الصفاة
AL SAFAT

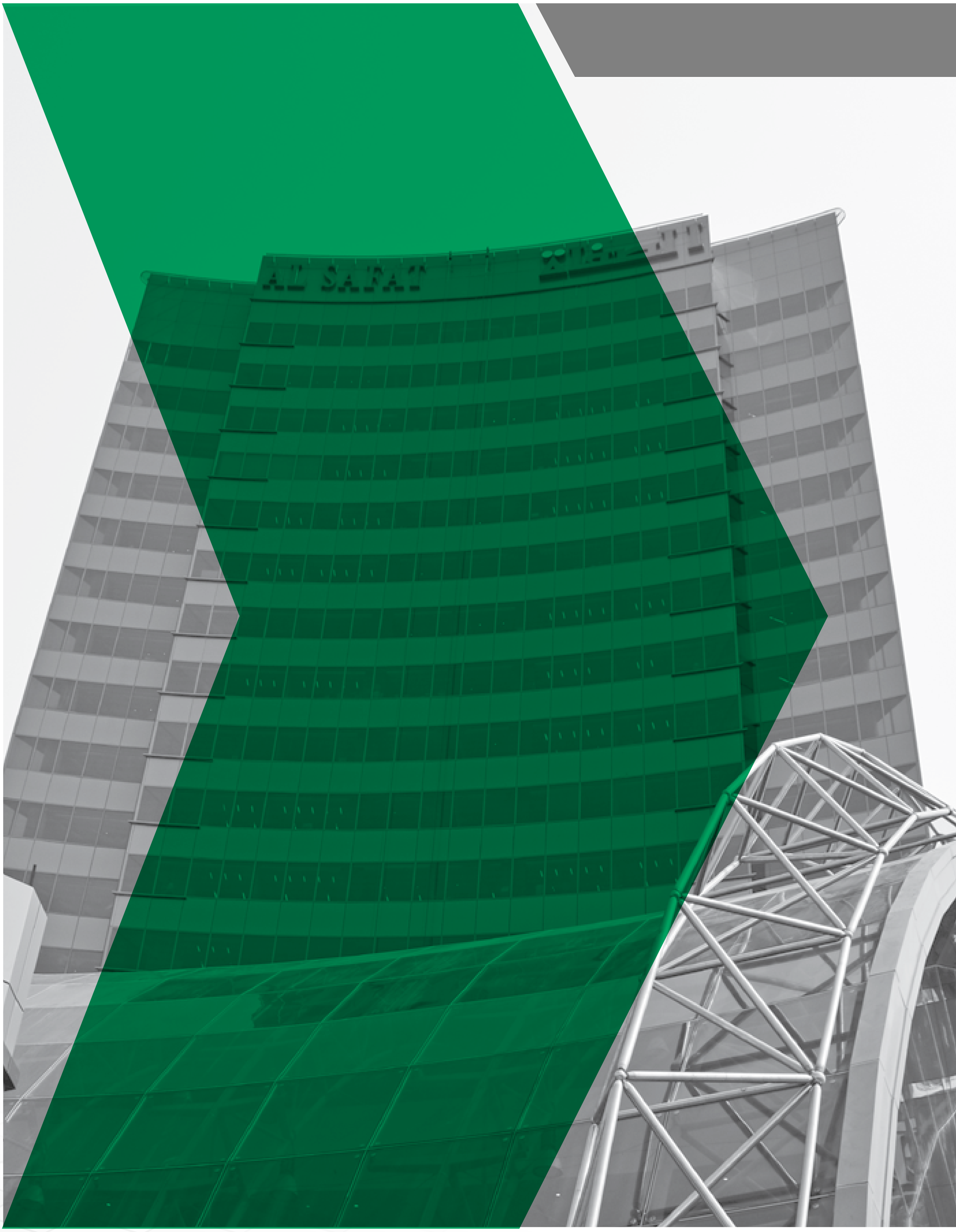
شركة الصفاة للإستثمار ش.م.ك
AL SAFAT INVESTMENT COMPANY K.S.C

Annual Report 2015

Annual Report 2015

H.H. SHEIKH
SABAH AL-AHMAD AL-JABER AL-SABAH
Amir of the state of Kuwait

H.H. SHEIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown prince of the state of Kuwait


AL SAFAT

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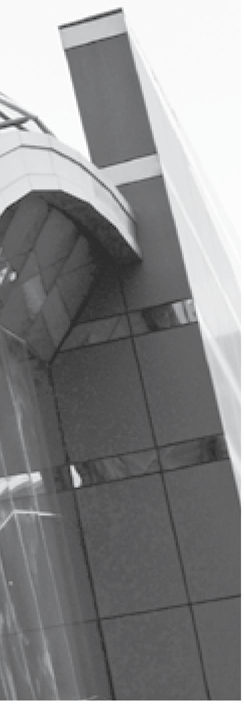

Al-Safat Investment Company witnessed remarkable developments during 2015 and our businesses turned to become profitable at both stand-alone and consolidated levels

Al-Safat Investment Company Profile

Al-Safat Investment Company was incorporated on September 15th, 1983 as Kuwaiti Shareholding Company carrying out its business in accordance with the rules and regulations of the Islamic Shari'a. The Company's share capital stood at KD 25,693,940.

The Company is regulated by the Kuwaiti supervisory authorities viz. Capital Market Authority "CMA", Central Bank of Kuwait "CBK" and the Ministry of Commerce & Industry "MOCI", and fully comply with the laws and regulations promulgated by these authorities.

The company is committed to target successful and high-yield investments by adopting deliberate vision to capture promising investment opportunities and products that accommodate the investors' needs at a broad level.

Company's activities:

1) Invest in real estate, financial, healthcare, industrial, energy, agricultural, food and other economic sectors through participating in the establishment of specialized companies or purchase of stocks and bonds in these companies, or manage projects in various sectors.
2) Manage funds of private and public institutions funds and investing such funds in the various economic sectors.
3) Conduct and provide technical, economic and evaluation consultancy, study investment projects and prepare the necessary studies through a professional integrated team.
4) Act as an intermediary in lending and borrowing transactions and extend loans to others in accordance with the generally recognized conventions and rules and regulations laid down by the Central Bank of Kuwait.
5) Perform the functions of lead manager of bonds issued by companies and institutions as well as the functions of investment trustee.
6) Carry out stock trading including sale and purchase of shares and bonds of local and international governmental institutions.
7) Provide all services that assist in development and reinforcement of the market's financial and monetary capabilities in Kuwait and satisfying its needs.
8) Form and manage all kinds of investment funds in accordance with the applicable law.
9) Manage and oversee the activities of Collective Investment Scheme acting as an "Investment Controller".

Subsidiaries and Assosiates of Al Safat Investment Company

Subsidiaries of Al-Safat Investment Company:

Name of the Subsidiary	Ownership Percentage 2015
Al-Safat Holding Company K.S.C. (Closed)	100%
Safat House for Consultancy Company K.S.C. (Closed)	96%
Al-Assriya Printing Press, Publishing And Distribution Company W.L.L.	90%
Dar Al-Safat for General Trading Company W.L.L.	100%
The Roots Brokerage – Egypt	60%

Assosiates of Al-Safat Investment Company:

Name of the Associate	Ownership Percentage 2015
Kuwait Medical Centre Holding Company K.S.C. (Closed)	13.72%
Safat Industries Holding Company K.S.C.	25.35%

Key Investments of Al-Safat Investment Company:

Name of the Company
Al-Qudra Holding Company - United Arab Emirates
Safat Energy Holding Company K.S.C.
Osos Holding Group Company K.S.C.
Shuaiba Industrial Company K.P.S.C.


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شركة الصفاة للإستثمار ش.م.ك
AL SAFAT INVESTMENT COMPANY K.S.C

Chairman's Message

Dear Shareholders,
May Peace, Mercy And Blessings of Allah be bestowed upon you!

On behalf of myself, Board of Directors, Executive Management and all employees of, Al Safat Investment Company, I would like to welcome you to the annual ordinary general assembly meeting of the Company and convey the Company's Annual Report for the fiscal year ended 31 December 2015 that includes the Consolidated Financial Statements, Auditors' Report, Shari'a Auditor's Report and the major financial highlights.

Our Honorable Shareholders,
Regardless all the challenges, in particular the losses we incurred over the last few years, our Company witnessed remarkable developments during 2015 and our businesses turned to become profitable at both stand-alone and consolidated levels. Among our achievements is the growth of profits while reducing the general and administration expenses.

Board of Directors discharges its responsibilities by carrying out duties independently and jointly and dedicating the time and efforts sufficient to assume such responsibilities in a good faith for the best interests of the Company and its shareholders. In addition, Board of Directors has a proactive vision by making sound businesses that aim to maximize the returns to the shareholders. To this end, we shall always ensure transparent communications with you and strive to employ a sustained business model that supports development of the Company and growth of profits.

Our Honorable Shareholders,
We now recognize a noteworthy improvement of the Company›s financial results and indicators thanks to Allah then to the sincere efforts of the Company's Board of Directors and Executive Management in restructuring the Company's strategy and business model. The new strategy includes a clear Strategic Conversion Program, Corporate Business Models and a Restructure Plan for its operations and internal organizational, operating and supervisory environment.

On the other hand, we have launched the restructure of associates and subsidiaries has been launched to adjust their positions towards the sustained growth, restructure of the Company's portfolio to exit from those investments outside the strategic sectors in a timely manner against optimal consideration and utilizing the exit proceeds in making new investments and acquiring the majority interests in profitable subsidiaries that have strong potential for growth.

The Company's Financial Performance as at 31 December 2015:

Having exerted great efforts and faced many challenges and obstacles because of which the Company incurred losses over the last few years, the Company is now turned to profitability. Our Company made a profit for the financial year ended 31 December 2015 of KD 1,875,021, i.e. 7.31 fils per share compared to a loss of KD (10,278,616), i.e. -40.07 fils per share for 2014. Total assets amounted to KD 58.9 million for the year ended 31 December 2015 compared to KD 63.8 million for 2014.

Shareholders' equity amounted to KD 33.0 million for the year ended 31 December 2015 compared to KD 31.8 million for the year ended 31 December 2014 and the book value per share reached 128.2 fils compared to 41.1 fils for the comparable year. At the liability level, the Company's total liabilities as at 31 December 2015 amounted to KD 25.2 million against KD 31.2 million as at 31 December 2014. Encouragingly, the Company's profits amounting to KD 1,875,021 include an impairment of KD 1,323,311.

Wakala payables to Qatar National Bank amounted to KD 21.1 million as at 31 December 2015. Moreover, the investment Wakala Contract dated 26.11.2007 between the Company and Qatar National Bank is in dispute because of the termination of Wakala and the juridical qualification of its contracts. The ruling of the Court of First Instance was pronounced in 2013 to reject the case. Later, the Court of Appeal issued its ruling of a correct legal qualification of the contract for being an investment wakala relation and nullified the ruling issued by the Court of First Instance. The later ruling, however, wrongly included a borrower-lender relationship and, hence, obligated the Company to pay back the wakala amount plus 12% interest thereon. As this ruling contravenes the provisions of the law, similar rulings of Court of Cassation and terms and conditions of the Wakala Investment Contract, the Company submitted its appeals Nos. (411, 408, 416/2016) to the Court of Cassation. On 6 April 2016, the Court of Cassation pronounced its ruling to suspend execution of the ruling issued by the Court of Appeal on 27 January 2016 till the disposition of the case. It is evident that the Court of Cassation believed that the reasons of appeal are reasonable. I would like to take this opportunity to assure that we spare no effort to close this file in a manner that preserves the rights of our shareholders.

Company’s Strategy Going Forward:

Safat Investment Company developed a future strategy focused on supervision mechanisms within the investment operations, seeking the promising investment opportunities available in the various sectors, maximizing the Company's existing investments and relocation of the capital to the new investments and acquisitions locally and regionally by studying and selecting the good opportunities.

Our Company aims to be an advanced and major investor through its future investments in order to achieve its vision by adopting the preset strategy in the management and support of its companies, focus on the sustained growth and valuable sectors and complete restructuring of its subsidiaries and associates.

Reduction of the Company's Capital:

In order to pass the last obstacle, an extraordinary general assembly meeting was held on 11 may 2016 to approve amortization of the accumulated losses amounting to KD 52,133,824 as reported in the last approved financial statements as at 31 December 2014 by reducing the Company's capital to KD 25,693,940. This led to adequacy capital structure for the planned investment in new projects that accommodate the ambitions of the Company's shareholders namely maximizing their values and returns thereon, achieving the sustained growth and making investments that are appropriate to the Company's financial resources.

Company's License with Capital Markets Authority "CMA":

Thanks to the efforts of the Company's Board of Directors and Executive Management, the Company obtained on 21 April 2016 a final license for a term of three years from Capital Markets Authority to carry out securities activity. This proves, company's commitment to fully complies with all regulations and instructions promulgated by the regulatory bodies in particular Capital Markets Authority.

Finally, I would like to thank to my colleagues, members of the Board of Directors for their sincere efforts, dedication and devotion for the best interests of the Company and its shareholders, and wish the coming Board of Directors all success in the leadership and management of the Company for the best interests of its shareholders.

I would like also to thank our Company's Executive Management and employees for their enduring efforts in the Company. My heartfelt gratitude and appreciation is extended to Capital Markets Authority, Central Bank of Kuwait, Ministry of Commerce & Industry and all regulatory authorities in the State of Kuwait.

May Peace, Mercy And Blessings of Allah be bestowed upon you!

Abdullah Hamad Al-Terkait
Chairman

Corporate Governance Report

Corporate Governance Report 2015

Al-Safat Investment Company ("Safat" or the "Company") complies with and implement the Corporate Governance regulations applicable in the State of Kuwait. The Company's Board of Directors «BOD» assumes such responsibility by adopting the best practices and mechanisms and updating the in-house policies and procedures. BOD, which is comprised of seven members, developed and approve the Company's new organization structure that outlines the responsibilities, authorities and the various reporting lines, and regulate the relationship between the shareholders, BOD, Executive Management and the stakeholders. In addition, charts of BOD Committees have been approved to monitor the implementation of the best practices. Such charts cover the duties and responsibilities of the committees and the Executive Management, and include the Code of Conduct and Ethics and the internal policies. BOD also developed the financial, administrative and operating authorities including those of the Executive Management, BOD Committees and BOD.

The Company pay its most attention to Corporate Governance principles such as trust, transparency, accountability, supervision and ethics practice of which creates a sound culture in the Company.

I. BOD Duties

The Company's BOD is entrusted with the strategic guidance and oversight through reviewing and approving the various policies and procedures whether directly or with assistance of its committees that shall be activated once a new BOD is elected to include independent directors in conformity with the provisions of the Executive Regulations of the Law No. 7/2010 (Module 15 "Corporate Governance") and the amendments thereof issued by Capital Markets Authority to ensure compliance with specific standards and, hence, minimize the risks the Company may expose to. BOD has wide powers and authorities to manage the Company and ensure the good conduct of business and, eventually, realize the main objective, which is protection of the shareholders' rights.

BOD strives to implement all the applicable regulations and requirements and lay down the Corporate Governance rules such as strengthening transparency and equal treatment, enhancement of oversight and audit procedures, minimizing the conflict of interests, promoting the professional behaviors and the other rules that contribute to the growth of the Company and achievement of its goals. To this end, BOD has approved the charts of Corporate Governance Committee, Nomination & Remuneration Committee and Audit & risk Management Committee, Code of Conduct & Ethics, rules of transparency, disclosure and dealing with stakeholders and whilst-blowing procedures.

II. BOD Composition

In accordance with Article 14 of the Company's Articles of Association, the Company's BOD is composed of 7 members elected by the general assembly of the Company's shareholders. The Chairman and Vice Chairman are selected by secret ballot. The Company ensures segregation of duties between the Chairman and Chief Executive Officer of the Company.

Corporate Governance Report 2015

III. BOD Members

Members of the Company's BOD are:

Sr.	Name	Position
1.	Mr. Abdullah Hamad Al-Terkait	Chairman
2.	Mr. Fahad Abdul Rahman Al-Mukhaizeem	Vice Chairman
3.	Mr. Meshal Ahmad Al-Jarki	Board Member
4.	Mr. Abdul Mohsen Sulaiman Al-Meshan	Board Member
5.	Mr. Naser Bader Al-Sharhan	Board Member
6.	Mr. Abdul Razzaq Zaid Al-Dhebian	Board Member
7.	Mr. Abdul Mohsen Abdulaziz Al-Sarawai	Board Member

On 23 April 2014, BOD held its meeting No. 2 of 2014 and elected Mrs. Khawla Mohammad Awadh Kandeel to act as the Board Secretary.

IV. BOD Duties & Responsibilities

BOD duties and responsibilities include:

1. Approve the Company's targets, strategies, plans and policies.
2. Approve the annual budget and the interim and annual financial statements.
3. Oversee the capital expenditures and asset acquisition and disposal thereof.
4. Ensure compliance with the internal policies and procedures as well as the bylaws.
5. Approve effective channels of communication with the Company's shareholders on a continuous and regular basis to keep them updated with the Company's preliminary activities and any other development.
6. Validate a Corporate Governance System, oversee implementation thereof and monitor its efficiency.
7. Ensure that the Company's policies and procedures are clear and transparent in a manner that facilitate the decision-making process, abidance by Corporate Governance rules and segregation of duties and authorities between BOD and Executive Management.
8. Set out the authorities entrusted to the higher management, decision-making procedures and term of authorization.
9. Monitor and oversee the performance of the Executive Management.
10. Categorize the remuneration and compensation of employees subject to approval of Nomination & Remuneration Committee.
11. Appoint or dismiss the executive managers and the Chief Executive Officer in line with the approved matrix of authorities.
12. On a regular basis, ensure that the internal control systems are efficient and adequate.

V. BOD Committees

In carrying out its duties, the Company's BOD is supported by three committees. Each Committee has roles, responsibilities and authorizes approved by BOD. Duties and responsibilities of each Committee should be documented in a chart that sets out the terms of reference of such Committee. All Committees are comprised of non-executive BOD members holding the relevant experiences. These Committees are:

A. Audit Committee "AC"

AC assists BOD in discharging its responsibilities in terms of verifying compliance with the auditing standards, implementation of the Company's various policies and identification of the weaknesses and taking the corrective actions.

- AC Formation:

AC is formed once a new BOD is elected, provided that the Company's BOD should include independent members in accordance with the provisions of the Executive Regulations of the Law No. 7/2010 (Module 15 "Corporate Governance") and the amendments thereof issued by Capital Markets Authority.

- AC Roles & Responsibilities:

1. Review and approve the interim and annual financial statements and the external auditor's report before presenting the same to BOD for final approval to ensure integrity and transparency of the financial reporting.
2. Ensure the adequacy and coverage of external audit scope and independence of the Company's external auditor, and strive not impair such independence and ensure the sound coordination for external audit works.
3. Review the feedback of the external auditors on the Company's financial statements and follow the related corrective actions.
4. Review the accounting principles and policies, and examine any change that may affect the Company's financial position and identify any reasons for such changes.
5. Review and approve the annual plan of internal audit.
6. Oversee the internal auditing, and review and approve the scope and frequency of internal audits.
7. Review the internal audit reports of the various departments, discuss the observations, take the corrective actions, identify the responsible persons and set the timeframe for implementation.
8. Verify adequacy and efficiency of the internal control systems including the strategies, policies and procedures as well as the sound practices for the management and monitoring the various risks, and ensure implementation of the same.
9. Follow up implementation of the agreed upon corrective actions as per a preset timeframe.
10. Review the reports of the regulatory bodies and ensure that the necessary actions have been taken.
11. Review the reports of Shari'a Supervisory Board before presenting the same to BOD for approval.
12. Review and initially approve the policies and procedures of the internal audit.

13. Ensure compliance of the relevant legislation.
14. Nominate, appoint, dismiss or replace the internal auditor, fix his remuneration and evaluate his efficiency.
15. Submit recommendation to BOD of appointment, reappointment or replacement of the external auditors as per list of external auditors approved by CMA and fixing their fees.
16. Review the transactions with the related parties and raise a recommendation thereon to BOD.
17. Hold regular meetings with the external auditor and at least four times a year with the internal auditor and whenever requested by the Committee.

B. Risk Committee «RC»

BOD Risk Committee is responsible for reviewing and monitoring the risks to which the Company is exposed, risk management strategy, risk appetite and the related controls to minimize such risks, setting the levels of risk tolerance against the expected rewards and raising the related recommendations to BOD.

- RC Formation:

RC is formed once a new BOD is elected, provided that the Company's BOD should include independent members.

- RC Roles & Responsibilities:

1. Prepare and review the risk management policies and strategies subject to BOD approval, and ensure implementation thereof and their relevance to the Company's size of activities.
2. Verify adequacy and efficiency of the internal control systems including the strategies, policies and procedures as well as the sound practices for the management and monitoring the various risks, and ensure implementation of the same.
3. Ensure sufficiency of resources and systems for risk management, review the organization structure of risk management, raise the related recommendations for BOD approval and ensure that department personnel have the full understanding of risks and they work independent of the operating activities.
4. Assist BOD in defining and assessing the accepted level of risks, evaluate the systems and mechanisms for defining, measuring and following up the various types of risks.
5. Review the risk assessment reports and the procedures taken to minimize or address such risks within the approved levels of risks against the expected rewards.
6. Review the observations raised by RC that may affect risk management.
7. Review and initially approve the risk management policies and procedures.
8. Carry out any other task assigned by BOD in accordance with the approved matrix of authority.

C. Nomination & Remuneration Committee «NRC»

NRC is responsible for reviewing the remuneration plan of the Company, overseeing development of succession plan and submitting recommendations on the remunerations of the Executive Management. NRC also reviews the annual remunerations of the executives and present the same to BOD. In addition, NRC nominates candidates for BOD membership, train the new directors and enhance the awareness of BOD directors. The other responsibilities of NRC include supervising evaluation of the performance of BOD and its Committees and coordinating with Compliance Unit and Audit Committee to facilitate their works.

- NRC Formation:

NRC is formed once a new BOD is elected, provided that the Company's BOD should include independent members.

- NRC Roles & Responsibilities:

1. Prepare and develop provision and remuneration policy for BOD directors in line with the applicable laws and based on BOD recommendations subject to the approval of the ordinary general assembly.
2. Prepare and develop provision and remuneration policy for BOD Committee members.
3. Setting the remuneration categories such as fixed payment, performance related payment, share-based payment and end of service termination benefits.
4. Supervise preparation of the policy relating to remuneration payment, promotion, increments, benefits, bonus and salaries of the Executive Management and staff.
5. Ensure that remuneration is paid in accordance with the Company's policy, review the related policies on a regular basis to ensure that they are effective and help achieve the preset targets, e.g. attracting good candidates and retaining the competent staff.
6. Prepare a detailed annual report on the remuneration of BOD members and Executive Management to be presented to the general assembly for approval.
7. Initially approve the annual manpower plan and recommendations of the Executive Management and present the same to BOD for final approval.
8. Initially approve the executive rotation plan and present the same to BOD for final approval.
9. Prepare the job descriptions for the executive and non-executive directors and independent directors.
10. Propose the nomination and re-nomination of the independent directors to be elected by the general assembly, and ensure that such director is and shall be always independent.
11. Submit the recommendations to BOD for filling the vacant positions in the Executive Management and the other leading positions as per the approved policies and procedures, provided that these should not contravene the applicable laws and regulations.

12. Ensure the nomination of the best candidate in terms of efficiency, experience and ability to carry out the assigned duties of any post at the highest levels.
13. Supervise preparation and setting the Company's needs of competent personnel for the Executive Management and the other positions, bases of selection, recruitment process and terms of contract with the employees who are directly reporting to executives and their deputies, amendments to employment contracts and renewal thereof and/or staff service termination/resignation.
14. Setting the strengths and weaknesses in BOD through the self-assessment and recommend the necessary corrective actions in the best interests of the Company.
15. Supervise preparation of the training plan for all the Company staff and monitor implementation thereof.
16. Approve the grading system and salary structure.
17. Carry out any other task assigned by BOD in accordance with the approved matrix of authority.

VI. Code of Conduct & Ethics

BOD strives to strengthen the professional standards and values that promote integrity in the Company, as a whole, and among the members of the Executive Management and staff. The Group's Code of Conduct & Ethics highlights the morals and ethics that the stakeholders should follow in carrying out the Group's business. This Code specifically includes BOD, Group staff and the other stakeholders.

VII. Related Party Transactions

Related Party Transaction Policy sets out the guiding principles for making and managing the related party transactions between the Company and BOD members, subsidiaries/associates, any other related party, Executive Management or staff including financing and other commercial transactions. This Policy, overall, complies with the regulatory requirements and the international financial reporting standards.

VIII. Conflict of Interests

BOD is entrusted with monitoring and managing any conflict of interest including abuse of the Company's resources and misuse of the powers and authorities. This Policy includes guidelines on how the various types of conflict of interest is identified, reported and minimized or avoided including the rules relating to related parties.

IX. Confidentiality & Information Security

BOD, Executive Management and staff are all committed to maintain the confidentiality of information of the Company's clients, as required under the provisions of the laws and instructions issued by the regulatory bodies. Such information is subject to certain rules that are strictly applied in the Company.

X. Whilst-blowing Policy

The Company provides a professional business environment that promotes cooperation and transparency. The whilst-blowing procedures in the Company include the guiding principles and steps that allow the Group staff to directly contact the Chairman to convey their concerns regarding any violations, wrong practices or misbehaviors. These procedures are taken in a manner that provides protection of employees and ensure that the required investigations are duly made and procedures are duly supervised.

XI. Disclosure & Transparency

The Company is required to provide accurate, complete and updated information to the regulatory bodies and the Company's shareholders in accordance with the legal and regulatory regulations and within the transparency framework. The Company ensures implementation of integral practices and policies for disclosure of information to the public in a timely manner. For this purpose, the Company developed a policy for transparency and disclosure of information; such policy reflects all disclosure requirements including financial, non-financial and regulatory requirements and certain guidelines on the Company's responsibility.

Disclosure & Transparency Unit is an central independent unit under Compliance Unit and responsible for managing the exchange of information inside the Company in addition to making available accurate and high quality information to the stakeholders inside and outside the Company in a timely manner.

Al-Safat Investment Company and its subsidiaries cooperate with all the regulatory bodies and provide timely and accurate information in accordance with the relevant policies. The Compliance Officer communicates with the regulatory bodies on a regular basis.

The disclosure framework covers all the qualitative and quantitative information relating to the financial performance, financial stability, risk management, remuneration, corporate governance, related party transactions, conflict of interests, the significant changes in the industry, etc.

Abdullah Hamad Al-Terkait
Chairman

Board of Directors

Mr. Abdullah Hamad Al Terkait
Chairman

Mr. Fahad Abdul Rahman Al Mukhaizim
Vice Chairman

Mr. Abdul Muhsen Suliman Al Meshan
Board Member

Mr. Abdul Mohsen Abdul Aziz Al Saraawi
Board Member

Mr. Mishaal Ahmed Al Jareki
Board Member

Mr. Abdul Razzaq Zaid Al Dhubayan
Board Member

Mr. Naser Bader Al Sharhan
Board Member

Sharia Report

The Sharia Report of Al-Safat Investment Co.
Fatwa and Shariah Supervisory Board
For the period from 01/01/2015 to 31/12/2015

To: The Shareholders of Al-Safat Investment Company.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2015 to 31/12/2015. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2015 to 31/12/2015. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We Wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Prof /Abdul Aziz k. Al-Qassar
Chairman of the Sharia Committee

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

Consolidated Financial statements for 2015

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Independent auditors' report to the shareholders of Al Safat Investment Company K.P.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Safat Investment Company K.P.S.C. ("the parent company") and its subsidiaries (together referred to as "the Group") which comprise the consolidated financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Emphasis of matter

We draw attention to Note No. 34 to consolidated financial statements which states that an appeals court judgement was issued against the Group that adjudicates (Rules) Group's obligation to pay amount of 360 Million Qatari Riyals or its equivalent in Kuwaiti Dinars (KD 30,046,540) along with interest at a rate of 12% per annum from 1 June 2010 till full payment. The financial effect of this judgement, which is unrecorded in Group's books as at 31 December 2015, is KD 29,046,075.

On 6 April 2016, the court ruled to temporarily stop the implementation of the impugned judgement until judgement on the appeal.

We also draw attention to Note No. 33 to consolidated financial statements which states that the Group has past due wakalas in the amount of KD 21,142,347 as at 31 December 2015 (2014: KD 27,031,076) representing the amount recorded in Group's books with respect to appeals court judgement mentioned above.

Report on other legal and regulatory requirements

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, the Executive Regulation, Law No. 7 of year 2010 concerning Capital Markets Authority, organization of Stock Exchange activities and its Executive Regulations, Law No. 32 of year 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking activities and its related regulation, Articles and Memorandum of Association of Parent Company and their amendments.

The inventory was carried out as per recognized principals and we have not become aware of any contravention of Law No. 1 of year 2016, the Executive Regulation, Law No. 7 of 2010 concerning Capital Markets Authority, organization of Stock Exchange activities and its Executive Regulations, Law No. 32 of year 1968 as amended concerning currency, the Central Bank of Kuwait and the organization of banking business and its related regulations or Articles and Memorandum of Association of the Parent Company and their amendments, during the year ended 31 December 2015, that would materially affect the Group's activities or its consolidated financial position.

Barrak Abdul Mohsen Al-Ateeqi
Licence No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Qais M. Al Nisf
Licence No. 38 "A"
BDO Al Nisf & Partners

Kuwait : 2 August 2016

Consolidated statement of financial position

At 31 December 2015

Assets	Notes	2015 KD	2014 (Restated) KD
Property, plant and equipment	4	2,166,615	2,273,396
Right of use property	5	12,473,816	14,142,532
Goodwill	3.2	1,550,265	1,550,265
Investment in associates	6	6,066,007	5,095,967
Available for sale investments	7	23,683,838	27,984,272
Inventory		67,307	56,444
Accounts receivable and other assets	8	2,376,156	7,051,394
Due from related parties	9	-	1,554,999
Wakala receivables	10	508,868	1,728,843
Investments at fair value through statement of income	11	4,918,257	1,160,509
Cash and bank balances	12	4,038,268	1,197,979
		57,849,397	63,796,600
Assets held for sale	5 & 6	1,076,861	-
Total assets		58,926,258	63,796,600
Equity and liabilities			
Equity			
Share capital	13	25,693,940	77,298,334
Share premium	14	259,677	259,677
Statutory reserve	15	195,297	-
Voluntary reserve	16	195,297	-
Treasury shares	17	(259,677)	(259,677)
Treasury shares reserve		615,002	615,002
Fair value reserve		4,865,355	5,549,822
Foreign currency translation reserve		(89,170)	(62,797)
Employees share option reserve		-	529,430
Retained earnings / (accumulated losses)		1,484,427	(52,133,824)
Equity attributable to owners of the Parent Company		32,960,148	31,795,967
Non-controlling interests		812,216	834,225
Total equity		33,772,364	32,630,192
Liabilities			
Provision for staff indemnity		512,202	461,858
Wakala investment - Qatar National Bank	18	21,142,347	20,399,455
Accounts payable and other liabilities	19	3,499,345	3,609,474
Wakalas payable	20	-	6,695,621
Total liabilities		25,153,894	31,166,408
Total equity and liabilities		58,926,258	63,796,600

Abdullah H. Al-Terkait
Chairman

Fahad A. Al-Mukhaizim
Vice Chairman

Consolidated statement of income

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Investment Activities			
Income from Islamic deposits		138,366	207,135
Dividend income		393,108	309,225
Income from portfolio and asset management		440,083	209,487
Realized (loss) / gain on sale of investment at fair value through statement of income		(138,489)	15,689
Unrealized gain / (loss) on investment at fair value through statement of income		107,298	(364,704)
Realized gain on sale of available for sale investments		113,754	1,408,385
Gain on disposal of subsidiary	3.2	77,260	-
Gain on disposal of associate	6	16,997	-
Gain on bargain purchase	6	1,219,000	-
Group's share of results of associates	6	20,828	(480,687)
Gain on reclassification of available for sale investments	6	81,948	-
Loss on sale of right of utilization of land		-	(650,000)
Net rental loss from right of use property	21	(58,959)	(265,074)
Fee income		169,450	290,053
Provisions	22	(510,300)	(914,401)
Impairment losses	23	(1,323,311)	(7,568,432)
Loss on foreign currency exchange		(977,227)	(581,157)
Gain on wakala payables settlement	20	2,989,048	377,272
Other income	24	553,789	35,642
Total profit / (loss) from investment activities		3,312,643	(7,971,567)
Trading Activities			
Revenue from trading activities		2,087,856	553,980
Cost of revenue from trading activities		(1,548,461)	(432,367)
Total profits from trading activities		539,395	121,613
		3,852,038	(7,849,954)
Expenses			
General and administrative expenses	25	(1,871,929)	(2,341,299)
Finance costs		(1,434)	(51,855)
Profit / (loss) for the year before Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration		1,978,675	(10,243,108)
KFAS		(17,834)	-
Zakat		(25,118)	-
Board of Directors' remuneration	37	(35,000)	-
Profit / (loss) for the year		1,900,723	(10,243,108)
Attributable to:			
Owners of the parent		1,875,021	(10,278,616)
Non-controlling interests		25,702	35,508
		1,900,723	(10,243,108)
Earnings / (loss) per share (Basic and diluted) attributable to owners of the Parent Company (fils)	26	7.31	(40.07)

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 KD	2014 KD
Profit / (loss) for the year		1,900,723	(10,243,108)
Other comprehensive loss			
Items that may be reclassified subsequently to the consolidated statement of income			
Unrealized loss on available for sale investments		(1,847,488)	(6,705,483)
Transfer to statement of income on sale of available for sale investments		(113,754)	(1,408,385)
Gain on reclassification of available for sale investments		(81,948)	-
Fair value reserve of an associate		5,283	-
Impairment of available for sale investments	23	1,323,311	7,556,524
Exchange differences on translating foreign operations		(43,955)	68,415
Other comprehensive loss		(758,551)	(488,929)
Total comprehensive income / (loss) for the year		1,142,172	(10,732,037)
Attributable to:			
Owners of the Parent Company		1,164,181	(10,765,614)
Non-controlling interests		(22,009)	33,577
		1,142,172	(10,732,037)

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares
	KD	KD	KD	KD	KD
Balance at 31 December 2013	77,298,334	1,910,434	-	-	(259,677)
Amortization of accumulated losses	-	(1,650,757)	-	-	-
	77,298,334	259,677	-	-	(259,677)
(Loss) / profit for the year	-	-	-	-	-
Other comprehensive (loss) / income for the year	-	-	-	-	-
Total comprehensive (loss) / income for the year	-	-	-	-	-
Non-controlling interest resulting from acquisition of subsidiary	-	-	-	-	-
Acquisition through Purchase Price Allocation (note 35)	-	-	-	-	-
Balance at 31 December 2014 (Restated)	77,298,334	259,677	-	-	(259,677)
Transferred to share premium	-	529,430	-	-	-
Amortization of accumulated losses (note 36)	-	(529,430)	-	-	-
Extinguishment of accumulated losses (note 36)	(51,604,394)	-	-	-	-
	25,693,940	259,677	-	-	(259,677)
Profit for the year	-	-	-	-	-
Other comprehensive loss for the year	-	-	-	-	-
Total comprehensive (loss) / income for the year	-	-	-	-	-
Transferred to reserves	-	-	195,297	195,297	-
Balance at 31 December 2015	25,693,940	259,677	195,297	195,297	(259,677)

Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Employee share option reserve	Retained earnings / (accumulated losses)	Equity attributable to owners of the parent	Non-controlling interests	Total equity
KD	KD	KD	KD	KD	KD		
615,002	6,107,166	(133,143)	529,430	(43,505,965)	42,561,581	432,907	42,994,488
-	-	-	-	1,650,757	-	-	-
615,002	6,107,166	(133,143)	529,430	(41,855,208)	42,561,581	432,907	42,994,488
-	-	-	-	(10,278,616)	(10,278,616)	35,508	(10,243,108)
-	(557,344)	70,346	-	-	(486,998)	(1,931)	(488,929)
-	(557,344)	70,346	-	(10,278,616)	(10,765,614)	33,577	(10,732,037)
-	-	-	-	-	-	304,383	304,383
-	-	-	-	-	-	63,358	63,358
615,002	5,549,822	(62,797)	529,430	(52,133,824)	31,795,967	834,225	32,630,192
-	-	-	(529,430)	-	-	-	-
-	-	-	-	529,430	-	-	-
-	-	-	-	51,604,394	-	-	-
615,002	5,549,822	(62,797)	-	-	31,795,967	834,225	32,630,192
-	-	-	-	1,875,021	1,875,021	25,702	1,900,723
-	(684,467)	(26,373)	-	-	(710,840)	(47,711)	(758,551)
-	(684,467)	(26,373)	-	1,875,021	1,164,181	(22,009)	1,142,172
-	-	-	-	(390,594)	-	-	-
615,002	4,865,355	(89,170)	-	1,484,427	32,960,148	812,216	33,772,364

Consolidated statement of cash flows
For the year ended 31 December 2015

	Note	2015 KD	2014 KD
Cash flows from operating activities			
Profit / (loss) for the year		1,900,723	(10,243,108)
Adjustments for:			
Depreciation	4	161,015	61,476
Income from Islamic deposits		(138,366)	(207,135)
Dividend Income		(393,108)	(309,225)
Finance costs		1,434	51,855
Realized gain on sale of available for sale investments		(113,754)	(1,408,385)
Realized loss / (gain) on investment at fair value through statement of income		138,489	(15,689)
Unrealized (gain) / loss on investments at fair value through statement of income		(107,298)	364,704
Gain on disposal of subsidiary	3.2	(77,260)	-
Gain on disposal of associate	6	(16,997)	-
Gain on bargain purchase	6	(1,219,000)	-
Group's share of results of associates	6	(20,828)	480,687
Gain on reclassification of available for sale investments	6	(81,948)	-
Loss on sale of right of utilization of land	8	-	650,000
Provisions	22	510,300	914,401
Impairment losses	23	1,323,311	7,568,432
Gain from wakala payables settlement	20	(2,989,048)	(377,272)
Provision for staff indemnity		79,354	53,675
Amortisation of right of use property	5	868,716	821,185
Exchange loss on wakala investment - Qatar National Bank		742,892	746,060
		568,627	(848,339)
Changes in operating assets and liabilities			
Investments at fair value through statement of income		(312,912)	264,881
Accounts receivable and other assets		4,849,311	4,263,096
Inventory		(10,863)	12,987
Wakala receivables		1,144,000	361,232

	Note	2015 KD	2014 KD
Due from related parties		1,511,664	(1,552,427)
Accounts payable and other liabilities		(364,380)	(542,715)
Cash generated from operations		7,385,447	1,958,715
Staff indemnity paid		(29,010)	(74,092)
Net cash from operating activities		7,356,437	1,884,623
Cash flows from investing activities			
Proceeds from disposal of available for sale investments		813,340	2,983,160
Purchase of available for sale investments		(2,333,999)	(4,999,338)
Proceeds from disposal of associate		648,427	-
Net purchase of property plant, and equipment		(56,103)	(45,631)
Purchase of associate		(575,000)	-
Income from Islamic deposits received		138,366	207,135
Dividend Income		267,255	1,429
Net cash used in investing activities		(1,097,714)	(1,853,245)
Cash flows from financing activities			
Net movement in wakala payables		(3,417,000)	(275,000)
Finance costs paid		(1,434)	(51,855)
Net cash used in financing activities		(3,418,434)	(326,855)
Change in non-controlling interests		-	302,452
Increase in cash and cash equivalent		2,840,289	6,975
Cash and cash equivalent at beginning of the year		1,197,979	1,191,004
Cash and cash equivalent at end of the year	12	4,038,268	1,197,979
Non-cash transactions:			
Net investment in associates		218,641	4,750,065
Wakala payables and accrued contracted cost		2,989,048	377,272
Non-current assets held for sale		1,076,861	-

1. General information

Al Safat Investment Company K.P.S.C. («the parent company») incorporated on 15 September 1983. The parent company shares was listed on the Kuwait Stock Exchange on 21 November 2005 and is governed under the supervision of the Capital Market Authority and Central Bank of Kuwait. The company has been suspended from trading on the Kuwait Stock Exchange on 1 April 2012.

The group comprises the parent company and its subsidiaries. Details of the subsidiaries are set out in note 3.2.

The company›s purposes are required to be conducted in accordance with Islamic Sharia Laws. The company is not allowed, under any circumstances, to conduct any of its activities mentioned below in a way that exposes the company, direct or indirect, to conduct its activities contrary to Islamic Sharia.

The company is incorporated for purpose of conducting investment activities for its own account and for its clients, investing in various sectors through interest in companies, portfolios and funds management activities, lending, brokerage and related activities.

According to the memorandum issued by shareholding companies department No. 1150 dated 31 May 2015, based upon extra-ordinary general assembly meeting held on 28 April 2015, the Company complied with the requirements of Companies Law No. 25 of 2012, as amended, and its Executive Regulations. This has been registered in Commercial Registration on 31 May 2015.

Companies Law was issued on 24 January 2016 as per decree Law No. 1 of 2016 (Companies Law) which was published in official gazette on 1 February 2016 through which Companies Law 25 of 2012 and its amendments were cancelled. This law is to be applied retroactively effective 26 November 2012.

The Ministry of Commerce and Industry will issue the Executive Regulations and necessary discussions to implement its provisions within two months from the date of publication in formal gazette. Other oversight parties will issue during the period mentioned above, decision related to issuance of the provisions of the law. The Executive Regulations of Law No. 25 of 2012 and its amendments are effective until new Executive Regulations for the Law are implemented. This will determine the rules and regulations for compliance with requirements of the new law.

The address of the parent company's registered office is Al-Safat Group Headquarters, Hawalli, Beirut Street, Opposite to Al-Qadessya Club – Floor 13, P.O. Box 20133, Al Safat 13062, State of Kuwait.

The consolidated financial statements of Al Safat Investment Company K.P.S.C. and its subsidiaries (the group) for the year ended 31 December 2015 were authorized for issue by the parent company's board of directors on 23 Jun 2016 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the parent company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

a) New standards, interpretations and amendments effective from 1 January 2015

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered. But if those contributions depend on the number of years of service, those contributions must be allocated to the periods of service using the same attribution method as used for the gross benefit.

These amendments became effective on 1 July 2014. These amendments had no impact on the Group.

Annual improvements to IFRS2010 – 2012 Cycle:

Amendments to IFRS 2 Share–based Payment

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify the definition of 'vesting conditions' by separately defining a 'performance condition' and a 'service condition'. Those clarifications include the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

Amendments to IFRS 3 Business Combinations

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

Amendments to IFRS 8 Operating Segments

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to these standards which are effective for annual periods beginning on or after 1 July 2014 clarify that the determination of the accumulated depreciation or amortization under the revaluation method does not depend on the selection of the valuation technique. They also clarify that the accumulated depreciation or amortization is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortization method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortization is not proportionate to the change in the gross carrying amount of the asset.

Amendments to IAS 24 Related Party Disclosures

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to IFRS2011 – 2013 Cycle:

Amendments to IFRS 3 Business Combinations

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception only applies to the financial statements of the joint venture or the joint operation itself.

b) Standards and interpretations issued but not effective

Amendments to IFRS 13 Fair Value Measurement

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that the portfolio exception in IFRS 13 applies to all contracts within the scope of IFRS 9 (or IAS 39, as applicable), regardless of whether they meet the definitions of financial assets or financial liabilities.

Amendments to IAS 40 Investment Property

The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarifies that IFRS 3, and not the description of ancillary services in IAS 40 (which differentiates between investment property and owner-occupied property (i.e., property, plant and equipment)).

These improvements are effective from 1 July 2014 and did not have a material impact on the Group.

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The directors of the Group anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group›s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business requiring the acquirer to apply all the principles on business combinations accounting in IFRS 3 and other IFRSs. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact to the Group.

IFRS 14 – Regulatory Deferral Accounts

This standard, effective for an entity›s first annual IFRS financial statements for a period beginning on or after 1 January 2016, permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‹regulatory deferral account balances› in accordance with its previous accounting standards, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after 1January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 1 – Disclosure Initiative

The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify some judgments used in the presentation of financial reports. The amendments make changes about:

- Materiality, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to 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, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce

additional guidance on subtotals in these statements as well, and (2) clarify that an entity›s share of other comprehensive income 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, where they 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.

These amendments are not expected to have any material impact to the Group.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments, effective prospectively for annual periods beginning on or after 1January 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.These amendments are not expected to have any material impact to the Group.

Amendments to IAS 16 & IAS 41 – Agriculture: Bearer Plants

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 require that bearer plants (a subset of biological assets used solely to grow produce over several periods) should be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing, unlike all other biological assets related to agricultural activity which are measured at fair value less costs to sell. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41, and the produce growing on bearer plants will remain within the scope of IAS 41.These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27 – Equity method in separate financial statements

The amendment, effective for annual periods beginning on or after 1 January 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments are not expected to have any material impact to the Group.

Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 ‹Consolidated Financial Statements› and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact to the Group.

Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 confirm that the exemption from preparing consolidated financial statements under IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. However, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose are to provide services and activities that are related to the investment activities of the investment entity parent. All other subsidiaries of an investment entity should be measured at fair value.

Consequential amendments have been made to IAS 28 to confirm that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity, even if the investment entity parent measures all its subsidiaries at fair value. IAS 28 has been also amended to permit an entity to retain the fair value measurement applied by an associate or joint venture that is an investment entity to its interests in subsidiaries rather than applying uniform accounting policies.

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities. These amendments are not expected to have any material impact to the Group.

Annual Improvements to IFRS – 2012 – 2014 Cycle:

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

Amendments to IFRS 5 – Non Current Assets Held for Sale & Discounted Operations

When an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

Amendments to IFRS 7 – Financial Instruments: Disclosures

Specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. Additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

Amendments to IAS 19 – Employee Benefits

When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

Amendment to IAS 34 – Interim Financial Reporting

What is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

3. Significant accounting policies

3.1 Basis of preparation

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 CBK's requirement for a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities. These rates are applied on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") and are prepared under the historical cost convention, except for available for sale investments and investments at fair value through statement of income that are stated at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for those disclosed in note 2.

3.2 Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2015.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure to variable returns from the investee; and
- the ability of the investor to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Parent Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits or losses and unrealized profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to the consolidated statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

The consolidated financial statements include the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest & voting power held		Net asset value	
			31 December		31 December	
			2015	2014	2015	2014
Al Safat Holding Company K.S.C.(Closed)	Investment	Kuwait	100%	100%	7,049,622	5,851,415
Safat House for General Trading Company W.L.L.	General Trading	Kuwait	80%	80%	83,708	84,508
Al Safat for Consultancy K.S.C. (Closed)	Consultancy	Kuwait	96%	96%	177,146	316,008
Al-Assriya Printing Press Publishing and Distribution Company W.L.L.	Printing and Distribution	Kuwait	90%	90%	2,608,536	2,634,960
Dar Al Safat General Trading Company W.L.L.	General Trading	Kuwait	100%	100%	252,411	231,514
The Roots Brokerage – Egypt	Services	Egypt	60%	60%	629,222	624,288

During the year, the Parent Company had sold Egyptian Company for Financial Leasing Services – Fine Lease, Egypt a 100% subsidiary at the date of sale which was fully impaired in prior years for a consideration of KD 77,260 and recognised a gain of KD 77,260 to the consolidated statement of income.

During the year, the Group received dividends in the amount of KD 225,000 from Al-Assriya Printing Press Publishing and Distribution Company W.L.L.

During the year, the Group carried out a Purchase Price Allocation exercise for the acquisition of 90% shares in Al Assriya Printing Press Publishing and Distribution Company W.L.L. that resulted goodwill in the amount of KD 1,550,265 which is included in the consolidated statement of financial position.

The purchase price allocation is as follows:

	Carrying values	Fair values	Adjustments from Purchase Price Allocation
	KD	KD	KD
Fair value of net assets acquired :			
Assets			
Property, plant and equipment (notes 4 and 35)	2,152,783	2,190,087	37,304
Right of use property (notes 5 and 35)	555,724	1,152,000	596,276
Inventory	69,431	69,431	-
Accounts receivable and other assets	754,654	754,654	-
Investments at fair value through statement of income	35,532	35,532	-
Cash and cash equivalents	280,293	280,293	-
Liabilities			
Term loan	(64,000)	(64,000)	-
Due to related parties	(56,341)	(56,341)	-
Provision for staff indemnity	(341,525)	(341,525)	-
Accounts payable and other liabilities	(464,797)	(464,797)	-
	2,921,754	3,555,334	633,580
Less: Non-controlling interest	(292,176)	(355,534)	(63,358)
Net identifiable assets	2,629,578	3,199,800	570,222
Consideration paid	4,750,065	4,750,065	-
Goodwill	2,120,487	1,550,265	570,222

All the subsidiaries financial statements (except Al Safat Holding K.S.C. (Closed) and Safat House for General Trading Company W.L.L.) were consolidated based on management accounts for the year ended 31 December 2015, since the dates of financial statements of some companies are different from that of the consolidated financial statements of the Group.

Certain shares relating to some subsidiaries are registered in the names of others who keep them as custodian owners on behalf of the Group. Waiver letters based on power of attorneys and written undertakings were obtained from custodian owners for the Group's benefit.

The non-controlling interest is not material with respect to subsidiaries.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally expensed as incurred. At the acquisition date, the identifiable assets acquired and liabilities assumed and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of income.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognize amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest was disposed of.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction are carried at cost, less any recognized impairment loss. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

Significant improvements and replacements of assets are capitalized. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in consolidated statement of income in the period in which they occur.

3.5 Rights of use of property

Leasehold rights acquired are measured on initial recognition at cost. Following initial recognition, leasehold rights are carried at cost less any accumulated amortization and any impairment losses.

Leasehold rights are amortized over their useful economic life and assessed for impairment whenever there is an indication that the leasehold rights may be impaired. The amortization period and the amortization method for leasehold rights is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on leasehold rights is recognized in the consolidated statement of income.

Gains or losses arising from derecognition of an leasehold right are measured as the difference between the net disposal proceeds and the carrying amount of the right and are recognized in the consolidated statement of income when the asset is derecognized.

3.6 Goodwill

Goodwill represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the statement of income on disposal.

The group's policy for goodwill arising on the acquisition of an associate is described at note 3.7 below.

3.7 Investment in associates

An associate is an entity over which the group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the group’s share of the statement of income and other comprehensive income of the associate. When the group’s share of losses of an associate exceeds the group's interest in that associate, the group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in consolidated statement of income.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the group's consolidated financial statements only to the extent of interests in the associate that are not related to the group.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

3.8 Impairment of tangible and intangible assets

At each financial position date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income.

3.9 Financial assets

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through statement of income, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'cash and bank balances', 'investments at fair value through statement of income', 'available for sale investments', 'Wakala receivables', 'trade receivables' and 'due from related parties'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective profit rate method

The effective profit rate is a method of calculating the amortised cost of a financial asset and of allocating interest over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available for sale investments

Available for sale investments are initially measured at cost which is the fair value of consideration given. Subsequent to initial recognition, available for sale investments are measured at fair value. For investments traded in organized financial markets, fair value is determined by reference to the last quoted bid price at the close of business on the statement of financial position date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying net asset base of the investment. Investments whose fair value cannot be reliably measured are carried at cost less any impairment loss.

Gains or losses arising from changes in fair value of available for sale investments are recognized directly in other comprehensive income and accumulated in the fair value reserve until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in the fair value reserve is reclassified to the consolidated statement of income for the period in which they arise. Foreign exchange gains and losses on monetary assets, are recognized directly in the consolidated statement of income.

Dividends on available for sale equity instruments are recognized in the consolidated statement of income when the group's right to receive the dividends is established.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective profit rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement income when there is objective evidence the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective rate computed at initial recognition.

Wakala receivables

Wakala receivable represents financial assets originated by the group and invested with third parties for onward deals by those parties in various Islamic financial products, and are carried at amortised cost less allowance for doubtful debts.

Specific provisions are calculated on the losses of wakalas originated by the group against credit risks. The specific provision is made for wakala originated by the group against the credit risks due to impairment of wakalas, in case there is an objective evidence of non-collection of the due amount.

The provision amount is the difference between the carrying value of wakala and the recoverable amount, which is the present value of the expected future cash flows including the amounts recoverable from collaterals and assets pledged in favour of the group, discounted by the effective profit rate prevailing in the market for variable rate. Provision for impairment loss in wakala is charged to the consolidated statement of income.

Investments at fair value through statement of income ("FVTPL")

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of income. Fair value is determined in the manner described in note 30 (f).

Cash and bank balances

Cash and bank balances comprise cash on hand, cash held in portfolio, and bank balances, net of due to banks.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For financial assets classified as available for sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For trade receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in profit or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest [profit] rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

When an available for sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to statement of income in the period.

With the exception of available for sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale investments, impairment losses previously recognised through the consolidated statement of income are not reversed through the consolidated statement of income.

Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.10 Financial liabilities

The group's financial liabilities include wakala payables, bank borrowings and trade payables.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Wakala payables

Wakala payables are recognised initially at fair value, net of transactions cost incurred. Wakala payables are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the payables using the effective cost of payables.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.11 Inventories

Inventories are held at lower of cost and net realizable value. Raw material cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labor, fixed and variable manufacturing overhead, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

3.12 Non-current asset held for sale

Assets (and disposal groups) are classified as non-current asset held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (and disposal groups) classified as non-current asset held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.13 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (gain on sale of treasury shares) which is not distributable. Any realized 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 reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3.14 Share based payment

The Group operates equity-settled share-based remuneration plan for its employees. None of the Group's plans feature any options for a cash settlement.

All services received in exchange for grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity investments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to 'share based payment reserve'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

3.15 Provisions

A provision is recognized in the consolidated statement of financial position when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.16 Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the financial position date, and approximates the present value of the final obligation.

3.17 Foreign currency translation

The consolidated financial statements are presented in Kuwaiti Dinar, which is also the functional currency of the Parent Company.

Transactions and balances

Transactions in currencies other than the group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Group companies

The assets and liabilities of the group's foreign operations are expressed in KD using exchange rates prevailing at the statement of financial position date. Income and expense items are translated into the group's presentation currency at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to statement of income and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate.

3.18 Revenue recognition

- Income from Islamic deposits is recognised based on estimation of expected income and it is distributed on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Portfolio management fees and commission income is recognised when earned in accordance with related contract terms.
- Fee income is recognised when earned in accordance with related contract terms.

3.19 Finance costs

Finance costs are calculated on the accrual basis and are recognized in the consolidated statement of income in the period in which it is incurred.

3.20 Fiduciary assets

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

3.21 Dividends

Dividends are recognized as a liability in the group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

3.22 Contingent liabilities and assets

A contingent liability is disclosed when there is a possible obligation to be confined by a future event that is outside the contract of the group or where a present obligation may, require an outflow of economic resources.

3.23 Significant accounting judgements and estimation uncertainty

Accounting judgements

In the process of applying the group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Impairment of investments

The group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future discounted cash flows for unquoted investments.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, available for sale or held to maturity investments.

Classification of investments as investment at fair value through statement of income depends on how management monitor the performance of these investments. 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 statement of income in the management accounts, they are classified as at fair value through statement of income. All other investments are classified as available for sale or as held to maturity.

Impairment of associates

Determining whether the carrying value of the associate that includes goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

- Valuation of unquoted equity investments is normally based on one of the following recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Notes to the consolidated financial statements For the year ended 31 December 2015

4. Property, plant and equipment

	Buildings on leased land	Buildings improvements	Plant and equipment	Furniture, fixtures and computers	Vehicle	Project in process	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance at 1 January 2015 (Restated)	192,804	191,237	2,493,622	921,501	61,536	174,844	4,035,544
Additions	-	-	36,505	20,662	-	-	57,167
Transfers	-	-	143,760	-	-	(143,760)	-
Disposals	-	-	-	(150,759)	-	-	(150,759)
Foreign exchange differences	-	-	-	(8,083)	-	-	(8,083)
Balance at 31 December 2015	192,804	191,237	2,673,887	783,321	61,536	31,084	3,933,869
Accumulated depreciation							
Balance at 1 January 2015	69,274	120,400	786,094	758,856	27,524	-	1,762,148
Annual depreciation	4,466	12,061	94,193	40,223	10,072	-	161,015
Disposals	-	-	-	(149,696)	-	-	(149,696)
Foreign exchange differences	-	-	-	(6,213)	-	-	(6,213)
Balance at 31 December 2015	73,740	132,461	880,287	643,170	37,596	-	1,767,254
Net book value							
31 December 2015	119,064	58,776	1,793,600	140,151	23,940	31,084	2,166,615
31 December 2014 (Restated)	123,530	70,837	1,707,528	162,645	34,012	174,844	2,273,396
Depreciation rate (years)	40	10	2 - 40	10	5		

Buildings are constructed on a leased land from Government.
Project in process represents the value of the costs that the Group has paid to get an asset ready for use. As at the reporting date of consolidated financial statements, the asset was not ready for use.

Depreciation expenses have been charged as follows:

	2015	2014
	KD	KD
General and administrative expenses	40,916	29,789
Cost of revenue	120,099	31,687
	161,015	61,476

4. Property, plant and equipment (continued)

	Buildings on leased land	Buildings improvements	Plant and equipment	Furniture, fixtures and computers	Vehicle	Project in process	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance at 1 January 2014	-	-	-	600,869	-	-	600,869
Additions	-	-	28,676	12,905	4,250	-	45,831
Disposals	-	-	-	(857)	-	-	(857)
Addition through Purchase Price Allocation (note 3.2)	37,304	-	-	-	-	-	37,304
Acquisition through business combination of a subsidiary	155,500	191,237	2,464,946	308,584	57,286	174,844	3,352,397
Balance at 31 December 2014 (Restated)	192,804	191,237	2,493,622	921,501	61,536	174,844	4,035,544
Accumulated depreciation							
Balance at 1 January 2014	-	-	-	489,804	-	-	489,804
Annual depreciation	1,719	2,916	22,963	31,141	2,737	-	61,476
Disposals	-	-	-	(657)	-	-	(657)
Impairment losses	-	-	-	11,908	-	-	11,908
Acquisition through business combination of a subsidiary	67,555	117,484	763,131	226,660	24,787	-	1,199,617
Balance at 31 December 2014	69,274	120,400	786,094	758,856	27,524	-	1,762,148
Net book value							
31 December 2014 (Restated)	123,530	70,837	1,707,528	162,645	34,012	174,844	2,273,396
31 December 2013	-	-	-	111,065	-	-	111,065
Depreciation rate (years)	40	10	2 - 40	10	5		

5. Right of use property

	2015 KD	2014 (Restated) KD
Cost		
Balance at 31 December	17,707,975	16,251,699
Acquisition through business combination of a subsidiary	-	860,000
Transfer from right of use property to assets held for sale	(946,400)	-
Addition through Purchase Price Allocation (note 3.2)	-	596,276
	16,761,575	17,707,975
Accumulated amortization		
Balance at 31 December	3,565,443	2,439,982
Annual amortization	868,716	821,185
Acquisition through business combination of a subsidiary	-	304,276
Transfer from right of use property to assets held for sale	(146,400)	-
	4,287,759	3,565,443
Net book value		
31 December	12,473,816	14,142,532

Right of use property as at 31 December 2015 includes payment made and expenses incurred on a Build, Operate and Transfer ("B.O.T.") project awarded to the group during the year 2005. The group's B.O.T. project is constructed on land leased from a third party for a period of twenty years under a renewable usufruct agreement (see note 21).

Right of use property also includes right of use of land from state of Kuwait for a period of 25 years with option to renew.

During the year ended 31 December 2015, the Group management decided to sell right of use land in Subhan area rented from State of K uwait which was previously classified as right of use property at net book value of KD 800,000. Accordingly, the right of use land is included in assets held for sale as per IFRS 5: Assets held for sale and discontinued operations.

6. Investment in associates

The group's shareholding in associate companies is as follows:

Company name	Place of incorporation	Ownership interest 2015 (%)	Ownership interest 2014 (%)	Carrying value 2015 KD	Carrying value 2014 KD	Activities
Kuwait Medical Center Holding Company K.S.C. (Closed)	Kuwait	13.72	17.46	3,814,712	4,904,505	Holding
Dana Al-Safat Real Estate Company K.S.C. (Closed)	Kuwait	24.09	24.09	1	1	Real Estate
Dar Al Huda Holding Company K.S.C. (Closed)	Kuwait	-	15.14	-	191,460	Investment
Al-Safat Media for Advertising & Publicity K.S.C. (Closed)	Kuwait	27.00	27.00	1	1	Advertising & Promotion
Safat Industries Holding Company K.S.C. (Holding)	Kuwait	25.35	-	2,251,293	-	Holding
				6,066,007	5,095,967	

All above subsidiaries are measured using equity method.

Notes to the consolidated financial statements
For the year ended 31 December 2015

During the year, the parent company sold shares of Kuwait Medical Center Holding Company K.S.C. (Closed) for a total consideration of KD 1,070,203 and recognized a gain of KD 16,997 to the consolidated statement of income.

Investment in associates with a carrying value of KD Nil (2014: KD 1,883,069) are pledged against wakala payable.

The Group's share in the associate, Dar Al Huda Holding Company K.S.C. (Closed) is based on management accounts prepared by management as at 31 December 2015.

Dar Al Huda Holding Company K.S.C. (Closed) is under liquidation based on decision at extra-ordinary general assembly meeting held on 23 November 2015. The liquidation process is not complete until date of preparing these financial statements. During the year ended 31 December 2015, the Group management decided to reclassify from investments in associate with carrying value of KD 276,861 to assets held for sale as per IFRS 5: Non-current assets held for sale and discontinued operations.

During the year, the Group purchased shares of Safat Industries Holding Company K.S.C. (Holding) making the total shareholding of the Group at 25.35% which required the reclassification from investments available for sale to investments in associate. The Group valued the assets and liabilities acquired which resulted gain on bargain price purchase as follows:

	KD
Fair value of net identifiable assets	8,970,000
Percentage of equity holding	25.35%
Groups share of net asset acquired	2,274,004
Fair value at acquisition and amount paid for additional shares	(1,055,004)
Gain on bargain price purchase	1,219,000
Fair value reserve transferred to statement of income upon acquisition	81,948

Certain shares relating to some associates are registered in the names of others who keep them as custodian owners on behalf of the Group. Waiver letters based on power of attorneys and written undertakings were obtained from custodian owners for the Group's benefit.

All the associates financial information is based on 31 December 2015 financial statements.

Summarized financial information of the group's associates is set out below:

	2015 KD	2014 KD
Associates' financial position:		
Total assets	46,024,122	36,801,228
Total liabilities	(8,798,867)	(7,453,958)
Net assets	37,225,255	29,347,270
Group's share of net assets of associates	6,066,007	5,095,967
Associates' share of revenues and results:		
Total net revenues	8,252,819	(512,014)
Total results	(3,748,173)	(1,601,751)
Other comprehensive income	20,840	-
Group's share of results of associates	20,828	(480,687)

7. Available for sale investments

	2015 KD	2014 KD
Quoted securities Local	1,639,171	2,555,528
Quoted securities Foreign	2,296,086	2,703,870
Unquoted securities Local	977,743	3,410,722
Unquoted securities Foreign	18,770,838	19,314,152
	23,683,838	27,984,272

The valuation methods for quoted and unquoted securities are disclosed in note (30 f).

The quoted and unquoted securities include investments with related parties in the amount of KD 1,594,023 (2014: KD 2,523,398) and KD 310,853 (2014: KD 930,676) respectively.

As at 31 December 2015, the management carried out a review of the carrying value of its quoted and unquoted available for sale investments and determined that an impairment loss has occurred on these assets and as a consequence recognized this in the consolidated statement of income from the other comprehensive income amounting to KD 1,323,311 (2014: KD 7,556,524) (see note 23).

Unquoted foreign securities include Al Qudra Holding company shares in the amount of KD 18,080,277 (2014: KD 18,080,277) based on independent valuation recorded in Group's books at 31 December 2013, at a rate of 296 fils per share. Although the latest value per share as per independent valuation performed at 31 December 2014 is 340 fils, the Group management decided to rely on the earlier valuation pricing.

During the year, the Group reclassified its shareholding which represents 5.35% of shares in Safat Industries Holding Company K.S.C. (Holding) from available for sale investments to investment in associates (see note 6).

Available for sale investments with a fair value of KD 12,109,091 as at 31 December 2015 (2014: KD 14,393,516) are pledged against wakala investment - Qatar National Bank and wakala payable (see note 18 and 20).

8. Accounts receivable and other assets

	2015	2014
	KD	KD
Refundable deposits	10,801	4,939
Prepaid expenses	65,109	44,190
Project advance	450,265	803,354
Provision for project advance	(450,265)	(450,265)
Accrued income	912,280	577,777
Other receivables	8,367,859	13,022,250
Provision for other receivables and accrued income	(6,979,893)	(6,950,851)
	2,376,156	7,051,394

9. Related party transactions

Related parties represent associated companies, major shareholders, directors and executive officers of the group, their families and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions approximate arms length terms and are approved by the group's management.

Balances and transactions between the Parent Company and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note.

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

	2015 KD	2014 KD
Transactions during the year		
Key management personnel's salaries and benefits	141,826	82,084
Associate companies – Administration fees	5,065	402
Other related parties – Administration fees	79,808	87,005
	226,699	169,491
Due from :		
Associate companies	62,008	5,047
Other related parties	-	1,568,625
Less: provision for associates and other related parties	(62,008)	(18,673)
	-	1,554,999
Amounts due from related parties do not include any interest and they are due upon demand.		
Available for sale investments (note 7)	1,904,876	3,454,074
Wakala receivables (note 10)	306,000	-
Investments at fair value through statement of income (note 11)	1,564,384	1,160,509
Off-financial position:		
Managed portfolios	34,687,605	35,606,894

10. Wakala receivables

	2015 KD	2014 KD
Wakala receivable	1,417,500	2,867,500
Loan without contracted cost	306,000	-
Less: provisions	(3,060)	(14,577)
Less: provision for doubtful wakala receivables (see below)	(1,211,572)	(1,124,080)
	508,868	1,728,843

Wakala receivables includes KD 1,417,500 (2014: KD 1,417,500) from individuals against which a specific provision of KD 1,211,572 (2014: KD 1,124,080) has been made.

During the year, the Group provided a loan without contracted cost amounting to KD 306,000 to an associate for a period of one year.

11. Investments at fair value through statement of income

	2015 KD	2014 KD
Financial assets		
Quoted investments		
Real estate sector	20,704	5,060
Industrial sector	962,516	375,416
Services sector	82,488	88,500
Food sector	47,992	44,348
	1,113,700	513,324
Managed funds	467,756	647,185
Managed portfolio	3,336,801	-
	4,918,257	1,160,509

Quoted investments and managed funds include investments with related parties in the amount of KD 1,096,628 (2014: KD 513,324) and KD 467,756 (2014: KD 647,185) respectively.

Managed fund (Al Safat local equity fund) is under liquidation based on general assembly meeting held on 10 February 2016. The liquidation process has not been completed up to the date of preparation of consolidated financial statements.

12. Cash and bank balances

	2015 KD	2014 KD
Cash in hand	19,349	31,450
Cash at bank	1,495,515	1,166,529
Islamic deposit with original maturity upto three months	2,523,404	-
	4,038,268	1,197,979

13. Share capital

	2015 KD	2014 KD
Authorised share capital:	25,693,940	78,000,000
Issued and fully paid up share capital:		
256,939,400 (2014 : 772,983,339) shares with a nominal value of 100 fils each all in cash	25,693,940	77,298,334

An extra-ordinary general assembly meeting was held on 11 May 2016, which approved the extinguishment of share capital (note 36).

14. Share premium

The share premium arises from the excess of the issued share price and the nominal value of the shares. The share premium account is not available for distribution.

15. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association and memorandum, 10% of the net profit for the year before contributions to KFAS, Zakat and Directors' Remuneration is required to be transferred to statutory reserve until the reserve totals 50% of the paid-up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

16. Voluntary reserve

In accordance with the Companies Law and the Parent Company's Articles of Association and memorandum, 10% of the net profit for the year before contributions to KFAS, Zakat and Directors' Remuneration is required to be transferred to voluntary reserve. Such annual transfer to be discontinued by a resolution of shareholders in the Annual General Assembly meeting upon recommendation by the Board of Directors. There is no restriction on distribution of this reserve.

17. Treasury shares

	2015	2014
Number of shares (No's)	417,427	1,255,800
Percentage of issued shares (%)	0.16	0.16
Cost (KD)	259,677	259,677

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No.10 of 1987 and No. 11 of 1988. Reserves equivalent to the cost of treasury shares held are not distributable.

18. Wakala investment - Qatar National Bank

The balance wakala investment – Qatar National Bank in the amount of KD 21,142,347 (2014: KD 20,399,455) represents net amount recorded in Group's books. Based on independent legal council's opinion, the Group stopped on 1 January 2012 recording contracted costs accrued and recorded in the books during prior years. The Group also deducted the contracted cost already paid for wakala investment contract from the principal of the wakala. A legal case has been filed by the Qatar National Bank against the group to recover the due amounts. Subsequent to the date of the consolidated statement of financial position, an appeal court judgement has been issued (see note 34).

Wakala investment - Qatar National Bank is secured by the parent company's investments in available for sale investments with a carrying value of KD 12,109,091 (2014: KD 12,109,091) (see note 7).

19. Accounts payable and other liabilities

	2015 KD	2014 KD
Trade payables	1,089,823	918,508
Provisions against guarantee (note 28)	1,470,000	1,358,052
Provision for legal cases	250,000	-
Accrued expenses	132,095	622,759
Provision for leave	139,846	119,259
Dividend payable	6,707	6,707
KFAS	17,834	2,034
NLST	113,405	200,606
Zakat	106,452	98,246
Board of Directors' remuneration	35,000	-
Others	138,183	283,303
	3,499,345	3,609,474

20. Wakalas payable

	2015 KD	2014 KD
Current portion	-	6,663,621
Non-current portion	-	32,000
	-	6,695,621

During the year, the Group had signed settlement agreements with local banks and investment company to settle its wakala payable of KD 6,631,621 and accrued finance cost of KD 134,784 against payment of KD 3,355,581 in cash and KD 421,776 in associate shares. As a result of this transaction, the Group has recognized a net settlement gain of KD 2,989,048 (2014: KD 377,272) in consolidated statement of income for the year. Clearance certificates were obtained from these banks and investment company.

21. Net rental loss from right of use property

	2015	2014
	KD	KD
Rental income from right of use property	1,237,719	1,026,853
Amortisation of right of use property	(812,585)	(812,585)
Right of use property expenses	(484,093)	(479,342)
	(58,959)	(265,074)

These represent rental income and related expenses from the right of use property (see note 5).

22. Provisions

	2015	2014
	KD	KD
Provision for accounts receivable and other assets (note 8)	(29,042)	(385,744)
Provision for related parties (note 9)	(43,335)	(18,673)
(Provision) / reversal of Wakala receivable (note 10)	(75,975)	176,268
Provision for Bank guarantee on behalf of associate (note 28)	(111,948)	(686,252)
Provision for legal cases (note 19)	(250,000)	-
	(510,300)	(914,401)

23. Impairment losses

During the year, the management has carried out impairment testing on a variety of assets to assess the recoverability of these assets. Summarized below are the impairment losses recognized as at year end.

	2015	2014
	KD	KD
Property, plant and equipment	-	11,908
Available for sale investments (note 7)	1,323,311	7,556,524
	1,323,311	7,568,432

24. Other income

	2015	2014
	KD	KD
Payables written off	373,752	-
Reversal of Zakat and NLST	89,984	-
Other miscellaneous income	90,052	35,642
	553,789	35,642

25. General and administrative expenses

	2015	2014
	KD	KD
Staff costs	1,107,935	1,044,511
Legal and professional fees	374,850	469,490
Rent	30,703	31,799
Consultancy	-	303,000
Depreciation and amortisation	97,047	38,389
Others	261,394	454,110
	1,871,929	2,341,299

26. Earnings / (loss) per share (Basic and diluted)

Basic and diluted earnings / (loss) per share is computed by dividing profit / (loss) attributable to owners of the parent company by the weighted average number of shares outstanding during the year.

The Parent Company had no outstanding dilutive potential shares.

The following reflects profit / (loss) and weighted average number of shares outstanding during the year used in computation of earnings / (loss) per share:

	2015	2014
Profit / (loss) for the year attributable to owners of the parent (KD)	1,875,047	(10,278,616)
Weighted average number of shares less treasury shares (shares)	256,521,973	256,521,973
Earnings / (loss) per share (Basic and diluted) (fils)	7.31	(40.07)

The weighted average number of shares has been adjusted to reflect the extinguishment of share capital (note 13 and 36).

27. Fiduciary assets

Third party funds managed by the parent company and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the group's assets or liabilities and accordingly are not included in these consolidated financial statements. Total fiduciary assets as at the financial position date amounted to KD 75,059,312 (2014: KD 80,088,409).

28. Commitments and contingencies

	2015	2014
	KD	KD
Contracted cost for past due wakalas as at 31 December (notes 33 & 34)	29,046,075	-
Bank guarantees	1,470,000	1,470,000
Letter of guarantee	114,227	129,870
	30,630,302	1,599,870

A provision of KD 1,470,000 (2014: KD 1,358,052) has been maintained for bank guarantees issued by the associate which the group has guaranteed (see note 19).

Operating lease commitments

At 31 December 2015 and 2014, future minimum lease commitments were as follows:

	2015	2014
	KD	KD
Not later than one year	360,000	360,000
Later than one year but not later than five years	1,440,000	1,440,000
More than five years but not later than twenty years	3,720,000	3,960,000

29. Annual general assembly

The annual general assembly meeting of shareholders held on 26 January 2016 approved the consolidated financial statements for the years ended 31 December 2014. It also approved non-distribution of dividend for the years then ended.

30. Financial instruments

(a) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the 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, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Gearing ratio:

The gearing ratio at year end was as follows:

	2015 KD	2014 KD
Term debt	21,142,347	27,095,076
Cash and bank balances	(4,038,268)	(1,197,979)
Net debt	17,104,079	25,897,097
Equity	33,772,364	32,630,192
Net debt to equity ratio	51%	79%

(b) 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 credit policy and exposure to credit risk are monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.

The maximum credit risk exposure arising from default of the counter-party is limited to the carrying amount of cash and bank balances, accounts receivable, due from related parties and wakala receivables.

(c) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. There is a risk of losses due to exchange rate fluctuations and the group does not hedge foreign currency exposure.

At 31 December 2015 and 2014, the group had the following significant exposures denominated in foreign currencies:

	2015 Equivalent KD	2014 Equivalent KD
US Dollars	379,823	212,784
Qatari Riyal	(21,142,347)	(20,069,455)
UAE Dirhams	18,622,098	18,080,275
Egyptian Pound	5,941,095	7,180,036
Net assets denominated in foreign currency	3,800,669	5,403,640

The table below analyze the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December 2015, with all other variables held constant on the consolidated statement of income and equity. A negative amount in the table reflects a potential net reduction in consolidated statement of income or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in	2015		2014	
		Effect on profit	Effect on equity	Effect on profit	Effect on equity
	%	KD	KD	KD	KD
USD	±5	12,219	6,772	(28,822)	39,462
QAR	±5	(1,057,117)	-	(1,019,973)	16,500
AED	±5	27,091	904,014	-	904,014
EGP	±5	124,930	172,125	293,504	65,498

(d) Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. The group's main liquidity risk is from wakala payables and to limit this risk, management has rescheduled the majority of its wakala payables and is confident that they will be able to subsequently renew the due dates again. Management manages assets with liquidity in mind, and monitors liquidity on a daily basis. For liquidity profile of financial assets and liabilities as at 31 December 2015 and 2014 (see note 30).

(e) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the group to equity price risk, consist principally of investments at fair value through statement of income, available for sale investments and investment in an associate. The group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price 2015	Effect on profit 2015	Effect on equity 2015	Change in equity price 2014	Effect on profit 2014	Effect on equity 2014
	KD	KD	KD	KD	KD	KD
Kuwait	+5%	549,213	130,846	+5%	312,824	298,313
Middle East	+5%	-	1,053,346	+5%	-	1,100,901

(f) Fair value of financial instruments

a. Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows.

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of financial assets (unquoted funds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using market data that are unobservable.

b. Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

31 December 2015	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through statement of income				
Quoted equities	4,450,501	-	-	4,450,501
Managed funds	-	467,756	-	467,756
Available-for-sale investments				
Quoted equities local / foreign	3,935,257	-	-	3,935,257
Unquoted equities local / foreign	-	-	19,748,581	19,748,581
Total	8,385,758	467,756	19,748,581	28,602,095

31 December 2014	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through statement of income				
Quoted equities	513,324	-	-	513,324
Managed funds	-	647,185	-	647,185
Available-for-sale investments				
Quoted equities local / foreign	5,259,398	-	-	5,259,398
Unquoted equities local / foreign	-	-	22,724,874	22,724,874
Total	5,772,722	647,185	22,724,874	29,144,781

Reconciliation of Level 3 fair value measurements of financial assets

31 December 2015	Available for sale Investments KD
Beginning balance	22,724,874
Total gains or losses	
In other comprehensive income	(2,976,293)
Purchases / sales (net)	-
Closing balance	19,748,581

31 December 2014	Available for sale Investments KD
Beginning balance	33,017,848
Total gains or losses	
In other comprehensive income	(6,642,907)
Purchases / sales (net)	(3,650,067)
Closing balance	22,724,874

31. Segment information

An operating segment is a component of an entity that engages in business activities from which it earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to allocate resources to the segment and to assess its performance, and for which discrete financial information is available.

a) Reportable segments

The group considers business units that provide specific products and services to constitute reportable segment. Since group's activities mainly relate to investment management, only one reportable segment is identified.

b) Geographical areas

The group conducts its business activities mainly in State of Kuwait. Financial information about geographical areas for the year ended 31 December 2015 are set out below:

31 December 2015

	Kuwait	Others	Total
	KD	KD	KD
Net revenue	2,902,211	949,827	3,852,038
Segment results	1,193,588	707,135	1,900,723
Segment assets	33,693,071	25,233,187	58,926,258
Segment liabilities	3,673,423	21,480,471	25,153,894

31 December 2014

	Kuwait	Others	Total
	KD	KD	KD
Net revenue	(7,037,064)	(812,890)	(7,849,954)
Segment results	(9,152,695)	(1,090,413)	(10,243,108)
Segment assets (Restated)	37,929,732	25,866,868	63,796,600
Segment liabilities	10,697,572	20,468,836	31,166,408

Geographical segment others includes, United Arab Emirates, Qatar, Bahrain, Saudi Arabia, Egypt and Jordan.

32. Maturity analysis of assets and liabilities

The group's maturity profile set out below is based on the remaining period at the financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

Notes to the consolidated financial statements
For the year ended 31 December 2015

At 31 December 2015

	Past due but not paid KD	Up to 1 year KD	Over 1 year KD	Total KD
Assets				
Available for sale investments	-	3,938,445	19,745,393	23,683,838
Accounts receivable and other assets (except prepaid expenses)	-	2,311,047	-	2,311,047
Wakala receivables	-	508,868	-	508,868
Investments at fair value through statement of income	-	4,918,257	-	4,918,257
Cash and bank balances	-	4,038,268	-	4,038,268
Right of use property held for sale	-	1,076,861	-	1,076,861
Total assets	-	16,791,746	19,745,393	36,537,139
Liabilities				
Provision for staff indemnity	-	-	512,202	512,202
Wakala investment - Qatar National Bank	21,142,347	-	-	21,142,347
Accounts payable and other liabilities	-	3,499,345	-	3,499,345
Total liabilities	21,142,347	3,499,345	512,202	25,153,894

At 31 December 2014

	Past due but not paid KD	Up to 1 year KD	Over 1 year KD	Total KD
Assets				
Available for sale investments	-	5,259,398	22,724,874	27,984,272
Accounts receivable and other assets (except prepaid expenses)	-	7,007,204	-	7,007,204
Due from related parties	-	1,554,999	-	1,554,999
Wakala receivables	-	1,728,843	-	1,728,843
Investments at fair value through statement of income	-	1,160,509	-	1,160,509
Cash and bank balances	-	1,197,979	-	1,197,979
Total assets	-	17,908,932	22,724,874	40,633,806
Liabilities				
Provision for staff indemnity	-	-	461,858	461,858
Wakala investment - Qatar National Bank	20,399,455	-	-	20,399,455
Accounts payable and other liabilities	-	3,609,474	-	3,609,474
Wakala payables	6,631,621	32,000	32,000	6,695,621
Total liabilities	27,031,076	3,641,474	493,858	31,166,408

33. Past due wakala payable

As at 31 December 2015, the Group had past due wakalas in the amount of KD 21,142,347 (2014: KD 27,031,076) representing the amount recorded in Group's books with respect to appeals court judgement No. 2013/2701 commercial / 12 (see note 34).

The management of the parent company has a restructuring plan, where they are discussing a variety of options with their lenders to enable them to either; settle debts through swap of certain assets and / or restructure the wakalas from medium to long term.

34. Subsequent events affecting consolidated financial statements

On 27 January 2016, an appeals court judgement No. 2701 / 2013 commercial / 12 was issued which obligates the Group to pay amount of 360 Million Qatari Riyals or its equivalent in Kuwaiti Dinars (KD 30,046,540) and accrued interest at the rate 12% per annum from 1 June 2010 till full payment.

Based on independent legal councils' opinion, the Group management did not record the financial effect of this judgement in its consolidated financial statements in the amount of KD 29,046,075 as at balance sheet date. This is based on Group having reasons likely to be accepted by the court upon appeal to supreme court, which is already filed. It is also likely that the supreme court will accept reasons provided for the cancellation of accrued interest, which will reduce obligation significantly, if not eliminate altogether, and adjudicate the return of principal only (shares of Al Qudra Holding Company). The financial effect of this judgement is to increase accumulated losses as at 31 December 2015 by KD 29,046,075 and increase wakala payables by same amount as at that date.

The effect of this judgement is recorded as part of contingent liabilities of the Group. The consolidated financial statements of the Group do not include any effect relating to settlement of contingent liabilities previously stated above (see notes 18, 28 and 33).

On 6 April 2016, the court ordered to temporarily halt (stop) implementation of the appealed judgement until decision on appeal.

35. Prior period adjustment

On 2 October 2014, the Group acquired 90% of shares in Al-Assriya Printing Press Publishing and Distribution Company W.L.L. The Group consolidated this newly acquired subsidiary based on audited financial statements for the year ended 31 December 2014 and used the carrying values of asset and liabilities acquired.

During the year, the Group performed a Purchase Price Allocation exercise on acquisition of 90% of shares in Al-Assriya Printing Press Publishing and Distribution Company W.L.L. resulting goodwill in the amount of KD 1,550,265, which is different from the provisional goodwill recorded previously in December 2014. As a result, comparative figures for the year ended 31 December 2014 were adjusted as follows:

	As previously reported KD	Effect of adjustment KD	After adjustment KD
Statement of financial position 31 December 2014			
Property, plant and equipment (note 3.2)	2,236,092	37,304	2,273,396
Right of use property (note 3.2)	13,546,256	596,276	14,142,532
Goodwill	2,120,487	(570,222)	1,550,265
Non-controlling interest	770,867	63,358	834,225

The above adjustments did not affect consolidated statements of income and cash follow previously reported. Also, these adjustments did not affect the opening balances of comparative year as at 1 January 2014. As a result, the third consolidated statement of financial position has not been presented.

36. Extra-ordinary General Assembly Meeting

On 11 May 2016, the extra-ordinary general assembly meeting was held and approved the followings:

1) Cancel the recognition of employee share option reserve by KD 529,430 and reclassify it to share premium to become total of KD 789,107.

2) Reduce share capital from KD 78,000,000 consisting of 780,000,000 shares each valued at 100 fils to KD 25,693,940 consisting of 256,939,400 shares each valued at 100 fils according to the followings:

a) Reduce authorized share capital from KD 78,000,000 to KD 77,298,334 (paid up capital) by deducting the unpaid value of authorized share capital in the amount of KD 701,666.

b) Amortize accumulated losses in the amount of KD 52,133,824 as at 31 December 2014 by KD 529,430 which represents a part of share premium. Accumulated losses will become KD 51,604,394 as at 31 December 2014.

c) Reduce share capital by amortizing accumulated losses in the amount of KD 51,604,394 to become KD 25,693,940 after reduction.

On 26 July 2016, the decisions has been registered in competent authorities (Ministry of Commerce and Industry – Commercial Registration Department).

37. Board of Directors' remuneration

Based on their meeting held on 6 April 2016, the Board of Directors' recommended remuneration of Parent Company's Board of Directors' for KD 35,000 for the year ended 31 December 2015. This recommendation is subject to approval at annual general assembly meeting and related oversight authorities.

الصفاة
AL SAFAT

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AL SAFAT INVESTMENT COMPANY K.S.C