,908,096** | 15,701,305 |
| Investments related income (realised, unrealised and dividend income) | **748,414** | 2,635,185 | **-** | - | **-** | - | **-** | | **748,414** | 2,635,185 |
| Rental income | **-** | - | **1,711,205** | 1,535,047 | **-** | - | **-** | - | **1,711,205** | 1,535,047 |
| Change in fair value of investment properties | **-** | - | **(603,728)** | 959,509 | **-** | - | **-** | - | **(603,728)** | 959,509 |
| Management and placement fee | **26,707** | 1,620,595 | **-** | - | **-** | - | **-** | - | **26,707** | 1,620,595 |
| Share of results of associates | **8,368,558** | 6,975,348 | **(90,872)** | 190,102 | **-** | - | **-** | - | **8,277,686** | 7,165,450 |
| Realised loss on sale of investment properties | **-** | - | **(852,018)** | - | **-** | - | **-** | - | **(852,018)** | - |
| Segment income | **9,143,679** | 11,231,128 | **164,587** | 2,684,658 | **12,402,881** | 13,595,455 | **2,505,215** | 2,105,850 | **24,216,362** | 29,617,091 |
| Cost of sales and services | **-** | - | **-** | - | **(10,476,679)** | (11,410,795) | **(998,068)** | (1,997,846) | **(11,474,747)** | (13,408,641) |
| General and administrative expenses | **(1,779,601)** | (1,744,639) | **(562,313)** | (537,209) | **(1,835,875)** | (2,675,851) | **(1,459,547)** | (117,513) | **(5,637,336)** | (5,075,212) |
| Operating profit or loss | **7,364,078** | 9,486,489 | **(397,726)** | 2,147,449 | **90,327** | (491,191) | **47,600** | (9,509) | **7,104,279** | 11,133,238 |
| Interest income, other income and foreign exchange gain/(loss) | **520,523** | 2,617,588 | **-** | - | **-** | - | **150,245** | 53,842 | **670,768** | 2,671,430 |
| Impairments | **(2,092,851)** | (8,648,306) | **(95,957)** | - | **(534,192)** | (2,327,021) | **-** | - | **(2,723,000)** | (10,975,327) |
| Finance cost | **(4,089,345)** | (3,842,964) | **(135,745)** | (164,778) | **(219,657)** | (233,300) | **-** | - | **(4,444,747)** | (4,241,042) |
| Segment profit/(loss ) before taxes | **1,702,405** | (387,193) | **(629,428)** | 1,982,671 | **(663,522)** | (3,051,512) | **197,845** | 44,333 | **607,300** | (1,411,701) |
| Assets | **119,905,262** | 120,165,380 | **44,515,634** | 48,413,160 | **14,576,895** | 13,431,256 | **4,589,563** | 4,005,833 | **183,587,354** | 186,015,629 |
| Liabilities | **(98,277,355)** | (101,686,161) | **(8,856,442)** | (11,169,371) | **(6,741,079)** | (8,558,722) | **(796,664)** | (662,019) | **(114,671,540)** | (122,076,273) |
| Net Assets | **21,627,907** | 18,479,219 | **35,659,192** | 37,243,789 | **7,835,816** | 4,872,534 | **3,792,899** | 3,343,814 | **68,915,814** | 63,939,356 |

## Notes to the consolidated financial statements

**Geographical Segments**
The geographical segments are as follows:

| | Profit/(loss) before taxes | | Assets | | Liabilities | |
|---|---|---|---|---|---|---|
| | 31 Dec 2016 KD | 31 Dec 2015 KD | 31 Dec 2016 KD | 31 Dec 2015 KD | 31 Dec 2016 KD | 31 Dec 2015 KD |
| Domestic and GCC | **(7,250,204)** | (3,998,603) | **110,169,572** | 102,717,925 | **113,825,126** | 121,414,253 |
| Others | **7,857,504** | 2,586,902 | **73,417,782** | 83,297,704 | **846,414** | 662,020 |
| | **607,300** | (1,411,701) | **183,587,354** | 186,015,629 | **114,671,540** | 122,076,273 |

## 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. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| **Consolidated statement of financial position:** | | |
| Due from related parties and Ultimate Parent Company (refer note 16) | | |
| -Due from Ultimate Parent Company | **2,158** | 3,784 |
| -Due from associates | **2,728,071** | 166,730 |
| -Due from other related parties | **756,943** | 935,034 |
| -Accrued income and management fees | **686,145** | 680,063 |
| Due to related parties (refer note 21) | **111,386** | 62,000 |
| **Transactions with related parties** | | |
| Purchase of investment properties | **2,356,667** | - |
| Transfer of investments at fair value through profit or loss | **-** | 2,200,042 |
| Transfer of investment properties to a related party | **395,146** | - |
| Participation of capital increase in a subsidiary by related parties | **3,350,000** | - |
| Purchase of available for sale investments | **609,458** | - |
| Development and construction costs | **2,536,631** | 1,190,086 |
| **Investments in related parties** | | |
| Investments at fair value through profit or loss | **926,163** | 926,163 |
| Available for sale investments | **4,318,923** | 5,591,016 |
| **Consolidated statement of profit or loss** | | |
| Management and placement fees | | |
| - earned from Ultimate Parent Company | **335** | 8,634 |
| - earned from other related parties | **1,180** | 4,288 |
| - Dividend income | **261,615** | 313,938 |
| Reversal of provision for impairment on receivable from Ultimate Parent Company | **-** | 2,188,996 |
| Impairment of investments | **313,532** | 1,262,762 |
| **Compensation of key management personnel of the Group:** | | |
| Short term employee benefits | **607,435** | 656,097 |
| End of service benefits | **17,504** | 9,346 |
| Total key management compensation | **624,939** | 665,443 |

## 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. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| **Loans and receivables (at amortised cost):** | | |
| - Cash and bank balances | **10,417,011** | 7,737,506 |
| - Short term deposits | **6,804,031** | 2,613,255 |
| - Murabaha and wakala investments | **1,164,446** | 1,000,000 |
| - Accounts receivable and other assets (note 16) | **13,649,304** | 15,022,589 |
| | **32,034,792** | 26,373,350 |
| **Investments at fair value through profit or loss: (note 15)** | | |
| - Held for trading | **9,763,934** | 9,334,848 |
| - Designated on initial recognition | **1,504,581** | 2,364,343 |
| | **11,268,515** | 11,699,191 |
| **Available for sale investments (note 17)** | | |
| - At fair value | **32,080,350** | 41,154,128 |
| - At cost / cost less impairment (refer note17.1) | **2,992,807** | 2,835,639 |
| | **35,073,157** | 43,989,767 |
| **Total financial assets** | **78,376,464** | 82,062,308 |
| **Financial liabilities (at amortised costs) :** | | |
| - Due to banks (note 13) | **1,198,111** | 2,016,195 |
| - Accounts payable and other liabilities (note 21) | **6,583,029** | 7,568,953 |
| - Borrowings from banks and other financial institutions (note 22) | **106,172,825** | 111,898,284 |
| | **113,953,965** | 121,483,432 |

**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).

**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).

## Notes to the consolidated financial statements

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 2016 | Note | Level 1<br>KD | Level 2<br>KD | Level 3<br>KD | Total<br>KD |
|---|---|---|---|---|---|
| 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 |
| **31 December 2015** | | | | | |
| Financial assets at fair value: | | | | | |
| Investments at fair value through profit or loss | | | | | |
| - Quoted shares | a | 9,334,848 | - | - | 9,334,848 |
| - Unquoted shares | c | - | 2,364,343 | - | 2,364,343 |
| Available for sale investments | | | | | |
| - Quoted shares | a | 13,064,544 | 861,897 | - | 13,926,441 |
| - Unquoted shares | c | - | 14,268,132 | 7,911,930 | 22,180,062 |
| - Foreign funds | b | - | 5,047,625 | - | 5,047,625 |
| Total assets | | 22,399,392 | 22,541,997 | 7,911,930 | 52,853,319 |

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. Accordingly investments at fair value through profit or loss and available for sale investments with a carrying value of KD1,504,581 and KD7,738,731 as at reporting date have been transferred from level 2 to 3 during 2016 respectively.

**Measurement at fair value**

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

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

**Financial instruments in level 1, 2 and 3**

**a) Quoted shares**

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

**Financial instruments in level 2 & 3**

**b) Foreign funds (level 2)**

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

## Notes to the consolidated financial statements

**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.

**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. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| **As at 1 January** | **7,911,930** | 9,656,130 |
| Changes in fair value during the year recognised in other comprehensive income | **89,286** | 83,924 |
| Net addition | **4,345** | - |
| Transfer from level 2 | **9,555,486** | - |
| Transferred from investments carried at cost | **-** | 246,265 |
| Impairment loss recognised in the profit or loss | **(712,176)** | (2,074,389) |
| **As at 31 December** | **16,848,871** | 7,911,930 |

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

**31 December 2016**

| Financial asset | Valuation technique | Significant unobservable input | Range (weighted average) | Sensitivity of the fair value measurement to the input |
|---|---|---|---|---|
| Unquoted Shares/ quoted 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. |

*where market for the investment is not active.

**31 December 2015**

| | | | | |
|---|---|---|---|---|
| Unquoted Shares | DCF Method | Long term growth rate for cash flows for subsequent years | 5.8% | Higher the growth rate, higher the fair value. |
| | | WACC | 14.5% | 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 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 following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at

**31 December 2015:**

| | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|---|---|---|---|---|
| **Investment properties** | | | | |
| - Lands and buildings in Kuwait | - | - | 28,723,000 | 28,723,000 |
| - Properties under development in Kuwait | - | - | 10,602,000 | 10,602,000 |
| - Land in Jordan | - | - | 430,699 | 430,699 |
| | - | - | 39,755,699 | 39,755,699 |

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 (2015: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

## 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 freehold land – 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-KD255** | 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 |

**31 December 2015**

| | | | | |
|---|---|---|---|---|
| Building on freehold land – Kuwait (rental properties) | Yield method and Market comparison approach for land & cost less depreciation for buildings | Estimated market price for land (per sqm) | KD1,473– KD8,857 | The higher the price per square meter, the higher the fair value |
| | | Construction cost (per sqm) | KD59-KD264 | The higher the construction cost per square meter, the higher the fair value |
| | | Average monthly rent (per sqm) | KD2.46– KD9.02 | The higher the rent per square meter, the higher the fair value |
| | | Yield rate | 4.86% to 7.2% | 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 and Jordan | Market comparison approach | Estimated market price for land (per sqm) | KD1,574 to KD8,350 | The higher the price per square meter, the higher the fair value |

## Notes to the consolidated financial statements

**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.

### 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 Saudi Riyal. 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:

| | 2016 Equivalent KD | 2015 Equivalent KD |
|---|---|---|
| US Dollar | **(170,266)** | 1,301,303 |
| UAE Dirhams | **1,708,582** | - |
| Saudi Riyal | **-** | 937,931 |

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.

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:

## Notes to the consolidated financial statements

| 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) | | |

| At 31 December 2015 | 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 | 10,466 | - | - | - | 7,727,040 | 7,737,506 |
| Short term deposits | 1,252,080 | 1,361,175 | - | - | - | 2,613,255 |
| Murabaha and wakala investments | 1,000,000 | - | - | - | - | 1,000,000 |
| Investments at fair value through profit or loss | - | - | - | - | 11,699,191 | 11,699,191 |
| Accounts receivable and other assets | - | - | - | - | 15,266,515 | 15,266,515 |
| Inventories | - | - | - | - | 884,878 | 884,878 |
| Available for sale investments | - | - | - | - | 43,989,767 | 43,989,767 |
| Investment in associates | - | - | - | - | 53,076,227 | 53,076,227 |
| Investment properties | - | - | - | - | 39,755,699 | 39,755,699 |
| Property and equipment | - | - | - | - | 4,395,216 | 4,395,216 |
| Goodwill and other intangible assets | - | - | - | - | 5,597,375 | 5,597,375 |
| | 2,262,546 | 1,361,175 | - | - | 182,391,908 | 186,015,629 |

## Notes to the consolidated financial statements

| At 31 December 2015 | Up to 1 month | 1-3 months | 3-12 months | Over 12 months | Non-interest bearing items | Total |
|---|---|---|---|---|---|---|
| | KD | KD | KD | KD | KD | KD |
| **LIABILITIES** | | | | | | |
| Borrowings from banks, other financial institutions and due to banks | 9,205,570 | 4,120,320 | 645,963 | 99,942,626 | - | 113,914,479 |
| Accounts payable and other liabilities | - | - | - | - | 7,568,953 | 7,568,953 |
| Provision for end of service indemnity | - | - | - | - | 592,841 | 592,841 |
| | 9,205,570 | 4,120,320 | 645,963 | 99,942,626 | 8,161,794 | 122,076,273 |
| Total interest rate sensitivity Gap | (6,943,024) | (2,759,145) | (645,963) | (99,942,626) | | |
| Cumulative interest rate sensitivity gap | (6,943,024) | (9,702,169) | (10,348,132) | (110,290,758) | | |

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 (2015: 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. 2016 | Year ended 31 Dec. 2015 | Year ended 31 Dec. 2016 | Year ended 31 Dec. 2015 |
| | KD | KD | KD | KD |
| Profit/(loss) for the year | **(211,961)** | (254,241) | **211,961** | 254,241 |

**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/(loss) for the year and equity for the year ended 31 December would have been as follows, with all other variables held constant:

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

## Notes to the consolidated financial statements

| | Profit/(loss) for the year | | Other Comprehensive Income | |
|---|---|---|---|---|
| | 31 Dec. 2016 KD | 31 Dec. 2015 KD | 31 Dec. 2016 KD | 31 Dec. 2015 KD |
| Investments at fair value through profit or loss | **976,393** | 933,485 | **-** | - |
| Available for sale investments | | | | |
| - Impaired investments (refer *) | **181,055** | 312,744 | **77,994** | - |
| - Un-impaired investments | **-** | - | **716,833** | 2,170,775 |
| | **1,157,448** | 1,246,229 | **794,827** | 2,170,775 |

* 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 2016 and loss for the year 2015 would be higher and lower respectively.

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 KD176,435 (2015: increase loss for the year by KD812,373) and other comprehensive income by KD799,446 the investments at fair value through profit of loss would have decreased the profit for the year by KD976,393 (2015: KD933,485).

**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.

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. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Bank balances | **10,413,263** | 7,732,711 |
| Short term deposits | **6,804,031** | 2,613,255 |
| Murabaha, wakala and sukuk investments | **1,164,446** | 1,000,000 |
| Accounts receivable and other assets (refer note 16) | **13,649,304** | 15,022,589 |
| Available for sale investments (refer note 17) | **4,613,978** | 6,690,840 |
| | **36,645,022** | 33,059,395 |

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 for each of the reporting dates under 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 2016** | | | | | |
| Cash and bank balances | **9,775,394** | **585,859** | **55,758** | **-** | **10,417,011** |
| Short term deposits | **6,804,031** | **-** | **-** | **-** | **6,804,031** |
| Murabaha, wakala and sukuk 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** | **9,423,833** | **346,830** | **10,100,517** | **35,073,157** |
| | **48,199,519** | **17,748,207** | **1,808,035** | **10,620,703** | **78,376,464** |
| Due to banks | **1,198,111** | **-** | **-** | **-** | **1,198,111** |
| Accounts payable and other liabilities | **5,781,797** | **796,912** | **-** | **4,320** | **6,583,029** |
| Borrowings from banks and other financial institutions | **106,172,825** | **-** | **-** | **-** | **106,172,825** |
| | **113,152,733** | **796,912** | **-** | **4,320** | **113,953,965** |
| **At 31 December 2015** | | | | | |
| Cash and bank balances | 7,288,996 | 34,144 | 414,366 | - | 7,737,506 |
| Short term deposits | 2,613,255 | - | - | - | 2,613,255 |
| Murabaha and wakala investments | 1,000,000 | - | - | - | 1,000,000 |
| Investments at fair value through profit or loss | 5,265,477 | 2,730,622 | 3,581,249 | 121,843 | 11,699,191 |
| Accounts receivable and other assets (note 16) | 13,083,498 | 850,205 | 406,357 | 682,529 | 15,022,589 |
| Available for sale investments | 19,899,612 | 12,573,128 | 3,076,197 | 8,440,830 | 43,989,767 |
| | 49,150,838 | 16,188,099 | 7,478,169 | 9,245,202 | 82,062,308 |
| Due to banks | 2,016,195 | - | - | - | 2,016,195 |
| Accounts payable and other liabilities | 6,906,933 | - | - | 662,020 | 7,568,953 |
| Borrowings from banks and other financial institutions | 111,898,284 | - | - | - | 111,898,284 |
| | 120,821,412 | - | - | 662,020 | 121,483,432 |

### 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 2016 | 1 year KD | Over 1 year KD | Total KD |
|---|---|---|---|
| **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 other 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 other 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** |

| At 31 December 2015 | 1 year KD | Over 1 year KD | Total KD |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 7,737,506 | - | 7,737,506 |
| Short term deposits | 2,613,255 | - | 2,613,255 |
| Murabaha and wakala investments | 1,000,000 | - | 1,000,000 |
| Investment at fair value through profit or loss | 11,699,191 | - | 11,699,191 |
| Accounts receivable and other assets | 15,266,515 | - | 15,266,515 |
| Inventories | 884,878 | - | 884,878 |
| Available for sale investments | 6,256,519 | 37,733,248 | 43,989,767 |
| Investment in associates | - | 53,076,227 | 53,076,227 |
| Investment properties | - | 39,755,699 | 39,755,699 |
| Property and equipment | - | 4,395,216 | 4,395,216 |
| Goodwill and intangible assets | - | 5,597,375 | 5,597,375 |
| | 45,457,864 | 140,557,765 | 186,015,629 |
| **LIABILITIES** | | | |
| Accounts payable and other liabilities | 7,568,953 | - | 7,568,953 |
| Due to banks | 2,016,195 | - | 2,016,195 |
| Borrowings from banks and financial institutions | 11,955,658 | 99,942,626 | 111,898,284 |
| Provision for end of service indemnity | - | 592,841 | 592,841 |
| | 21,540,806 | 100,535,467 | 122,076,273 |

## Notes to the consolidated financial statements

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

| 31 December 2016 | 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 | - | - | 6,583,029 | - | 6,583,029 |
| Borrowings from banks and financial institutions including due to banks | - | 15,325,664 | 43,898,513 | 53,188,770 | 112,412,947 |
| | - | 15,325,664 | 50,481,542 | 53,188,770 | 118,995,976 |

| 31 December 2015 | | | | | |
|---|---|---|---|---|---|
| Financial liabilities | | | | | |
| Accounts payable and other liabilities | - | 540,000 | 7,028,953 | - | 7,568,953 |
| Borrowings from banks and financial institutions | 9,207,789 | 5,036,932 | 3,342,054 | 103,981,829 | 121,568,604 |
| | 9,207,789 | 5,576,932 | 10,371,007 | 103,981,829 | 129,137,557 |

## 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. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Borrowings from banks and financial institutions (refer note 22) | 106,172,825 | 111,898,284 |
| Less: Cash and cash equivalents (refer note 13) | (15,697,135) | (8,009,500) |
| Net debt | 90,475,690 | 103,888,784 |
| **Total equity** | 68,915,814 | 63,939,356 |

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. 2016 KD | 31 Dec. 2015 KD |
|---|---|---|
| Net debt | 90,475,690 | 103,888,784 |
| **Total equity** | 68,915,814 | 63,939,356 |
| Net debt to total equity ratio | 131% | 162% |

# 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 2016 amounted to KD46,843,638 (2015: KD54,230,073) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD44,553,519 (2015: KD52,230,986).

## 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 (KD1,931,631). 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 KD250,713 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 KD8,223,712 towards purchase of investments and development of investment properties (2015: KD1,791,430) and guarantees amounting to KD7,352,782 (2015: KD7,296,552).

During the year, one of the Group's local subsidiaries has signed a contract to obtain a right of use of land for 20 years and plans to construct commercial rental space on the land. The project is at the preliminary stage, and the total lease commitments for the land amounted to KD1,200,000 over a period of 20 years (lease commitment within one year amounted to KD60,000 and above one year amounted to KD1,140,000).

## 35- 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.