Interim condensed consolidated financial information and review report

Noor Financial Investment Company – KPSC and Subsidiaries

Kuwait

30 June 2017 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

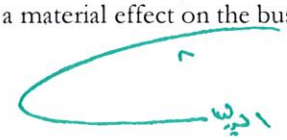
Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Noor Financial Investment Company KPSC (the "Parent Company") and its subsidiaries (together "the Group") as of 30 June 2017 and the related interim condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in note (2). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

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

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

Report on review of other legal and regulatory requirements
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2017 that might have had a material effect on the business or financial position of the Group.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provision of law no 7 of 2010 concerning the Capital Market Authority and its related regulations during the six-months period ended 30 June 2017 that might have had a material effect on the business or financial position of the Group.



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

Kuwait
2 August 2017

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 June 2017 (Unaudited) KD	Three months ended 30 June 2016 (Unaudited) KD	Six months ended 30 June 2017 (Unaudited) KD	Six months ended 30 June 2016 (Unaudited) KD
Income					
Revenue from hotel operations and IT Services		**3,877,482**	3,459,128	**8,768,717**	7,584,188
Realised gain on investments at fair value through profit or loss		**39,255**	50,261	**74,267**	25,050
Unrealised (loss)/gain on investments at fair value through profit or loss		**(312,791)**	14,553	**(158,150)**	(1,214,180)
Realised gain/(loss) on sale of available for sale investments		**584**	-	**36,026**	(447,496)
Dividend income		**815,739**	840,220	**1,088,291**	1,063,921
Share of results of associates		**1,831,355**	2,071,220	**4,139,136**	4,193,578
Rental Income		**264,492**	481,444	**601,580**	940,377
Realised gain on sale of investment property		**-**	50,000	**50,000**	50,000
Management and placement fees		**5,273**	22,879	**10,787**	29,750
Total income		**6,521,389**	6,989,705	**14,610,654**	12,225,188
Cost of sales and services		**(3,066,610)**	(2,783,364)	**(6,987,783)**	(6,075,185)
General, administrative and other expenses		**(1,157,330)**	(1,416,371)	**(2,537,864)**	(2,608,516)
Operating profit		**2,297,449**	2,789,970	**5,085,007**	3,541,487
Interest and other income		**123,667**	101,768	**165,690**	194,535
Foreign exchange loss		**(36,354)**	(15,538)	**(42,937)**	(52,265)
Finance costs		**(1,417,636)**	(1,009,293)	**(2,668,579)**	(2,085,061)
Impairment in value of available for sale investments	8	**-**	(761,253)	**(331,138)**	(1,172,206)
Impairment in value of accounts receivables and other assets		**-**	(536,943)	**(220,821)**	(536,943)
Profit/(loss) before taxes		**967,126**	568,711	**1,987,222**	(110,453)
Provision for KFAS contribution		**(5,873)**	(223)	**(15,159)**	(223)
Provision for Zakat		**(2,552)**	-	**(14,500)**	-
Provision for National Labour Support Tax		**(16,987)**	-	**(46,856)**	-
Profit /(loss)for the period		**941,714**	568,488	**1,910,707**	(110,676)
Attributable to:					
Owners of the Parent Company		**762,572**	671,705	**1,739,494**	56,645
Non-controlling interests		**179,142**	(103,217)	**171,213**	(167,321)
Profit/(loss) for the period		**941,714**	568,488	**1,910,707**	(110,676)
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	4	**1.89**	1.67	**4.32**	0.14

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD
Profit/(loss) for the period	**941,714**	568,488	**1,910,707**	(110,676)
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translation of foreign operations	**(462,283)**	(63,099)	**(673,115)**	(380,292)
Available for sale investments:				
-Net changes in fair value arising during the period	**(964,500)**	602,284	**(1,836,136)**	(4,917,973)
-Transferred to interim condensed consolidated statement of profit or loss on sale	**(584)**	-	**(36,026)**	447,496
-Transferred to interim condensed consolidated statement of profit or loss on impairment	**-**	761,253	**331,138**	1,172,206
Share of other comprehensive income of associates	**(238,172)**	575,751	**(1,017,438)**	256,796
Total other comprehensive (loss)/income for the period	**(1,665,539)**	1,876,189	**(3,231,577)**	(3,421,767)
Total comprehensive (loss)/income for the period	**(723,825)**	2,444,677	**(1,320,870)**	(3,532,443)
Total comprehensive income/ (loss) attributable to:				
Owners of the Parent Company	**(1,043,175)**	2,317,843	**(1,374,168)**	(1,673,221)
Non-controlling interests	**319,350**	126,834	**53,298**	(1,859,222)
	(723,825)	2,444,677	**(1,320,870)**	(3,532,443)

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 June 2017 (Unaudited)	31 Dec. 2016 (Audited)	30 June 2016 (Unaudited)
		KD	KD	KD
Assets				
Cash and bank balances	5	**12,334,060**	10,417,011	13,228,922
Short-term deposits	5	**9,529,031**	6,804,031	1,728,918
Murabaha ,wakala and sukuk investments	5	**1,172,966**	1,164,446	-
Investments at fair value through profit or loss	6	**12,335,540**	11,268,515	10,291,078
Accounts receivable and other assets	7	**17,743,184**	14,767,065	14,904,916
Inventories		**884,295**	774,786	927,778
Available for sale investments	8	**32,238,299**	35,073,157	34,636,882
Investment in associates		**61,380,905**	60,754,860	55,697,195
Investment properties	9	**32,428,327**	33,819,875	43,836,149
Property and equipment		**3,230,946**	3,397,447	3,990,723
Goodwill and other Intangible asset		**5,220,555**	5,346,161	5,449,581
Total assets		**188,498,108**	183,587,354	184,692,142
Liabilities and equity				
Liabilities				
Due to banks	5	**1,302,503**	1,198,111	987,499
Accounts payable and other liabilities		**10,162,016**	6,583,029	9,960,789
Borrowings from banks and other financial institutions	10	**109,182,036**	106,172,825	109,027,539
Provision for end of service indemnity		**767,892**	717,575	656,046
Total liabilities		**121,414,447**	114,671,540	120,631,873
Equity				
Share capital	11	**41,316,276**	41,316,276	41,316,276
Share premium		**3,410,573**	3,410,573	3,410,573
Treasury shares	12	**(3,410,573)**	(3,410,573)	(3,410,573)
Legal reserve		**1,763,896**	1,763,896	1,644,912
Voluntary reserve		**1,763,896**	1,763,896	1,644,912
Cumulative changes in fair value		**3,461,617**	5,896,895	2,436,234
Foreign currency translation reserve		**(10,416,872)**	(9,738,488)	(10,125,155)
Retained earnings		**6,778,315**	5,038,821	4,122,698
Equity attributable to the owners of the Parent Company		**44,667,128**	46,041,296	41,039,877
Non-controlling interests		**22,416,533**	22,874,518	23,020,392
Total equity		**67,083,661**	68,915,814	64,060,269
Total liabilities and equity		**188,498,108**	183,587,354	184,692,142

Fahad Sulaiman Al-Khaled
Chairman

Abdulghani M.S. Behbehani
Vice Chairman

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

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

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total 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 a subsidiary	-	-	-	-	-	-	-	(781,099)	(781,099)	5,781,099	5,000,000
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(6,554)	(6,554)
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	-	(1,340,090)	(1,340,090)
Transactions with owners	-	-	-	-	-	-	-	(781,099)	(781,099)	4,434,455	3,653,356
Profit/(loss) for the period	-	-	-	-	-	-	-	56,645	56,645	(167,321)	(110,676)
Total other comprehensive loss for the period	-	-	-	-	-	(1,412,250)	(317,616)	-	(1,729,866)	(1,691,901)	(3,421,767)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,412,250)	(317,616)	56,645	(1,673,221)	(1,859,222)	(3,532,443)
Balance as at 30 June 2016	**41,316,276**	**3,410,573**	**(3,410,573)**	**1,644,912**	**1,644,912**	**2,436,234**	**(10,125,155)**	**4,122,698**	**41,039,877**	**23,020,392**	**64,060,269**

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2017 (Unaudited) KD	Six months ended 30 June 2016 (Unaudited) KD
OPERATING ACTIVITIES			
Profit/(loss) before taxes		**1,987,222**	(110,453)
Adjustments:			
Realised (gain)/loss on sale of available for sale investments		**(36,026)**	447,496
Dividend income		**(1,088,291)**	(1,063,921)
Share of results of associates		**(4,139,136)**	(4,193,578)
Interest income and income from murabaha and wakala investments		**(48,063)**	(29,209)
Depreciation		**312,196**	265,437
Amortization of intangible assets		**125,606**	147,794
Realised gain on sale of investment properties		**(50,000)**	(50,000)
Provision for end of service indemnity		**51,086**	110,045
Finance costs		**2,668,579**	2,085,061
Impairment in value of available for sale investments and receivable		**551,959**	1,709,149
		335,132	(682,179)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**(1,067,025)**	1,408,113
Accounts receivable and other assets		**(2,320,707)**	(1,225,091)
Accounts payable and other liabilities		**3,358,063**	1,517,282
Inventories		**(109,509)**	(42,900)
Cash from operation		**195,954**	975,225
Payment of end of service indemnity		**(769)**	(46,840)
KFAS,Zakat and NLST paid		**(8,533)**	(20,633)
Net cash from operating activities		**186,652**	907,752
INVESTING ACTIVITIES			
Change in blocked deposits		**8,833**	(740)
Decrease/(increase) in Murabaha and wakala investments		**(8,520)**	1,000,000
Proceeds from sale of available for sale investments		**998,721**	4,445,206
Purchase of available for sale investments		**-**	(10,295)
Acquisition /improvement of investment properties		**(1,419,355)**	(4,880,788)
Proceeds from disposal of investment property		**2,650,000**	1,750,000
Net (acquisition)/disposal proceeds of property, plant and equipment		**(145,695)**	139,056
Dividend received from associate		**1,805,761**	1,599,200
Dividend received from other investments		**622,551**	1,063,921
Interest income & income from murabaha and wakala investments received		**48,063**	29,209
Net cash from investing activities		**4,560,359**	5,134,769
FINANCING ACTIVITIES			
Repayments of borrowings (net)		**3,009,211**	(2,870,745)
Acqusition/(redemption) of units by non-controlling interests		**2,199**	(6,554)
Payment to subsidiaries shareholders on capital reduction		**(24,476)**	(254,824)
Dividend paid to non-controlling interests by subsidiaries		**(520,161)**	(240,480)
Investment made by non-controlling interest in the capital of a subsidiary		**-**	5,000,000
Finance costs paid		**(2,667,294)**	(2,034,883)
Net cash used in financing activities		**(200,521)**	(407,486)
Net increase in cash and cash equivalents		**4,546,490**	5,635,035
Cash and cash equivalents at beginning of the period		**15,697,135**	8,009,500
Cash and cash equivalents at end of the period	5	**20,243,625**	13,644,535

The notes set out on pages 8 to 22 form an integral part of this interim consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

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

The principal objectives of the Parent Company are as follows:

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

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

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

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

The Board of Directors of the Parent Company approved this interim condensed consolidated financial information for issue on 2 August 2017.

The Parent Company's annual consolidated financial statements for the year ended 31 December 2016 were approved by the shareholders at the Annual General Meeting (AGM) held on 29 May 2017.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2017 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Fundamental accounting concept

The Group has prepared these interim condensed consolidated financial information under the going concern concept of accounting. As detailed in note 10.1 though certain loan instalments/loans had fallen due, the Parent Company is actively engaged with all its lenders to restructure its loans (totalling KD89,818,625) and is confident that based on the constructive discussions held to date they will be able to achieve an acceptable rescheduling within a short period of time. Further the Group's total assets exceeded its total liabilities by KD67,083,661 and, a significant amount of the current liabilities (borrowing from banks and financial institutions in Parent Company) amounting to KD68,246,750 are being currently negotiated by the Group management which is referred to in note 10.4 and the management doesn't expect such liabilities to be called upon until the loan restructuring is completed.

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

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Parent Company.

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

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation(continued)

The annual consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all IFRS except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2016.

Operating results for the six-month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2016.

The subsidiaries are consolidated and share of results of associates are recorded based on the management accounts for the period ended 30 June 2017.

3 Significant accounting policies

The interim condensed consolidated financial information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the Group but did not have any significant impact on the financial position or the results for the period. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses – Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

Notes to the interim condensed consolidated financial information (continued)

4 Basic & diluted earnings per share

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

	Three months ended		Six months ended	
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD)	**762,572**	671,705	**1,739,494**	56,645
Weighted average number of shares outstanding during the period	**413,162,761**	413,162,761	**413,162,761**	413,162,761
Less: Weighted average number of treasury shares outstanding during the period	**(10,359,065)**	(10,359,065)	**(10,359,065)**	(10,359,065)
	402,803,696	402,803,696	**402,803,696**	402,803,696
Basic and diluted earnings per share (Fils)	**1.89**	1.67	**4.32**	0.14

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

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

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Cash and bank balances	**12,334,060**	10,417,011	13,228,922
Short term deposits	**9,529,031**	6,804,031	1,728,918
	21,863,091	17,221,042	14,957,840
Less: Due to banks	**(1,302,503)**	(1,198,111)	(987,499)
Less: Blocked balances	**(316,963)**	(325,796)	(325,806)
Cash and cash equivalents as per statement of cash flows	**20,243,625**	15,697,135	13,644,535

Cash and bank balances include call accounts which earn interests.

Due to banks represent bank overdraft facilities utilised by subsidiary and are secured by short term deposit of KD994,031(31 December 2016: KD994,031 and 30 June 2016: KD970,545).

Cash and cash equivalents include bank balances of KD913,594 (31 December 2016: KD999,612 and 30 June 2016: KD1,946,371) which are designated for the purpose of payment on account of capital reduction and dividend payments to non controlling interest of two subsidiaries.

Notes to the interim condensed consolidated financial information (continued)

5 Cash and cash equivalents and murabaha , wakala and Sukuk investments (contiued)

b) Murabaha and Sukuk investments

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Placed with local Islamic banks-Murabaha	1,020,001	1,011,481	-
Sukuk investments	152,965	152,965	-
	1,172,966	1,164,446	-

c) Wakala investments of KD14,324,160 (31 December 2016: KD14,324,160 and 30 June 2016: KD14,324,160) placed with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd, 4th and 5th instalments due in June 2014, 2015, 2016 and 2017 respectively. The Group has initiated various legal cases against the investee company to recover these amount. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules.

During the previous years, the Group assumed the financial and legal obligations on wakala investments of KD9,968,250 (in violation of the Commercial Companies Law of 1960) that the Group had placed with the above investment company as part of total wakala investments of KD14,324,160 in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group initiated legal proceedings against the parties to recover the amount including profits thereon. During the year 2014, the Court of Appeal ordered the related parties to pay KD8,285,000 with 7% of profit thereon to the Group which was overturned by the Court of Cassation in favor of the related party during the year 2015. The Group also initiated legal proceeding relating to the remaining amount of KD1,683,250 against the related parties. During the period ended 30 June 2017, the court of first instance has ordered the related parties to pay KD1,683,250 to the Group and the related party has appealed against the court decision.

No profit was recognised on impaired wakala investments during the current period (31 December 2016: KD Nil and 30 June 2016: KD Nil)

6 Investments at fair value through profit or loss

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Held for trading:			
Quoted shares	10,871,948	9,763,934	8,672,579
- Local	6,349,764	5,239,183	4,612,791
- Foreign	4,522,184	4,524,751	4,059,788
Designated on initial recognition:			
-Unquoted foreign shares	1,463,592	1,504,581	1,618,499
	12,335,540	11,268,515	10,291,078

Quoted shares with a fair value of KD913,822 (31 December 2016: KD985,400 and 30 June 2016: KD925,970) are secured against bank loans (refer note 10).

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other assets

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Financial assets:			
Accounts receivable	**4,927,975**	4,268,331	3,999,180
Due from the Ultimate Parent Company	**1,794**	2,158	-
Due from other related parties	**5,257,560**	3,485,014	2,023,799
Due from investment brokerage companies	**2,003,993**	1,759,406	3,270,860
Due from future trade customers	**1,166,008**	2,908,877	3,440,825
Accrued income	**1,416,419**	849,575	821,174
Other financial assets	**529,863**	375,943	797,374
	15,303,612	13,649,304	14,353,212
Non-financial assets			
Advance payments to acquire investments*	**1,320,000**	-	-
Other assets	**1,119,572**	1,117,761	551,704
	2,439,572	1,117,761	551,704
	17,743,184	14,767,065	14,904,916

* This represents advance payaments made to acquire certain non-financial investments during the period and Group's management exepcts to finalise the transactions during 2017.

8 Available for sale investments

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Quoted shares	**9,842,418**	10,211,074	9,902,802
- Local	**7,181,172**	7,625,387	7,217,704
- Foreign	**2,661,246**	2,585,687	2,685,098
Unquoted shares	**18,325,533**	20,248,105	19,835,073
- Local	**7,708,229**	7,576,590	7,998,080
- Foreign	**10,617,304**	12,671,515	11,836,993
Foreign funds	**4,070,348**	4,613,978	4,899,007
	32,238,299	35,073,157	34,636,882

a) 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 KD1,349,590 (31 December 2016: KD2,992,807 and 30 June 2016: 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/ further impairment in value of these investments.

b) Quoted shares with a fair value of KD4,095,690 (31 December 2016: KD4,271,919 and 30 June 2016: KD4,522,986) and unquoted shares with a fair value of KD6,367,878(31 December 2016: KD6,200,000 and 30 June 2016: KD6,600,000) are secured against bank loans (refer note 10).

Notes to the interim condensed consolidated financial information (continued)

8 Available for sale investments (contiued)

c) During the period, the Group recognised an impairment loss of KDNil (31 December 2016: KD418,473 and 30 June 2016: KD416,661) 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 KD331,138 (31 December 2016: KD1,674,378 and 30 June 2016: KD755,545) against certain unquoted shares, local and foreign funds based on independent valuations, estimate and the net asset values reported by the investment managers at the reporting date.

9 Investment properties

The movement of investment properties is as follows:

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Fair value as at beginning of the period/year	**33,819,875**	39,755,699	39,755,699
Acquisition of properties	**-**	3,006,667	3,006,667
Developments and construction costs	**1,602,170**	2,588,292	1,874,121
Transfers in settlement of receivable	**-**	880,511	899,662
Disposals	**(3,000,000)**	(11,676,957)	(1,700,000)
Changes in fair value	**-**	(603,728)	-
Foreign currency translation	**6,282**	(130,609)	-
	32,428,327	33,819,875	43,836,149

Investment properties comprise land and buildings in the following countries:

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Kuwait	**30,945,925**	32,343,755	41,919,353
Outside Kuwait	**1,482,402**	1,476,120	1,916,796
	32,428,327	33,819,875	43,836,149

Investments properties amounting to KD 11,091,000 (31 December 2016: KD11,091,000 and 30 June 2016: KD11,285,000) and KD16,488,170 (31 December 2016: KD14,886,000 and 30 June 2016: KD12,512,600) are secured against bank loans and Ijara Financing facilities respectively (refer note 10).

The above investment properties include jointly controlled investment properties with a carrying value of KD12,950,170 (31 December 2016: KD11,348,000 and 30 June 2016: KD10,675,875) which are partly financed from Ijara financing arrangement and the related Group's share of the jointly controlled liabilities of KD8,250,075(31 December 2016 KD:4,875,075 and 30 June 2016: KD4,875,075) has been included under borrowings.

During the year 2016, one of the Group's subsidiary acquired two properties, located in UAE and Kuwait, with a carrying value as of 30 June 2017 of KD1,936,075 from a related party. These properties are still in the name of the related party and the legal formalities to transfer the ownerships is in progress.

During the period/year, borrowing cost of KD182,815 (31 December 2016: KD128,222 and 30 June 2016: KD58,592) has been capitalised to investment properties under development.

As of the reporting date, the Group has contingent liability in respect of Ijara payable of KD8,250,075 (31 December 2016: KD 4,875,075 and 30 June 2016; KD4,875,075)

Notes to the interim condensed consolidated financial information (continued)

10 Borrowings from banks and financial institutions

	Security	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Short term *				
Ijara financing - Kuwaiti Dinnar	Secured	**1,100,000**	6,075,075	6,075,075
Loan Payable - Kuwaiti Dinnar	Secured	**1,000,000**	1,080,000	1,080,000
Murabaha and Tawaruq payables	Secured	**671,914**	703,089	-
		2,771,914	7,858,164	7,155,075
Long term **				
Loans payable – Kuwaiti Dinar	Secured	**69,193,625**	69,193,625	69,193,625
Wakala payable – Kuwaiti Dinar	Secured	**27,500,000**	27,500,000	27,500,000
Ijara financing - Kuwaiti Dinnar	Secured	**9,716,497**	1,621,036	5,178,839
		106,410,122	98,314,661	101,872,464
Total		**109,182,036**	106,172,825	109,027,539

* Short term loan carries effective interest rate of 4.75% p.a. and short term Ijara financing, Murabha and Tawaraq payable carries effective profit rate of 4.75% to 5.75% p.a.

**Long term loan payable carries effective interest rate of 4.75% to 5.75% p.a. and long term Ijara financing and Wakala payable carries effective profit rate of 4.75% to 6.75% p.a.

10.1 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 30 June 2017, 31 December 2016 and 30 June 2016, these are partly secured (notes 6,8 and 9) 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 and subsequent to the reporting date, the due amount to the above loan has been settled with 30% discount. The gain which has resulted from the waiver of the principle which amounts to KD2,062,500 will be recongised as income during the 3rd quarter of 2017. 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.

The Parent Company had submitted a debt rescheduling plan to all its lenders and had also requested from all of the lenders to extend the standstill as the restructuring is still in process and to continue negotiations to reach an acceptable debt rescheduling solution. During the period ended 30 June 2017 and 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.

Notes to the interim condensed consolidated financial information (continued)

10 Borrowings from banks and financial institutions (continued)

10.2 Ijara financing contracts and loan amounting to KD11,487,868 (31 December 2016: KD7,281,881 and 30 June 2016: KD11,253,914) are secured by investments properties (Note 9).

10.3 Long term loans and wakala amounting to KD96,693,625(31 December 2016: KD96,693,625 and 30 June 2016: KD96,693,625) are secured by investment at fair value through profit or loss (note 6), available for sale investments (note 8) and investment properties (note 9) and against shares of two unlisted subsidiaries of the Parent Company.

10.4. The above loans are due as follows:

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Short term Ijara Financing	**1,100,000**	6,075,075	6,075,075
Short term loans	**1,000,000**	1,080,000	1,080,000
Short term Tawaruq Payable	**671,914**	703,089	-
Long term loans and Wakala payable			
- Current portion due within one year	**75,121,750**	45,934,250	12,375,000
- Due after more than one year	**21,571,875**	50,759,375	84,318,625
Long term ijara financing			
- Current portion due within one year	**460,500**	304,500	861,283
- Due after more than one year	**9,255,997**	1,316,536	4,317,556
	109,182,036	106,172,825	109,027,539

11 Share capital

The authorised, issued and paid up share capital of the Parent Company comprise of 413,162,761 shares of 100 Fils each (31 December 2016: 413,162,761 and 30 June 2016: 413,162,761 of 100 Fils each), fully paid in cash.

12 Treasury shares

The Group holds treasury shares as follows:

	30 June 2017 (Unaudited)	31 Dec. 2016 (Audited)	30 June 2016 (Unaudited)
Number of shares	**10,359,065**	10,359,065	10,359,065
Percentage of issued shares	**2.51%**	2.51%	2.51%
Market value (KD)	**503,451**	466,158	398,824
Cost (KD)	**3,410,573**	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.

13 Segment analysis

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

Notes to the interim condensed consolidated financial information (continued)

13 Segment analysis (continued)

Segmental information for the period/year ended 30 June 2017, 31 December 2016 and 30 June 2016 are as follows:

	Investments		Real Estate		IT services		Hotel operations		Total	
	30 June 2017 KD	30 June 2016 KD	30 June 2017 KD	30 June 2016 KD	30 June 2017 KD	30 June 2016 KD	30 June 2017 KD	30 June 2016 KD	30 June 2017 KD	30 June 2016 KD
Revenue from hotel operations and IT services	-	-	-	-	**7,409,463**	6,476,859	**1,359,254**	1,107,329	**8,768,717**	7,584,188
Investments related income (realised, unrealised and dividend income)	**1,040,434**	(572,705)	-	-	-	-	-	-	**1,040,434**	(572,705)
Rental income	-	-	**601,580**	940,377	-	-	-	-	**601,580**	940,377
Management and placement fee	**10,787**	29,750	-	-	-	-	-	-	**10,787**	29,750
Share of results of associates	**4,110,004**	4,118,664	**29,132**	74,914	-	-	-	-	**4,139,136**	4,193,578
Realised gain on sale of investment properties	-	-	**50,000**	50,000	-	-	-	-	**50,000**	50,000
Segment income	**5,161,225**	3,575,709	**680,712**	1,065,291	**7,409,463**	6,476,859	**1,359,254**	1,107,329	**14,610,654**	12,225,188
Cost of sales and services	-	-	-	-	**(6,432,396)**	(5,504,156)	**(555,387)**	(571,029)	**(6,987,783)**	(6,075,185)
General and administrative expenses	**(705,369)**	(839,910)	**(415,991)**	(385,152)	**(712,338)**	(886,134)	**(704,166)**	(497,320)	**(2,537,864)**	(2,608,516)
Operating profit	**4,455,856**	2,735,799	**264,721**	680,139	**264,729**	86,569	**99,701**	38,980	**5,085,007**	3,541,487
Interest income, other income and foreign exchange gain	**61,097**	142,270	-	-	**61,656**	-	-	-	**122,753**	142,270
Impairments	**(331,138)**	(1,239,155)	-	(95,959)	**(220,821)**	(374,035)	-	-	**(551,959)**	(1,709,149)
Finance cost	**(2,501,860)**	(1,902,565)	**(55,722)**	(91,024)	**(110,997)**	(91,472)	-	-	**(2,668,579)**	(2,085,061)
Segment profit/ (loss) before taxes	**1,683,955**	(263,651)	**208,999**	493,156	**(5,433)**	(378,938)	**99,701**	38,980	**1,987,222**	(110,453)

	30 June 2017 (Unaudited)			31 December 2016 (Audited)			30 June 2016 (Unaudited)		
	Assets KD	Liablities KD	Net assets KD	Assets KD	Liablities KD	Net assets KD	Assets KD	Liablities KD	Net assets KD
Investment	**119,620,638**	**(98,150,989)**	**21,469,649**	119,905,262	(98,277,355)	21,627,907	112,495,163	(98,989,915)	13,505,248
Real Estate	**48,320,151**	**(14,836,269)**	**33,483,882**	44,515,634	(8,856,442)	35,659,192	55,225,590	(13,178,895)	42,046,695
IT services	**16,003,964**	**(7,506,135)**	**8,497,829**	14,576,895	(6,741,079)	7,835,816	12,964,621	(7,682,675)	5,281,946
Hotel operation	**4,553,355**	**(921,054)**	**3,632,301**	4,589,563	(796,664)	3,792,899	4,006,768	(780,388)	3,226,380
Total	**188,498,108**	**(121,414,447)**	**67,083,661**	183,587,354	(114,671,540)	68,915,814	184,692,142	(120,631,873)	64,060,269

Notes to the interim condensed consolidated financial information (continued)

14 Related party transactions

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

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

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Due from related parties and the Ultimate Parent Company			
- Due from Ultimate Parent Company (note 7)	**1,749**	2,158	-
- Due from associates (note 7)	**3,023,294**	2,728,071	427,502
- Due from other related parties (note 7)	**2,234,266**	756,943	1,596,297
- Accrued income and management fees	**678,139**	686,145	676,514
Due to related parties			
- Due to Ultimate Parent Company	-	-	2,954
- Due to other related parties	**2,931,549**	111,386	486,711
Transactions with related parties			
Purchase of investment properties	-	2,356,667	2,356,667
Sale of Investment properties*	**550,000**	395,146	-
Participation of capital increase in a subsidiary by related parties	-	3,350,000	3,350,000
Purchase of available for sale investments	-	609,458	-
Sale of available for sale investments	**609,458**	-	-
Development and construction costs	**1,419,355**	2,536,631	1,819,094
Transfer of other assets	**350,000**	-	-
Investments in related parties			
- Investments at fair value through profit or loss	**857,840**	926,163	865,431
- Available for sale investments	**4,321,317**	4,318,923	4,597,877

* Disposed at carrying value and no gain or loss has been recognised.

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD
Interim condensed consolidated statement of profit or loss				
Management and placement fees				
- earned from Ultimate Parent Company	**138**	111	**273**	226
- earned from other related parties	**299**	267	**594**	684
Dividend income	-	261,615	-	261,615
Compensation of key management personnel of the Group				
Short term employee benefits	**202,969**	236,265	**388,521**	343,053
End of service benefits	**29,729**	24,080	**32,180**	27,369
	232,698	260,345	**420,701**	370,422

Notes to the interim condensed consolidated financial information (continued)

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

15.1 Categories of financial assets and liabilities

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

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Loans and receivables(at amortised cost):			
• Cash and bank balances	**12,334,060**	10,417,011	13,228,922
• Short term deposits	**9,529,031**	6,804,031	1,728,918
• Murabaha and sukuk investments	**1,172,966**	1,164,446	-
• Accounts receivable and other assets (note 7)	**15,303,612**	13,649,304	14,353,212
	38,339,669	32,034,792	29,311,052
Investments at fair value through profit or loss: (note 6)			
• Held for trading	**10,871,948**	9,763,934	8,672,579
• Designated on initial recognition	**1,463,592**	1,504,581	1,618,499
	12,335,540	11,268,515	10,291,078
Available for sale investments (note 8)			
• At fair value	**30,888,709**	32,080,350	31,801,243
• At cost / cost less impairment (refer note 8(a)	**1,349,590**	2,992,807	2,835,639
	32,238,299	35,073,157	34,636,882
Total financial assets	**82,913,508**	78,376,464	74,239,012
Financial liabilities (at amortised costs) :			
• Due to banks	**1,302,503**	1,198,111	987,499
• Accounts payable and other liabilities	**10,162,016**	6,583,029	9,960,789
• Borrowings from banks and financial institutions (note 10)	**109,182,036**	106,172,825	109,027,539
	120,646,555	113,953,965	119,975,827

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 8) at fair value and measurement details are disclosed in note 15.2 to the interim condensed consolidated financial statements. In the opinion of the Group's management, except for certain long term borrowing (refer note 10) the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

Notes to the interim condensed consolidated financial information (continued)

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

15.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

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

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

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

31 December 2016	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
-Quoted shares	9,763,934	-	-	9,763,934
-Unquoted shares	-	-	1,504,581	1,504,581
Available for sale investments				
-Quoted shares	8,493,587	1,134,763	582,724	10,211,074
-Unquoted shares	-	4,294,115	14,761,566	19,055,681
-Foreign funds	-	2,813,595	-	2,813,595
Total assets	18,257,521	8,242,473	16,848,871	43,348,865

Notes to the interim condensed consolidated financial information (continued)

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

15.2 Fair value hierarchy for financial instruments measured at fair value (continued)

30 June 2016	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
-Quoted shares	8,672,579	-	-	8,672,579
-Unquoted shares	-	1,618,499	-	1,618,499
Available for sale investments				
-Quoted shares	8,666,415	1,236,387	-	9,902,802
-Unquoted shares	-	3,631,542	15,011,107	18,642,649
-Foreign funds	-	3,255,792	-	3,255,792
Total assets	17,338,994	9,742,220	15,011,107	42,092,321

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

Level 3 Fair value measurements

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

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Balance at the beginning of the period/year	**16,848,871**	7,911,930	7,911,930
Change in fair value	**(274,191)**	89,286	118,005
Additions during the period/year	**-**	4,345	-
Transfer from level 2	**167,841**	9,555,486	6,981,172
Disposed during the period/year	**(663,416)**	-	-
Impairment of level 3 investments	**-**	(712,176)	-
Balance at the end of the period/year	**16,079,105**	16,848,871	15,011,107

16 Contingent liabilities and Capital commitments

Contingent liabilities

a) On 1 December 2011, the Parent Company's Jordanian subsidiary, Noor Jordanian Kuwaiti Financial Investment Company Limited ("the Seller") disposed of its entire equity interest in one of its Jordanian subsidiary (Noor Jordan Kuwait Transport Company JSCC) to nine individual buyers ("the Buyers"). Subsequent to the transfer of shares and control to the Buyers, they have filed a case against the seller claiming misrepresentation in valuing the subsidiary assets at JD4,500,000 (KD1,921,776). The subsidiary's management and legal advisor believe that the favorable decision of the court is probable; hence, no provision for any effects that may result has been made in the interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

16 Contingent liabilities and Capital commitments (continued)

b) The local income tax authority in Pakistan has raised demands requesting the Parent Company to pay additional amount of KD247,767 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.

c) 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 information with respect thereto.

Guarantees and capital commitments

At the reporting date, the Group had capital commitments of KD6,772,789(31 December 2016: KD8,223,712 and 30 June 2016: KD1,830,070) towards purchase of investments and development of investment properties and guarantees amounting to KD6,944,825 (31 December 2016: KD7,352,782 and 30 June 2016: KD7,259,920).

17 Fiduciary assets

The Group manages mutual funds and portfolios on behalf of its Ultimate Parent Company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's interim condensed consolidated statements of financial position. Assets under management at 30 June 2017 amounted to KD44,245,512 (31 December 2016: KD46,843,638 and 30 June 2016: KD46,685,735) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD41,813,853 (31 December 2016: KD44,553,519 and 30 June 2016: KD44,253,481).

18 Distributions and directors' remuneration

The shareholders at their Annual General Meeting held on 29 May 2017 approved not to make any distributions for the year ended 31 December 2016. (2015: Nil).

The shareholders of the Parent Company at the Annual General Meeting held on 29 May 2017, approved to distribute a total amount of KD36,000 as remuneration to the Board of Directors for the year ended 31 December 2016. Consequently, this has been recorded as an expense during the current period.

19 Subsequent events

Subsequent to the reporting date, as disclosed in note 10.1, a loan amount due to one of the lenders has been settled in cash with a 30% discount. The gain which has resulted from the waiver of the principle which amounts to KD2,062,500 will be recongised as income during the 3rd quarter of 2017.

20 Comparative information

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