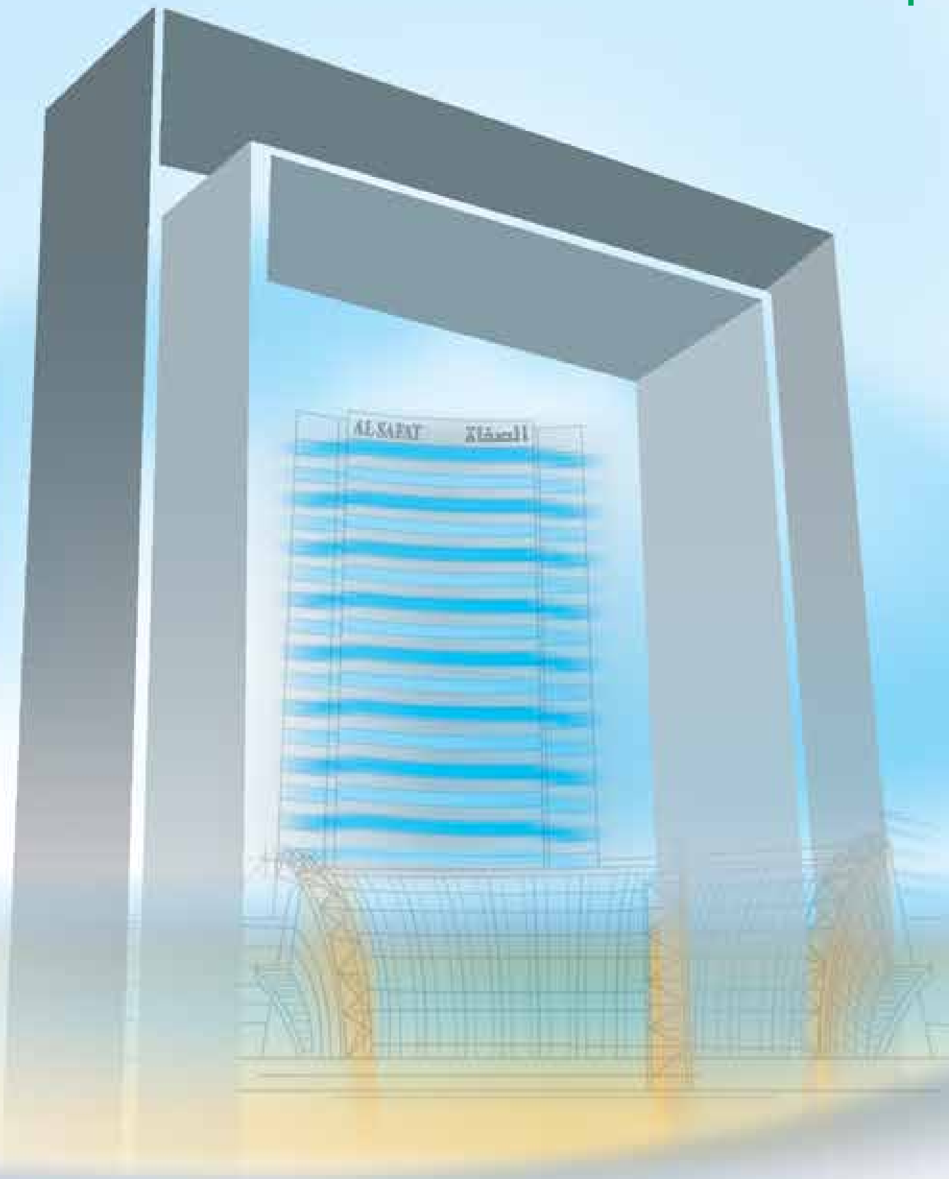
ANNUAL REPORT 2016



الصفاة
AL SAFAT

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

بسم الله الرحمن الرحيم

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

تجدّد وعراقة

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2016

Al Safat Investment Company ended the financial year 2016 with a profite for the second consecutive year

Al-Safat Investment 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, Assosiates and Key Investments of Al Safat Investment Company

Subsidiaries of Al-Safat Investment Company:

Name of the Subsidiary	Ownership Percentage 2016
Al-Safat Holding Company K.S.C. (Closed)	100 %
Safat House for Consultancy Company K.S.C. (Closed)	96 %
Dar Al-Safat for General Trading Company W.L.L.	100 %
The Roots Brokerage – Egypt	60 %
Safat House for General Trading Company W.L.L.	80 %

Assosiates of Al-Safat Investment Company:

Name of the Associate	Ownership Percentage 2016
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
Senergy Holding Company K.S.C.
Osos Holding Group Company K.S.C.
Shuaiba Industrial Company K.P.S.C.

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

Dr. Anwar Ali Al-Naqi
Board Member

Mr. Mishaal Ahmed Al Jareki
Board Member

Mr. Abdul Razzaq Zaid Al Dhubayan
Board Member

Mr. Naser Bader Al Sharhan
Board Member

AL SAFAT

شركة الصفاة للإستثمار ش.ك

AL SAFAT INVESTMENT COMPANY KSC

Chairman's Statement

Our Honorable Shareholders and guests,
May Peace, Mercy And Blessings of Allah be bestowed upon you!

On behalf of myself, Board of Directors, all employees of your Company, 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 year 2016 that includes major developments and highlights in the year ended 31 December 2016 along with the Corporate Governance Report, Audit Committee's Report and the Consolidated Financial Statements for the year then ended.

Our Honorable Shareholders,

You cannot ignore the instability of 2016 Due to many factors and variables that have had a significant impact on the markets, Such as the sharp decline in oil prices which hit the Gulf Cooperation Council market. This reflected negatively on the economic development plan, and the political and economic shock at the international level. That produced unprecedented risks faced by investors which led to sharp fluctuations in the markets and reflected negatively on the performance and profitability of the company during the year.

However, Al Safat Investment Company ended the financial year 2016 with a profit for the second consecutive year. This is due to the implementation of the plan set by the company in previous years by reducing the cost and expenses to improve the performance of the company. That's an addition to pursuing good investment opportunities through acquiring ownership interest in companies with good assets and revenue. Therefore Alsafat group during the current year has acquired a company working in the field of real estate and tourism, which is expected to improve this activity in the coming years, God willing.

The strategy and plan currently adopted by the Board of Directors and Management of Al-Safat Investment is to maintain the philosophy of practical investment and to continue efforts to seek valuable investment opportunities based on a methodology targeting assets with acceptable risks and appropriate returns and realizing the ambitions and wishes of its shareholders. The company's management will also improve the performance and activity of the subsidiary by entering into lucrative profitable transactions and activities on Al Safat Group and shareholders.

Our Honorable Shareholders,

We would like to reaffirm that your trust represents one of our most important accomplishments, under which the Company can continue to strengthen its presence through a clear vision and a strong determination to continue success and excellence as well as moving the Company in the upcoming phase towards promising prospects.

The combination of efforts and the implementation of the comprehensive strategic plan will enable the company to continue to grow in the long term, taking into account ensuring that the company's flexibility provides the ability to adapt to changes in markets.

In light of the significant changes and difficulties faced by the financial and investment sector, the Company's Board of Directors has endeavored to address all the challenges and deal therewith, the latest of which was amortizing all carried forward losses due on the Company through reducing the

Al Safat Investment Company begins to implement the comprehensive plan which will enable to continue and grow in the long term

Company's share capital, starting a new phase of recovery and growth, as well as seizing the opportunities that are available to us.

The confident and effective vision of the Company's Board of Directors and its executive team has had the greatest effect in bringing the Company back on track as a leading company in the investment sector in terms of business size and pace of growth and excellence.

The Company's Financial Performance as at 31 December 2016:

Despite the difficult economic and political environment in the Middle East and the economic and political instability in the region which have had a negative impact on the exchange rates of these countries. Causing the company losses from the conversion of foreign currency that has significantly affected the decline in the company's net profit for the year 2016 compared with 2015. Al-Safat profitability would have been 2.8 million k.d. if the company had not incurred foreign currency exchange loss of 2 million k.d. in 2016. Therefore the company profitability in 2016 was 844,357 k.d which is equivalent to 3.29 fils as compared with profitability of 1,875,021 k.d. equivalent to 7.31 fils achieved.

As at 31 December 2016, the Company's total assets amounted to KD 60.2 million compared to KD 58.9 million as at 31 December 2015.

Furthermore, the Shareholders' equity amounted to KD 33.9 million compared to KD 33 million as at 31 December 2015, as the carrying value per share amounted to Fils 131.8 compared to Fils 128.2 per share as at 31 December 2015. In addition, the Company's total liabilities amounted to KD 24 million as at 31 December 2016 compared to KD 25.2 million as at 31 December 2015. We also declare that the Company's reported profits amounting to KD 844,357 include losses on impairment of investments amounting to KD 52,687.

As at 31 December 2016, Wakala payable due on the Company amounted to KD 21.3 million till the date of this report. It represents the existing Wakala with Qatar National Bank.

The Wakala investment agreement was entered into between the Company and Qatar National Bank dated 26/11/2007, and resulted in a legal dispute on the liquidation of Wakala agreement. On 6 April 2016, the Court ruled to stay the execution of the appeal judgment issued on 27 January 2016, till the disposition of appeal. To date, the Court of Cassation has not scheduled a hearing for the appeal. No one is unaware of the efforts and endeavors that the Company's management has exerted and still exerts to put an end to this matter in such a way as to preserve the rights of its Shareholders.

Our Honorable Shareholders,

To conclude, and on behalf of my fellow Members of the Board of Directors, I would like to extend my sincere gratitude and deepest appreciation to all the Company's Shareholders for placing placed their trust in us, which was the greatest motivator and supporter for our decisions, journey and work. I must not forget to extend my thanks and gratitude to my fellows in the Board of Directors and the Executive Management for the distinctive efforts they have exerted during this period, which resulted in decisions and outcomes helped the Company to achieve its strategic objectives and for the best, if Allah wills.

I would also like to extend my deepest thanks to the Ministry of Commerce and Industry, Capital Markets Authority and Central Bank of Kuwait for their constant diligence and interest in achieving the desired benefits and protecting the rights of Shareholders and Stakeholders through adopting the best international standards and practices which in turn revive the investment and economic sector in the State of Kuwait.

Abdullah Hamad Al-Terkait
Chairman

Corporate Governance Report for the Fiscal Year ended 31 December 2016

The Corporate Governance Report of Safat Investment Company for the year 2016 affirms the Company's constant commitment to provide the best value to its shareholders, which stems from the Company's recognition that the sustainability of good corporate governance practices has become an ethical and economic imperative in the modern business world.

In this regard, it has been our concern to emphasize the need for strict adherence to the principles that help in establishing the concept of transparency, accountability, integrity, ethics and honesty in conducting our business, which constitutes, without any doubt, the cornerstone of any successful organization. For this reason, we owe it to ourselves, our investors and stakeholders to commit to the highest levels of probity and integrity in managing the company.

Considering the growing interest of our shareholders, including the potential shareholders and investors, the Company has enhanced its governance system in line with the best local and international practices in this field. In this regard, Safat Investment Company aims at strengthening the role of independent board members, establishing and activating the work of the committees, adopting sophisticated and distinctive business ethics in its business sector, as well as applying the new regulatory laws and the system of delegation of authorities, and mainstreaming the role of the Board of Directors into our work with the executive management.

The Company looks forward to achieving the desired objectives, improving the practices and procedures that are currently in place, as well as implementing an advanced governance framework for the Company and its subsidiaries, so that we can gain a prominent position amongst the various areas of our business, and accordingly achieve our shareholders' vision.

I. The Company's Board of Directors:

A. Organization and Structure of the Board of Directors:

The Board of Directors is responsible for developing the business strategy of Safat Investment Co. and ensuring compliance with the highest standards of governance in all the Company's sectors and its business. The Board is also fully responsible for managing and directing the work team and complying with all matters related to the Company, that are independent of the executive management, in accordance with the approved Board of Directors charter, which determines the mechanism of its composition, duties, responsibilities, convening and the procedures relating to its meetings.

The Board of Directors is responsible for the smooth functioning of business, ensuring the Company's compliance with the relevant laws and regulations, as well as adherence to the Company's Articles of Association. The Board is also responsible for protecting the Company from any illegal, abusive or inappropriate acts and practices.

The Board of Directors acknowledges it full responsibility for establishing the Company's internal control system, in addition to applying and reviewing the efficiency of the Company's internal control system.

The Board of Directors works to apply all the requirements and rules required for achieving the objectives of the governance system, including promoting transparency and fair treatment, strengthen the regulatory and audit procedures, reducing the conflicts of interest cases, promoting code of conduct, and other rules that contribute to the advancement of the company and achieve its goals.

The Company's Board of Directors has formed the committees in compliance with the provisions of corporate governance (Audit Committee, Risk Committee, Remuneration and Nomination Committee). The committees have started their work after the Board's adoption of their charters, which define the roles and responsibilities of each committee, as well as the Board's adoption of code of conduct and ethical standards, rules of transparency, disclosure and dealing with stakeholders, and reducing the conflicts of interest cases…

B. Board Composition

The Company's Board of Directors comprises of seven directors pursuant to Article (14) of the Company's Articles of Association, who are elected by the general assembly, while the Chairman and Vice Chairman shall be elected by secret ballot. The Company also follows the principle of separation of positions, so that the Company has separated the positions of the Chairman of the Board from that of the Chief Executive Officer, in addition to the existence of an independent board member in accordance with the provisions of relevant laws and regulations, especially Module Fifteen (Corporate Governance) of the executive regulations of Law No. 7 of 2010, as amended, issued by Capital Markets Authority (CMA).

C. Board Formation:

The table below shows the current structure of Safat Investment Company's Board of Directors as at 31 December 2016:

#	Name of Member	Designation	Representation	Date of Appointment
1	Mr. Abdullah Hamad Al-Terkait	Chairman	Synergy Holding Company	23 / 08 / 2016
2	Mr. Fahad Abdurrahman Al-Mukhayzim	Vice Chairman	Al-Marwa Holding Company	23 / 08 / 2016
3	Mr. Mishal Ahmad Al-Jarki	Board Member	Safat Holding Company	23 / 08 / 2016
4	Mr. Abdulmohsen Sulaiman Al-Mishaan	Independent Board Member	Elected	23 / 08 / 2016
5	Mr. Nasser Bader Al-Sharhan	Board Member	Al-Qadisiya Holding Company	23 / 08 / 2016
6	Mr. Abdulrazzaq Zaid Al-Dabian	Board Member	Dar Al-Safat General Trading Co.	23 / 08 / 2016
7	Dr. Anwar Ali Al-Naqi	Board Member	Kuwait Industries Company Holding	23 / 08 / 2016

Board Secretary: On 25 September 2016, the Company's Board held its meeting no. 5 of 2016 in which the continuation of Mrs. Khawla Mohamad Awadh Qandeel in the position of Board Secretary was approved.

D. Board Meetings:

Below mentioned are the dates of the Board meetings and the number of personal attendance of all board members:

Meeting No.	Date of Meeting	Absent
6/2016	13 Nov. 2016	Dr. Anwar Ali Al-Naqi Mr. Abdulrazzaq Zaid Al-Dabian
5/2016	25 September 2016	None
4/2016	23 August 2016	None
3/2016	23 June 2016	None
2/2016	6 April 2016	None
1/2016	21 February 2016	None

Noted that the Board didn't pass any resolutions by circulation during 2016.

E. Board Responsibilities and Powers

As stipulated in the Board of Directors' Charter and in compliance with the provisions of Module Fifteen (Corporate Governance) of the executive regulations of Law No. 7 of 2010, as amended, issued by CMA, we present hereunder the Board's roles, responsibilities and powers including but not limited to:

1. Approve the Company's major goals, strategies, plans and policies.
2. Approve the estimated annual budgets as well as the interim and annual financial statements.
3. Supervise the main capital expenditures of the Company in addition to assets ownership and disposing of the same.
4. Ascertain the Company's compliance with the policies and procedures which assure the Company's adherence to the internal applicable rules and regulations.
5. Construct effective communication channels that enable the Company's shareholders to be continuously and periodically up-to-date with the Company's various activities in addition to any material developments therein.
6. Set the Company's governance system, as well as overall supervision thereon and monitoring its effectiveness.
7. Ascertain that the Company's policies and regulations are characterized by transparency and clarity, which enables the decision-making process, realization of good governance principles, and separation of powers and authorities between the Board of Directors and executive management.
8. Determine the powers assigned to the executive management, the procedures of decision making process and the duration of delegation.
9. Monitor and supervise the performance of the executive management members.
10. Determine the categories of remuneration that will be given to employees, after obtaining the recommendation of Remuneration and Nomination Committee.
11. Appoint or dismiss any of the executive management directors or heads in accordance with the Company's approved list of powers.
12. Ascertain the efficiency and sufficiency of the internal control systems applicable within the Company on a periodic basis.

II. Board Committees:

The Board of Directors has formed several committees to help it in performing the duties thereof. Those committees are delegated to do specific responsibilities and powers to act on behalf of the Board. Furthermore, in compliance with the corporate governance principles, the committees have met the minimum committee requirements as set forth in the applicable corporate governance regulations.

The Board of Directors has formed three Board Committees as follows:

A. Audit Committee.
B. Risk Committee.
C. Remuneration and Nomination Committee.

Each committee shall have its own competences, duties and powers as defined by the Board in the Board Committee charter, which was approved and ratified by the Board according to the relevant regulations and laws as well as the Corporate Governance Practices.

1. Audit Committee:

The Audit Committee shall be primarily responsible for overseeing the quality and accuracy of the Company's practices within the framework of accounting, auditing, internal control and financial reporting, as well as identifying the compliance requirements and control mechanisms for all risk-taking activities within the Company. The main roles of Audit Committee are to monitor the Company's financial statements, review and recommend appropriate changes in the Company's control and financial systems, and maintain a good relationship with the external auditor. The Committee shall also supervise the internal controls management, as well as its key role in ensuring the Company's compliance with all legal and regulatory rules, monitoring the accounting practices and developing the Company's governance system.

A. Composition

In its meeting no. 5/2016 held on 25 September 2016, the Board has elected the Audit Committee's members. The Committee includes the following members:

Member Name	Designation (Committee)
Mr. Fahad Abdurrahman Al-Mukhayzim	Chairman
Mr. Abdulmohsen Sulaiman Al-Mishaan	Deputy Chairman
Mr. Nasser Bader Al-Sharhan	Committee Member

The Audit Committee consists of one independent director and two non-independent directors. The Committee's roles, responsibilities, composition, membership requirements and other procedures were documented and included in the Board Committees' Charter. According to the principles of transparency and independence, the internal audit department shall directly submit its report to the Audit Committee, while the Committee Chairman shall be responsible for submitting the reports and remarks to the Committee on a periodic basis and when required.

B. Meetings of Audit Committee during 2016:

Meeting No.	Date of Meeting	Absents	Main items discussed
1 / 2016	10 November 2016	None	- Election of the Committee's Chairman and Deputy Chairman. - Approval of the consolidated interim financial statements for the 1st, 2nd and 3rd quarter of 2016, and submit its recommendation thereon to the Board for approving it.

C. Roles and Responsibilities of the Committee:

1. Review the interim and annual financial statements and the external auditor report, and approve them initially before being submitted to the Board for final approval, in order to ensure fairness and transparency of the financial reports.
2. Ensure the adequacy and comprehensiveness of the scope of the external audit, ascertain the independence of the Company's external auditor, reduce the factors that may undermine the auditor's independence, and verify the existence of coordination between the works of the external auditors.
3. Review/Study the external auditors' observations regarding the financial statements and following-up the measures taken in this regard.
4. Review/Study the followed accounting policies and principles and verify any changes that may affect the Company's financial position, in addition to identifying the reasons for such changes.
5. Review and adopt the annual plan of internal audit.
6. Supervise the internal audit procedures, review and approve the scope and periodicity of audit works.
7. Review the internal audit reports of the various departments, discuss the comments thereon, make corrective decisions, determine the persons engaged in the implementation and the expected time for implementation.
8. Review the adequacy and effectiveness of the Company's internal control systems, including the strategies, policies and procedures relating to sound practices for the management and control of various risks, in addition to verifying the implementation of those policies and strategies.

9. Follow up the implementation of the agreed-upon corrective actions according to a specific time frame.
10. Review the outcomes of regulatory bodies reports and ensure that necessary measures were taken in this regard
11. Review Sharia Board's reports before its submission to the Board for adoption.
12. Initial review and approval of the internal audit department's policies and procedures.
13. Verify the Company's compliance with all relevant laws and regulations.
14. Nominate, appoint, transfer, dismiss, or replace the internal auditor and determine his fees, as well as verifying its effectiveness in carrying put the works.
15. Provide the Board of Directors with its recommendation concerning the appointment, re-appointment, or replacement of the external auditors, and determine their fees.
16. Review dealings and transactions with related parties, and provide the Board of Directors with the appropriate recommendations in this regard.
17. Conduct periodic meetings independently with the external auditor, and 4 times at least with the internal auditor, as well as when required at the committee's request.

2. Risk Committee:

The Risk Committee is primarily responsible for all matters related to the Company's risk management, for example but not limited to: Credit Risk, Market Risk and Operational Risk. The Board Risk Committee is also responsible for reviewing and monitoring the risks to which the Company may be exposed, risk management strategy, risk appetite and the related controls that aim at reducing the risks and determining the acceptable risk levels in line with the expected benefits, in addition to suggesting the recommendations thereon to the Board of Directors.

A. Composition

In its meeting no. 5/2016 held on 25 September 2016, the Board has elected the Risk Committee's members. The Committee includes the following members:

Member Name	Designation (Committee)
Dr. Anwar Ali Al-Naqi	Chairman
Mr. Mishaal Ahmad Al Jarki	Deputy Chairman
Mr. Abdulrazzaq Zaid Al-Dabian	Committee Member

The Committee's roles, responsibilities, composition, membership requirements and other procedures were documented and included in the Board Committees' Charter. According to the principles of transparency and independence, the Risk Management department shall directly submit its report to the Board of Directors, while the Risk Manager shall be responsible for submitting the reports and remarks to the Board on a periodic basis and when required.

B. Meetings of Risk Committee during 2016:

Meeting No.	Date of Meeting	Absents	Main items discussed
1 / 2016	04 October 2016	None	- Election of the Committee's Chairman and Deputy Chairman.

C. Roles and Responsibilities of the Committee:

1. Prepare and review risk management strategies and policies prior to getting them approved by the board of directors and verify application of such strategies and policies, and that they are appropriate to the company's nature and level of activities.

2. Review the adequacy and effectiveness of the Company's internal control systems, including the strategies, policies and procedures relating to sound practices for the management and control of various risks, and verify the implementation of those policies and strategies.
3. Ensure the availability of sufficient resources and systems of risk management, review the organizational structure of risk management, make recommendations thereon prior to its approval by the Board of Directors, and to verify that the department staff have a full understanding of the risks surrounding the company, and ensure that the staff of risk management department are independent from any operational activity.
4. Assist the Board of Directors to identify and evaluate the company's acceptable risk level, and evaluate systems and mechanisms of identifying, measuring and monitoring various types of risks to which the Company may be exposed.
5. Study and review the risk reports of the Company and the actions taken to reduce or face these risks in the range of the approved acceptable risks ratios in comparison with expected benefits.
6. Review issues raised by the risk committee, which may affect risk management in the company
7. Review and initial approval of the risk management policies and procedures.
8. Carrying out any other responsibilities assigned to the Committee by the Board of Directors in accordance with the approved authority matrix.

3. Remuneration and Nomination Committee:

The Remuneration and Nomination Committee shall determine the individual and total remuneration package for the board members in accordance with the framework approved by the shareholders, review the remunerations framework and plan adopted by the Company, and oversee the development of the succession plans along with suggesting recommendations with respect to the remunerations of executive management staff. The Committee reviews the annual remunerations of executive directors and submit it to the Board of Directors. In addition, the Committee is responsible for the nomination of potential members, on boarding, training of new members and raising the awareness of the Company's Board of Directors. The Committee also oversees the evaluation process of the Company's Board and Committees performance. The Committee assumes the coordination with compliance unit and audit committee to facilitate the business.

A. Composition

In its meeting no. 5/2016 held on 25 September 2016, the Board has elected the Remuneration and Nomination Committee's members. The Committee includes the following members:

Member Name	Designation (Committee)
Mr. Abdullah Hamad Al-Terkait	Chairman
Mr. Abdulmohsen Sulaiman Al-Mishaan	Deputy Chairman
Mr. Abdulrazzaq Zaid Al-Dabian	Committee Member

The Remuneration and Nomination Committee consists of one independent director and two non-independent directors. The Committee's roles, responsibilities, composition, membership requirements and other procedures were documented and included in the Board Committees' Charter. According to the principle of transparency and independence, the Remuneration and Nomination Committee submits its reports to the Board of Directors on a periodic basis and when required.

B. Meetings of Audit Committee during 2016:

Meeting No.	Date of Meeting	Absents	Main items discussed
1 / 2016	04 October 2016	None	- Election of the Committee's Chairman and Deputy Chairman.
2 / 2016	22 December 2016	None	- Nominating Mr. Abdulmohsen Al-Mishaan to assume the CEO position and submit recommendation to the Board of Directors for necessary action.

C. Roles and Responsibilities of the Committee:

1. Prepare and develop the policies of the Directors' remuneration in accordance with the laws adopted and recommendation submitted by the Board of Directors and subject to the approval of the Ordinary General Assembly.
2. Prepare and develop the remunerations and provisions policy of the Board committees' members.
3. Determine the various remuneration categories to be provided for employees such as fixed, performance-based, share-like and end of service remunerations.
4. Supervise the preparation of the policy of remunerations, promotions, bonuses, incentives and salaries for the executive management and employees.
5. Ensure that the remunerations are awarded in accordance with the Company's policies, review these policies periodically and evaluate their effectiveness in achieving the desired objectives, represented in attracting the human cadres and maintaining the highly skilled staff.
6. Prepare a detailed annual report on all remunerations granted to the Board members and executive management, however this report is to be submitted to the general assembly for approval.
7. An initial approval of the manpower plan according to the needs of the company and executive management recommendations to submit it to the Board of Directors for final approval.
8. An initial approval of the succession plan for the executive positions to be submitted to the Board for final approval.
9. Develop job descriptions for the executive, non-executive and independent members of the Board of Directors.
10. The nomination and re-nomination of independent members for election by the general assembly and ensure that the independency of the independent member in the Board of Directors is still valid.
11. Provide recommendations to the Board of Directors to appoint members of the executive management and vacant leadership positions according to the adopted policies and standards and with no prejudice to the governing regulations and laws.
12. Ensure the nomination of the most efficient, experienced, capable, and skilled candidates to exercise the functions entrusted to any vacancy according to the best standards.
13. Supervise the preparation and identification of the Company's needs of competencies at the level of executive management and the rest of the staff and the basis of their selection, recruitment processes and conditions of hiring the company staff, who directly report to the Chief Executives and their deputies, as well as the amendments to employment contracts, its renewal and / or termination of staff services and their resignations.
14. Supervise the preparation of the training plan for all the company's employees and monitoring its implementation.
15. Identify the strengths and weaknesses of the Board of Directors through self-assessment and recommendation to take the necessary action to correct any deficiencies for the company's interest.
16. Approval of the structure of the job levels and salaries of the company.
17. Carrying out any other responsibilities assigned to the Committee by the Board of Directors in accordance with the approved authority matrix.

III. Internal Control System

Al-Safat Investment Company adopted a series of internal control policies after endorsing and approving thereof by the board in order to evaluate the risk-management and auditing related methods and procedures, apply the governance system in the company, and abide by the relevant laws and regulations. The internal control system aims to protect the shareholders' rights and the company's assets, ensure the reliability of maintaining the financial records and the submission of reports in the company.

The audit committee reviews the effectiveness of the company's internal control system on a periodic basis through the evaluations performed by the internal control management, and this review includes all the key controls including the financial, operational and compliance controls, and the risk management systems.

IV. Compliance Department

The company promotes the culture of adherence to the rules of compliance therein, and it is expected from everyone including the board members, the executive body and employees to comply with the applicable laws, regulations and standards in Kuwait.

The compliance department determines on a proactive basis the risks of compliance related to the company's business as well as authenticating and evaluating thereof including, but not limited to, the risks related to the development of new products, business practices, establishment of new types of business, relationships with customers or the fundamental changes in the nature of these relationships. The risks of compliance include the risks of imposing the legal or regulatory penalties or incurring significant financial losses or the negative impact on the reputation due to the failure to comply with the applicable laws, regulations and standards.

The other responsibilities of the compliance department include the following:

- Ensure the departments' full compliance with the laws and regulations issued by the regulatory bodies (e.g. Capital Markets Authority, Ministry of Commerce and Industry, Central Bank of Kuwait) and the laws related to the operations of money laundering and financing of terrorism.
- Suggest the relevant recommendations in order to improve the procedures of internal control which help in minimizing the risks related to the non-compliance, money laundering and financing of terrorism.
- Follow-up the new laws and regulations and notify the executive management and concerned departments in order to apply it in a timely manner.
- Monitor the financial transactions of customers, verify the suspicious operations and reporting thereof to the financial information unit (if any).
- Enhance the due diligence in the suspicious operations and high-risk politically exposed clients.
- Ensure the proper application of the provisions of the United States Act related to the Foreign Account Tax Compliance (FATCA).
- Provide the required training and awareness to the company's staff members with regards to the penalties related to money laundering and financing of terrorism, and the provisions of the United States Act related to the Foreign Account Tax Compliance (FATCA) on a regular basis.
- The compliance department submits the outcomes of compliance reviews to the Board Chairman, and such reports should include a summary for the deficiencies, and/or penalties and procedures suggested for facing thereof, in addition to the proper measures which were taken and will be taken according to the agreed deadlines.

V. Disclosure and Transparency

In the pursuit of transparency, company should fully comply with all the requirements of disclosure including the release of shareholders' financial information in the company through the Kuwait Stock Exchange and the other regulatory authorities. Company should also comply with providing accurate, integrated and updated information to the regulatory bodies and the company's shareholders in accordance with the legislative and regulatory requirements in the framework of transparency. Further, the company also guarantees the adoption of integrated practices and procedures for the disclosure of information and the possibilities of the general public to obtain the declared information promptly. To that end, the company prepared a policy for transparency and disclosure of information which reflects all the requirements of disclosure such as the financial, non-financial, and regulatory disclosures and the guidelines about the company's responsibilities.

The disclosures and transparency affiliated to the compliance unit is considered a central independent unit which assumes the responsibility of information exchange and management in the company, and the unit is also responsible for the availability of precise and high-quality information for the stakeholders inside and outside the company in a timely manner.

Al-Safat Investment Company and its affiliated companies also cooperate with all the regulatory bodies within the limits of competences, under which they are operating, with the adherence to provide accurate information to these authorities at the due time in accordance with the policies and regulations organizing thereof, and the compliance officer shall be responsible for dealing with the relevant regulatory bodies and the periodical communication therewith.

The framework of information disclosure includes all the main qualitative and quantitative information related to the financial performance and stability, factors of risk management, remunerations, governance, related parties' transactions, conflict of interest, the essential changes in the business sector and others.

VI. Conflict of Interest and Insider Trading

The company has developed guidelines and procedures for remedying the actual or theoretical cases of conflict of interest and insider trading, and these guidelines have been documented in policy for the company and it should be applied on the board, executive management, employees, and the other stakeholders (including shareholders, clients, service providers and others).

In accordance with the aforementioned policy, the board, executive management, employees, and other stakeholders should comply with the following:

- Avoid any instances which may lead to an actual or theoretical conflict of interest's cases.
- Act responsibly and respectively and staying away of any impact which may lead to the loss of objectivity in dealing with the company's clients and the company itself.
- Inform the board about any direct or indirect material interest in any transaction or matter which may have a direct impact on the company.
- Protect the personnel who prepare the conflict of interest reports from the negative reactions of the persons mentioned in these reports.
- Adopt clear rules and procedures for which the trading of securities, granting of insurance facilities, working in other establishments, membership in other boards, business interests, dealing with relevant parties, and any questionable or suspicious transactions or instances which may raise the possibility of conflict of interest's existence, should be subjected.
- Avoid asking for gifts from potential or current clients or salespersons or any other person or company.
- Non-disclosure of the insider information to any third parties which may have an intention to make use of the disclosure.
- Prevent some people from using the company's relevant information for personal gains.
- Disclosure of the number of shares of the board members to the public and/or stakeholders.

In general, the company has complied with the detentions and procedures prescribed by the relevant regulatory authorities in terms of dealing with the parties involved / business transactions / major transactions.

VII. Rights of Shareholders

The effective and transparent communication focuses on the accuracy, timing and importance of exchanged information, while at the same time ensuring the non-conflict of the disclosed information with the company's duty of protecting the company's persistence and the non-preference of some stakeholder over other stakeholders.

In line with the company's articles of association and the corporate governance, the company maintains an effective and explicit communication with its shareholders which enables them to understand the company's business, financial position and operational performance, in addition to the annual report and the shareholders' official meetings. The company also provides a broad range of information for all the stakeholders through its website.

The company aims to provide the shareholders with the sufficient information and data to analyze the company's performance and take the decisions with regards to the elections of board members and other matters including but not limited to:

- Right to access the records of shareholders and board members, articles of association, documents, records, and other relevant information as specified in the applicable regulations.
- Equal treatment for all the shareholders who are categorized under the same class, and also the shareholders from different classes of shares without prejudice to the rights of shareholders who enjoy a priority in the order amongst these classes.
- Right of attending the assembly in person or by proxy.
- Review the mechanism of profit distribution which will be / was acknowledged and approved by the board.

VIII. Rights of Stakeholders

The relationships with the stakeholders in the company enable the board to take their queries and goals into consideration while taking decisions, and this plays an essential role in achieving the company's long-term strategy and continuing its growth, and the board shall comply with protecting the rights of stakeholders continually and ensure to put their interests into consideration while taking any legal and commercial decisions by the company, and this compliance shall appear by applying the corporate governance which focuses on the adoption the highest standards of quality and transparency in all the commercial activities and transactions of the company.

The company also adopts a specific framework for running the discussions and communication with the stakeholders therein in an explicit and transparent manner, and this framework identifies the procedures established in communicating with the stakeholders and the level of information which can be disclosed. Moreover, the company aims to treat with all the stakeholders on an equal basis and in an equitable manner. In order to promote the ethical conduct, the company has issued the code of conduct including the ethical principles which should be adopted by every employee, and the investigations should be done accurately in case of committing any with taking the required disciplinary and corrective actions, and the company has also developed a policy for reporting the violations in the workplace which enables the employees and/or external service providers from reporting any violations without fearing the negative reactions.

IX. Company Policies

Al-Safat Investment Company has worked on preparing and updating all the policies and procedures of the company, and the committees and board's charters have been also developed and adopted, with particular focus on the risks governance and management that will be summed up as follows:

A. Governance of the Company

The Company acknowledges that the adoption of an effective governance system is essential for achieving the company's objectives and increasing the shareholders' rights to its fullest. The company has developed the practices and procedures of governance in accordance with the articles of association and the relevant systems and in line with the basic governance practices, and the policies of corporate governance determine the details of the governance system's guidelines in the company.

B. Social Responsibility

The Company is aware of its social responsibility to integrate the commercial standards in its operations in order to achieve the expectations of its stakeholders and fulfill their needs, and the company also complies with promoting the sustainable growth and preserving the human life, health, natural and environmental resources and protecting thereof, as well as contributing to the societies wherein it conducts its business. In this framework, the company recognizes the importance of compliance and the financial and non-financial contribution.

C. Code of Conduct

The code of conduct adopted by the company is used as a manual for the professional conduct to which the company's employees should commit. This code includes all the applicable laws and regulations, and the highest standards that should be reviewed and committed by the employees during the performance of their daily activities and operations.

Furthermore, such rules shall be applied to subsidiaries while covering the matters specified hereunder.

- Compliance with laws and regulations.
- Conduct of Board members and employees.
- Restrictions related to accepting gifts and commissions.
- Avoid conflicts of interest.
- Provide high quality services and operational effectiveness.
- Protect the company's assets and appropriate utilization.
- Prevent trading based on internal information.
- Relationship with Press & Media.
- Notifying of violations at workplace.
- Relationship between employees and the company
- Using confidential and internal information and those related to stakeholders
- Respecting privacy of employees
- Respect human rights and prevent discrimination at workplace.

D. Human Resources:

The Company has developed fair policies for attracting, retention and motivate employees, which constitutes a key factor to effectively manage its business and such policies include proper management practices for employees and maintain competitive rewards and advantages level.

In terms of Human Resources Department, the company shall adhere to the following:

- Hire qualified candidates through using cost effective employment procedures.
- Adhere to all legal obligations, internal rules related to employment and Employees and Termination Department.
- Treat all employees fairly and equally.
- Launch initiatives for employing qualified Kuwaiti Citizens and retain them and achieve the percentage determined by the State of Kuwait.
- Follow coherent and competitive rewards and advantages system and apply to the company.
- Apply a fair promotion mechanism to identify the employees' outstanding performance and reward them accordingly.
- Develop the employees' performance, rectify deficiencies, support the strengths and improve the organizational effectiveness through applying a systematic performance evaluation system.
- Handle complaints to minimize the level of grievances and protecting the rights of the company and employees.
- Enhance information sharing and cross-company learning, in addition to facilitating the growth of knowledge.

Abdullah Hamad Al-Terkait
Board Chairman

Audit Committee Report for the year ended 31 December 2016

Board of Directors of Safat Investment House ('Safat" or the "Company") is entrusted with the establishing and following up the internal control systems. Such responsibilities are not limited to approving the audit forms and procedures but extend to ensuring adoption of enhanced internal control systems in the company.

Internal Control Systems:

The Company's Board of Directors approved the Audit Committee Charter and all policies and procedures for the internal control systems that cover the various activities of the Company. The related strategy defines the roles and duties of the Company's employees. The Board Audit Committee monitors implementation of such policies and procedures in all the Company's departments and ensures that the Internal Audit Unit communicates with the other departments to ensure their compliance and implementation of the policies and procedures approved by the Board.

Since its formation, Audit Committee held regular meetings to manage and measure efficiency of the internal control systems. In the first meeting of the Committee, Mr. Fahad A. Al-Mukhayzim was named as the Committee Chairman, Mr. Abdul Mohsen S. Al-Meshan as Committee Deputy Chairman and Mr. Naser B. Al-Sharhan as Committee Member. In addition, the observations and reports submitted to the Committee within the course of reporting at the department level were discussed in order to ensure the dual control.

The Audit Committee held meetings on regular basis with the Company's internal auditor to discuss the reports on the Company's business including its subsidiaries and all the observations raised by him, and reviewed the previous observations and responses thereto to identify the risks the Company may be expose to and implications, materiality and mitigation thereof . The Committee also ensures that the supervision functions in the Company are well operating and the human resources and controls are available to ensure effective internal control. On the other hand, the Committee reviews the proposed audit plan to ensure the regularity of the Committee meetings in line with the preset schedule. To this end, the Committee practices its authorities to review and approve the annual audit plan and all the major changes to the internal control policies and procedures.

In its meeting No. 1 of 2016, the Company's interim financial statements for the first quarter ended on 31 March 2016, the second quarter ended on 30 June 2016 and the third quarter ended on 30 September 2016 were reviewed and discussed, and a recommendation was submitted to the Board of Directors for approval thereof and filing the same to Capital Markets Authority.

Integrity of Financial Reporting:

The Audit Committee carries out its duty in reviewing and supervising the external auditors' reports regarding the quarterly and annual financial statements before they are presented to the Board in order to ensure the integrity of the Company's financial statements and independence and integrity of the external auditors whose opinion and reports shall remain independent and should be included into the Company's annual report.

Regulatory Compliance:

In accordance with the Executive Regulations of the Law 7/2010 and amendments thereto issued by Capital Markets Authority, the Audit Committee had taken the necessary actions to implement the new instructions of corporate governance. Such actions included the existing audit procedures, preparation of the Committee's minutes, resolutions and agenda. In addition, a contract was executed with an external audit firm to express an opinion and submit an internal Control Review (ICR) Report for the year ended 31 December 2016. The Board of Directors and the executive management submit clear declarations in writing regarding the integrity the Company's annual financial statements and the other reports regarding the Company's activities. They also undertake and declare that the aforesaid report cover all the Company's financial aspects and operating results, and that such reports are prepared in accordance with the International Financial Reporting Standards (IFRSs).

In conclusion, the Audit Committee believes that its follow up, supervision and review of the auditors' reports and internal control systems prove that Dana Al-Safat Foodstuff Company has a sound and appropriate internal control systems, and that the Company is making a good progress to enhance efficiency of its systems designed to identify risks and ensure compliance with the regulations promulgated by the regulatory authorities in the State of Kuwait.

Fahad Abdurrahman Al-Mukhayzim
Audit Committee Chairman

State of Kuwait

30.05.2017

Remuneration Report for 2016

I. Directors' Remuneration Policy

Safat Investment Company ("Safat" or the "Company") adopt a clear policy with respect to directors' remuneration in conformity with the provisions relating thereto under the law of Companies.

A director's remuneration is fixed based on the tasks accomplished by such director and the amount recommended by the Board of Directors, as approved by the general assembly.

Allocation of the directors' remuneration is based on volume of works, company's profits during the year and attendance by the directors of Board meetings.

In addition, the Company compensates its directors for all the direct and indirect expenses such as the travel expenses they incur by the directors in carrying out any duty for the Company.

The Company has developed and approved Nomination & Remuneration Committee Chart and, accordingly, the aforesaid committee was formed following the general assembly meeting held to approve the financial statements of the Company for 2015 on 23 August 2016 and election of a new Board of Directors. The Committee initiated its activities and held its meetings, as indicated in the Corporate Governance Report.

Details of the remuneration and benefits paid to the Company's directors during 2016 are as follows:

Member Name	Amount (K.D)
Abdullah Hamad Al Terkait	**5,000**
Fahad Abdul Rahman Al Mukhaizim	**5,000**
Abdulmuhsen Suliman Al Meshan	**5,000**
Mishaal Ahmed Al Jareki	**5,000**
Naser Bader Al Sharhan	**5,000**
Abdul Razzaq Zaid Al Dhubayan	**5,000**
Abdul mohsen Abdul Aziz Al Saraawi	**5,000**
Total	**35,000**

II. Executive Management Remuneration Policy

The Company grants bonus and incentives to its employees based on the annual performance appraisal that is conducted as per preset professional and technical standards. Amounts of such bonus and incentives are allocated by the performance ranking. In addition, the Company continually motivates its staff to enhance their performance and skills. To this end, the Company, for evaluating performance of its staff, approved certain standards and targets based on which performance is appraised, e.g. target setting, measurability, achievability, relevance, timeframe. Staff performance appraisal is conducted under the supervision of Human Resources Department.

Company's Remuneration Policy aims to:

1. Attract and retain the highly qualified talented workforce.
2. Link the staff remuneration/bonus to the Company's profitability.
3. Adopt an incentive scheme that encourages staff to improve their performance at all times.

The Company's Nomination & Remuneration Committee (NRC), in collaboration with the executive management, is responsible for formulating the remuneration policy for the executive management with the aim to retain the talents and maximize the existing and future returns for the shareholders. A recommendation is submitted to the Company's Board to approve the remuneration policy for the executive management.

NRC evaluates and approves the remunerations for all executive management staff based on the performance appraisal using the analytical tools, quality/quantity procedures and comparative studies in formulating the bonus/remuneration policy. In addition, the Company deployed a system to monitor and evaluate the staff and executive management performance, and a transparent and fair system to measure the responsibilities and performance and, hence, assist the Company to compensate the staff for the efforts they exerted throughout the year.

The detailed remuneration and bonus paid to the executive management in 2016 are as follows:

a- Al Safat Investment Company:

Title	Amount (K.D)
Chief Executive Officer	10,000
Executive Vice President	20,000
Finance Manager	6,750
Remaining Employees	18,520
Total	55,270

- Benefits obtained by senior management of Al Safat Investment Company for the financial year ended 31 December 2016:

Title	Benefits	Amount (K.D)
Executive Vice President	car allowance	6,000
	Education allowances for children and travel tickets	3,000
Total		9,000

- The benefits mentioned in the table above have been disbursed in accordance with the contract between the Company and the Executive Vice President.

b- Dar Al Safat for General Trading Company (Subsidiary):

Title	Amount (K.D)
Employees Bonus	2,900
Total	2,900

c- Al Safat Holding Company (Subsidiary):

Title	Amount (K.D)
Employees Bonus	250
Total	250

d- Al-Assriya Printing Press Pub. & Dist. Company (Subsidiary):

Title	Amount (K.D)
General Manager	10,611
Remaining Employees	10,000
Total	20,611

e- The Roots Stock Brokerage House – Egypt (Subsidiary):

Title	Amount (K.D)
Chairman	23,573
Remaining Employees	3,269
Total	26,843

III. The compensation policy for members of the committees:

The responsibilities of the committees emanating from the Board of Directors are based on measuring the extent to which the Company complies with the highest standards and procedures for the issuance of performance reports And to assist the Board of Directors in carrying out its duties, making recommendations, supervising operations and implementing the internal systems. The committees prioritize maintaining shareholder interests by providing the highest levels of transparency and strict adherence to internal policies and regulations. In performing their important roles, the committees are fully aware of the role played by the company in the financial and investment sector.

The Board of Directors of the Company approved the payment of remuneration to the member's executive committee for the tasks and work carried out by the Committees which played an important role in helping the Board address many of the problems and obstacle's encountered by the company previously.

Below are details of the remuneration and benefits paid to the Executive Committee during 2016:

Title	Amount (K.D)
Chairman of the Committee	40,000
Vice-chairman of the Committee	40,000
Committee Member	10,000
Committee Member	10,000
Total	100,000

Abdullah Hamad Al Terkait
Chairman

Report of the related party transactions for the year ended 31 December 2016 and expected for the year 2017

Subject: Report of the related party transactions for the year ended 31 December 2016 and expected for the year 2017

Dear Shareholders,

Below are the related party transactions for the financial year 2016:

1- **Consolidated Statement of Financial Position:**

Description	Year 2016 (K.D)
Due From other Related Party	**307,897**
Due to Related Party	**15,527**

2- **Transactions with Related Party:**

Description	Year 2016 (K.D)
Total (Consider Management Fees, Employees' salaries and benefits and Committee's bonus)	**237,952**

These instructions are expected to continue through 2017 as the instructions relate to the investment activities of the company; the company also manages the investments of some companies and related individuals.

The related parties are the board members and the executive management of the company and its subsidiaries. All the related party transactions are done with the approval of the board of directors of the company.

Thanks and Regards,

Abdullah Hamad Al Terkait
Chairman

UNDERTAKING OF THE BOARD OF DIRECTORS

We, the chairman and members of the Board of Directors of Al-Safat Investment Company KSC (Public), hereby assure the accuracy and integrity of the financial statements as of 31 December 2016 except omission and error, and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait according to such information and reports as have been received by us from the Executive management, auditors and that due care has been made to verify the integrity and accuracy of those reports.

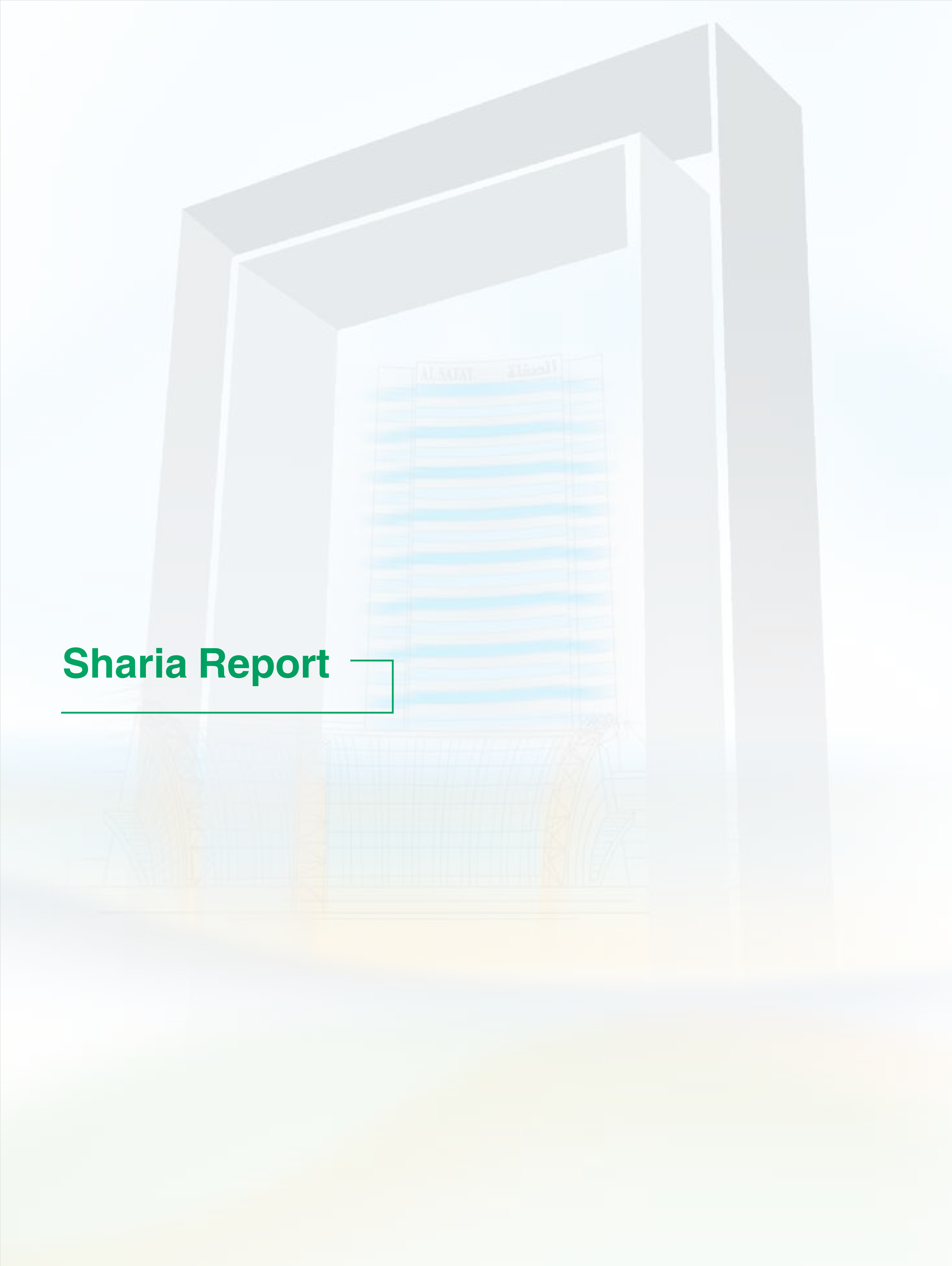
Member Name	Position	Signature
Abdullah Hamad Al Terkait	Chairman of the Board of Directors	
Fahad Abdul Rahman Al Mukhaizim	Deputy Chairman of the Board of Directors	
Abdulmuhsen Suliman Al Meshan	Member of the Board of Directors	
Dr. Anwar Ali Al Naki	Member of the Board of Directors	
Mishaal Ahmed Al Jareki	Member of the Board of Directors	
Abdul Razzaq Zaid Al Dhubayan	Member of the Board of Directors	
Naser Bader Al Sharhan	Member of the Board of Directors	

UNDERTAKING OF THE EXECUTIVE MANAGEMENT

The Chairman and Members of the Board of Directors

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwait Capital Markets Authority, we assure that the consolidated financial statements of Al-Safat Investment Company KSC (Public), the parent company and its subsidiary companies for the financial year ended 31 December 2016, are presented in a sound and fair manner except omission and error, that they show all the Financial aspects of the company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.

Abdulmuhsen Al Meshan	**Ahmed Fathi Abouzeid**	**Ahmed Aref Affouf**
Chief Executive Office	Executive Vice President	Finance Manager



Sharia Report

للاستشارات المالية الإسلامية

MANDR
Date: 14/05/2017

000194

The Sharia Report of AI-SAFAT INVESTMENT CO.
Fatwa and Shariah Supervisory Board
For the period from 01/01/2016 to 31/12/2016

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 01/01/2016 to 31/12/2016. 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 01/01/2016 to 31/12/2016. 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 2016

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Independent auditors' report

The Shareholders of

Al Safat Investment Company K.P.S.C.

State of Kuwait

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Al Safat Investment Company K.P.S.C. ("the Parent Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to note 34 which states that the Group has recorded past due wakala investment in the amount of KD 21,322,928 as at 31 December 2016 (2015: KD 21,142,347).

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following are the key audit matters we have identified and a description of how our audit addressed each matter.

a) Valuation of unquoted available for sale financial assets

The Group's investments in unquoted available for sale financial assets represent 32% of the total assets. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets. Therefore, there is significant measurement uncertainty involved in valuing these investments. As a result, the valuation of these investments was significant to our audit. We have, therefore, excreted significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its available for sale financial assets are included in Note 8.

Our audit procedures included agreeing carrying value of the unquoted investments to the Group's external or internal valuations prepared using valuation techniques, assessing the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

b) Valuation of right of use properties

Right of use properties represent 19% of Group's total assets and is carried at cost. The management of the Group is determining the fair value of its right of use properties with help of external appraisers to support these valuations. The valuation of the right of use properties at fair value is highly dependent on estimates and assumptions such as rental value, capitalization rate, occupancy rates, the financial stability of the tenants, and market knowledge and historical transactions. Further, the disclosures relating to the assumptions are considered important, given the estimation uncertainty and sensitivity of the valuations. Given the size and complexity of the valuation of right of use properties and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter.

Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group. We took several factors into consideration such as the independence, reputation and capabilities of its external valuators. We also evaluated the accuracy of the data inputs used by the external evaluator

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with the help of our experts to assist us in assessing assumption used by external valuators. We assessed the appropriateness of the disclosures relating to the right of use properties as presented in notes 3.5 and 5 to consolidated financial statement.

c) Impairment testing of goodwill

The Group has goodwill amounting to KD 1,550,265. Management conducts annual impairment tests to assess the recoverability of the carrying value of these goodwill. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of goodwill, which is based on the higher of fair value less cost to sell and value in use, has been derived from discounted forecast cash flows models. These models use several key assumptions, including estimates of future trading volumes, revenue growth rates, operating costs, terminal value growth rates and discount rate.

Our audit procedures included carrying out the following:

- Involved our own internal valuation experts to assist in evaluating the appropriateness of the discount and terminal growth rates applied and the discount for lack of liquidity parameters.
- Tested the appropriateness of the assumptions applied to key inputs such as trading volumes, revenue growth rates, operating costs, which included comparing these inputs with externally derived data as well as our own assessment based on our knowledge of the Group and its industry.
- Performed our own sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact of change on current estimates;
- Evaluated the adequacy of the disclosures in note 6 of the consolidated financial statements, including disclosures of key assumptions and judgments.

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as applied in Kuwait and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, and its executive regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2016, that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2016 that might have had a material effect on the business of the Parent Company or on its 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: 18 June 2017

Consolidated statement of financial position
At 31 December 2016

Assets	Notes	2016 KD	2015 KD
Property, plant and equipment	4	6,031,604	2,166,615
Right of use property	5	11,612,034	12,473,816
Goodwill	6	1,550,265	1,550,265
Investment in associates	7	5,968,042	6,066,007
Available for sale investments	8	20,910,120	23,683,838
Inventory		85,545	67,307
Accounts receivable and other assets	9	2,237,896	2,376,156
Due from related parties	10	307,897	-
Wakala receivables and Islamic finance	11	201,797	508,868
Investments at fair value through statement of profit or loss	12	2,072,879	4,918,257
Cash and cash equivalent	13	8,933,062	4,038,268
		59,911,141	57,849,397
Assets held for sale	14	276,861	1,076,861
Total assets		60,188,002	58,926,258
Equity and liabilities			
Equity			
Share capital	15	25,693,940	25,693,940
Share premium	16	259,677	259,677
Statutory reserve	17	284,800	195,297
Voluntary reserve	18	284,800	195,297
Treasury shares	19	(307,393)	(259,677)
Treasury shares reserve		615,002	615,002
Fair value reserve		5,362,835	4,865,355
Foreign currency translation reserve		(467,827)	(89,170)
Retained earnings		2,149,778	1,484,427
Equity attributable to owners of the Parent Company		33,875,612	32,960,148
Non-controlling interests		2,529,199	812,216
Total equity		36,404,811	33,772,364
Liabilities			
Provision for staff indemnity		509,159	512,202
Wakala investment	20	21,322,928	21,142,347
Accounts payable and other liabilities	21	1,935,577	3,499,345
Due to related parties	10	15,527	-
Total liabilities		23,783,191	25,153,894
Total equity and liabilities		60,188,002	58,926,258

Abdullah Hamed Al-Terkait
Chairman

Fahad Abdulrahman Al-Mukhaizim
Vice Chairman

The notes on pages 10 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Investment Activities			
Income from Islamic deposits		127,788	138,366
Dividend income		598,968	393,108
Income from portfolio and asset management		375,389	440,083
Realized loss on sale of investment at fair value through statement of profit or loss		(32,871)	(138,489)
Unrealized (loss) / gain on investment at fair value through statement of profit or loss		(58,416)	107,298
Realized (loss) / gain on sale of available for sale investments		(173,005)	113,754
Gain on disposal of subsidiary		-	77,260
Gain on disposal of associate		-	16,997
Gain on bargain purchase of associate		-	1,219,000
Gain on bargain purchase of subsidiary	3.2	1,796,342	-
Loss on sale of property and equipment		(45,948)	-
Group's share of results of associates	7	(100,279)	20,828
Gain on reclassification of available for sale investments		-	81,948
Gain on sale of assets held for sale	14	160,333	-
Net rental gain / (loss) from right of use property	22	61,967	(58,959)
Fee income		197,793	169,450
Reversal of provisions / (provisions)	23	1,356,514	(510,300)
Impairment losses	24	(52,687)	(1,323,311)
Loss on foreign currency exchange		(1,956,349)	(977,227)
Gain on wakala payables settlement		-	2,989,048
Other income	25	67,179	553,789
Total profit from investment activities		2,322,718	3,312,643
Trading Activities			
Revenue from trading activities		2,267,784	2,087,856
Cost of revenue from trading activities		(1,679,380)	(1,548,461)
Total profits from trading activities		588,404	539,395
		2,911,122	3,852,038
Expenses			
General and administrative expenses	26	(1,947,084)	(1,871,929)
Finance costs		-	(1,434)
Profit for the year before Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration		964,038	1,978,675
KFAS		(8,676)	(17,834)
Zakat		-	(25,118)
Board of Directors' remuneration	35	(42,000)	(35,000)
Profit for the year		913,362	1,900,723
Attributable to:			
Owners of the parent		844,357	1,875,021
Non-controlling interests		69,005	25,702
		913,362	1,900,723
Earnings per share (Basic and diluted) attributable to owners of the Parent Company (fils)	27	3.29	7.31

The notes on pages 10 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Profit for the year		913,362	1,900,723
Other comprehensive income items:			
Items that may be reclassified subsequently to the consolidated statement of profit or loss			
Net unrealized gain / (loss) on available for sale investments		287,689	(1,847,488)
Transfer to consolidated statement of profit or loss on sale of available for sale investments		173,005	(113,754)
(Gain) on reclassification of available for sale investments		-	(81,948)
Fair value reserve of an associate		3,225	5,283
Impairment of available for sale investments	24	29,189	1,323,311
Exchange differences on translating foreign currency		(631,508)	(43,955)
Exchange differences on translating foreign currency of associate		4,372	-
Other comprehensive loss		(134,028)	(758,551)
Total comprehensive income for the year		779,334	1,142,172
Attributable to:			
Owners of the Parent Company		963,180	1,164,181
Non-controlling interests		(183,846)	(22,009)
		779,334	1,142,172

The notes on pages 10 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Employee share option reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2014 (Restated)	77,298,334	259,677	-	-	(259,677)	615,002	5,549,822	(62,797)	529,430	(52,133,824)	31,795,967	834,225	32,630,192
Transferred to share premium	-	529,430	-	-	-	-	-	-	(529,430)	-	-	-	-
Amortization of accumulated losses	-	(529,430)	-	-	-	-	-	-	-	529,430	-	-	-
Extinguishment of accumulated losses	(51,604,394)	-	-	-	-	-	-	-	-	51,604,394	-	-	-
	25,693,940	259,677	-	-	(259,677)	615,002	5,549,822	(62,797)	-	-	31,795,967	834,225	32,630,192
Profit for the year	-	-	-	-	-	-	-	-	-	1,875,021	1,875,021	25,702	1,900,723
Other comprehensive loss for the year	-	-	-	-	-	-	(684,467)	(26,373)	-	-	(710,840)	(47,711)	(758,551)
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	(684,467)	(26,373)	-	1,875,021	1,164,181	(22,009)	1,142,172
Transferred to reserves	-	-	195,297	195,297	-	-	-	-	-	(390,594)	-	-	-
Balance at 31 December 2015	25,693,940	259,677	195,297	195,297	(259,677)	615,002	4,865,355	(89,170)	-	1,484,427	32,960,148	812,216	33,772,364
Profit for the year	-	-	-	-	-	-	-	-	-	844,357	844,357	69,005	913,362
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	497,480	(378,657)	-	-	118,823	(252,851)	(134,028)
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	497,480	(378,657)	-	844,357	963,180	(183,846)	779,334
Addition of non-controlling interest through business combination	-	-	-	-	-	-	-	-	-	-	-	2,023,634	2,023,634
Purchase of treasury shares of subsidiary	-	-	-	-	(47,716)	-	-	-	-	-	(47,716)	-	(47,716)
Transferred to reserves	-	-	89,503	89,503	-	-	-	-	-	(179,006)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(122,805)	(122,805)
Balance at 31 December 2016	25,693,940	259,677	284,800	284,800	(307,393)	615,002	5,362,835	(467,827)	-	2,149,778	33,875,612	2,529,199	36,404,811

The notes on pages 10 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Cash flows from operating activities			
Profit for the year		913,362	1,900,723
Depreciation			
Amortisation of right of use property	4	182,294	161,015
Amortisation of right of use property	5	861,782	868,716
Group's share of results of associates	7	100,279	(20,828)
Income from Islamic deposits		(127,788)	(138,366)
Dividend Income		(598,968)	(393,108)
Finance costs		-	1,434
Realized loss / (gain) on sale of available for sale investments		173,005	(113,754)
Realized loss on investment at fair value through statement of profit or loss		32,871	138,489
Unrealized loss / (gain) on investments at fair value through statement of profit or loss		58,416	(107,298)
Gain on disposal of subsidiary		-	(77,260)
Gain on disposal of associate		-	(16,997)
Gain on bargain purchase of associate		-	(1,219,000)
Gain on bargain purchase of subsidiary	3.2	(1,796,342)	-
Gain on reclassification of available for sale investments		-	(81,948)
Gain on sale of assets held for sale	14	(160,333)	-
(Reversal of provisions) / provisions	23	(1,356,514)	510,300
Impairment losses	24	52,687	1,323,311
Gain from wakala payables settlement		-	(2,989,048)
Provision for staff indemnity		95,094	79,354
Gain on sale of property and equipment		45,948	-
Currency exchange loss on wakala investment - Qatar National Bank		180,581	742,892
		(1,343,626)	568,627
Changes in operating assets and liabilities			
Investments at fair value through statement of profit or loss		3,139,124	(312,912)
Accounts receivable and other assets		442,391	4,849,311
Inventory		(18,238)	(10,863)
Wakala receivables		556,000	1,144,000
Due from related parties		(293,621)	1,511,664
Due to related party		15,527	-
Accounts payable and other liabilities		(982,432)	(364,380)
Cash generated from operations		1,515,125	7,385,447
Staff indemnity paid		(38,914)	(29,010)
Net cash from operating activities		1,476,211	7,356,437

Consolidated statement of cash flows (continued)
For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Cash flows from investing activities			
Proceeds from disposal of available for sale investments		3,192,909	813,340
Net proceed from sale of asset held for sale		960,333	-
Purchase of available for sale investments		-	(2,333,999)
Proceeds from disposal of associate		-	648,427
Net purchase of property plant, and equipment		(102,749)	(56,103)
Proceeds from sale of property, plant and equipment		123,712	-
Purchase of associate		-	(575,000)
Purchase of subsidiary	3.2	(877,050)	-
Cash flows from purchased subsidiary	3.2	6,564	-
Dividend paid		(122,805)	-
Income received from Islamic deposits		127,788	138,366
Dividend Income		157,597	267,255
Net cash from / (used in) investing activities		3,466,299	(1,097,714)
Cash flows from financing activities			
Net movement in wakala payables		-	(3,417,000)
Finance costs paid		-	(1,434)
Treasury shares		(47,716)	-
Net cash used in financing activities		(47,716)	(3,418,434)
Increase in cash and cash equivalent		4,894,794	2,840,289
Cash and cash equivalent at beginning of the year		4,038,268	1,197,979
Cash and cash equivalent at end of the year	13	8,933,062	4,038,268
Non-cash transactions:			
Net investment in associates		-	218,641
Wakala payables and accrued contracted costs		-	2,989,048
Assets held for sale		-	1,076,861

The notes on pages 10 to 40 form an integral part of these consolidated financial statements.

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 cancelled from trading on the Kuwait Stock Exchange on 13 March 2013.

The group comprises the parent company and its subsidiaries. Details of the subsidiaries are set out in note 3.2.The purposes which the company was incorporated and its activities are as follows:

1. Producing various chemical products and marketing them locally and abroad.
2. Investing in real estate, industrial, agricultural and other economic sectors through participating the incorporation of specialized companies or acquiring shares or bonds in these companies in various sectors.
3. Participating in the incorporation or partially acquiring companies in various sectors.
4. Managing funds of private and public institutions and investing these funds in various economic sectors.
5. Providing and preparing technical consultations, economic, valuation, feasibility studies for investment project and preparing necessary studies for those establishments and companies.
6. Mediation in lending and borrowing operations.
7. Acting as bond issuance managers for bonds issued by companies or agencies and investment trustee.
8. Financing and mediating international commercial transactions.
9. Providing loans to others taking into consideration safe principles in extending loans and the continuation of safety for financial position of the company as per rules and regulation of Central Bank of Kuwait.
10. To carry out securities trading transaction including buying and selling stocks and bonds of companies and local and international governmental agencies.
11. Performing all services contributing to development and supporting the ability of stock market and cash liquidity in Kuwait and satisfying needs as permitted by law and policies and procedures issued by Central Bank of Kuwait.
12. Establishing and managing investment funds in its varied forms as permitted by law. The company is allowed to have interest or to participate, in any form, with agents performing similar activities or cooperate for realizing its purpose in Kuwait or abroad and it can acquire or join these agents.
13. Managing activities related to review and supervision of group investment systems "Investment Manager".

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.

On 24 January 2016, the new Companies Law No. 1 of 2016 has been issued and on 1 February 2016 it was published in the official gazette which is effective from 26 November 2012. According to the new law, the Companies Law No. 25 of 2012 and its amendments have been cancelled. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and it was published in the Official Gazette on 17 July 2016, which cancelled the Executive Regulation of Law No. 25 of 2012.

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 2016 were authorized for issue by the parent company's board of directors on 18 June 2017 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 2016

The accounting policies applied by the Company 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 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. These amendments became effective on 1 January 2016 and they had no impact on the financial statements.

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. These amendments became effective on 1 January 2016 and they had no impact on the financial statements.

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 became effective on 1 January 2016 and they had no impact on the financial statements.

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 1 January 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 became effective on 1 January 2016 and they had no impact on the financial statements.

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 became effective on 1 January 2016 and they had no impact on the financial statements.

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 became effective on 1 January 2016 and they had no impact on the financial statements.

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. These amendments became effective on 1 January 2016 and they had no impact on the financial statements.

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 became effective on 1 January 2016 and they had no impact on the financial statements.

Annual Improvements to IFRS – 2012 – 2014 Cycle:

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

When an asset (or disposal company) 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. These amendments became effective on 1 January 2016 and they had no impact on the financial statements.

b) Standards and interpretations issued but not effective

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

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after 1 January 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 Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 - Leases

This standard will be effective for annual periods beginning on or after 1 January 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

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

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

Amendment to IAS 7 – Disclosure Initiative

The amendment to this standard which is effective prospectively for annual periods beginning on or after 1 January 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes, early application of this amendment is permitted.

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

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

This standard will be effective for annual periods beginning on or after 1 January 2018, the amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

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

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 profit or loss 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 2016.

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 profit or loss.

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 profit or loss 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 and voting power held		Net asset value	
			31 December		31 December	
			2016	2015	2016	2015
Al Safat Holding Company K.S.C. (Closed)	Investment	Kuwait	100%	100%	9,086,226	7,049,622
Safat House for General Trading Company W.L.L.	General Trading	Kuwait	80%	80%	83,708	83,708
Al Safat for Consultancy K.S.C. (Closed)	Consultancy	Kuwait	96%	96%	177,384	177,146
Dar Al Safat General Trading Company W.L.L.	General Trading	Kuwait	100%	100%	252,562	252,411
The Roots Brokerage – Egypt	Services	Egypt	60%	60%	282,380	629,222

During the year, the Group received dividends in the amount of KD 900,000 and KD 9,425 from Al-Assriya Printing Press Publishing and Distribution Company W.L.L. (indirect subsidiary company) and The Roots Brokerage – Egypt – Respectively.

On 18 October 2016, Al Safat Holding Company K.S.C. (Closed) (100% direct subsidiary) purchased 56.92% of Al-Ezdehar Real Estate Tourism Company K.S.C. (Closed). The consideration exchanged has been distributed, using book value and internal valuation report prepared by Group management, to assets and liabilities acquired based on management accounts as at date of acquisition. The allocation is flows:

	Carrying values KD	Fair values KD
Fair value of net assets acquired :		
Assets		
Property, plant and equipment (notes 4)	4,108,740	4,447,052
Available for sale investment	121,847	121,847
Investments at fair value through statement of profit or loss	385,033	385,033
Accounts receivable and other assets	105,629	105,629
Cash and cash equivalents	6,564	6,564
Liabilities		
Accounts payable and other liabilities	(30,787)	(30,787)
	4,697,026	5,035,338
Less: Non-controlling interest	(2,023,634)	(2,169,391)
Net identifiable assets	2,673,392	2,865,947
Consideration transferred	(877,050)	(877,050)
Gain on bargain purchase	1,796,342	1,988,897

Based on the conservative approach of accounting, the Group management decided to record gain on bargain purchase of KD 1,796,342 based on the book value (lower than fair value) as at date of acquisition.

All the subsidiaries financial statements (except Al Safat for Consultancy K.S.C. (Closed) and Dar Al Safat General Trading Company W.L.L.) were consolidated based on management accounts for the year ended 31 December 2016, 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 profit or loss.

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 profit or loss. 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 profit or loss 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 profit or loss 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 profit or loss.

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 profit or loss 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 profit or loss. 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 profit or loss 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 associate

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 profit or loss 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 profit or loss.

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 profit or loss.

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 profit or loss.

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 profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: "available for sale investments", "debtors and other debit balances", "due from related parties", "wakala receivables", "investment at fair value through profit and loss", "cash and cash equivalent". 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 consolidated 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 profit or loss for the period in which they arise. Foreign exchange gains and losses on monetary assets, are recognized directly in the consolidated statement of profit or loss.

Dividends on available for sale equity instruments are recognized in the consolidated statement of profit or loss 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 profit or loss 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 profit or loss.

Investments at fair value through statement of profit or loss ("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 profit or loss. Fair value is determined in the manner described in note 31 (c).

Cash and bank balances

Cash and bank balances comprise cash on hand, bank balances and short term deposits with three month maturity from deposit date.

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: (1) significant financial difficulty of the issuer or counterparty; or (2) default or delinquency in profit or principal payments; or (3) 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 profit or loss.

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 profit or loss 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 profit or loss 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 profit or loss are not reversed through the consolidated statement of profit or loss.

Any increase in fair value subsequent to an impairment loss is recognised directly in consolidated statement of profit or loss and 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 investments – Qatar National Bank, trade payables and the liability and due to related parties.

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 profit or loss 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 Assets held for sale

Assets and disposal groups are classified as assets 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 consolidated statements of profit or loss with a corresponding credit to "employee share option 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 consolidated statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the consolidated 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 profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss 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 consolidated statement of profit or loss and other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in consolidated statement of profit or loss and 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 consolidated 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 recognized in the consolidated statement of profit or loss and 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 profit or loss 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 profit or loss 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 profit or loss, available for sale or held to maturity investments.

Classification of investments as investment at fair value through statement of profit or loss 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 profit or loss. 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 consolidated statement of 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.

4. Property, plant and equipment

	Freehold land	Buildings on freehold land	Buildings on leased land	Buildings improvements	Plant and equipment	Furniture, fixtures and computers	Vehicle	Project under construction	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Cost									
Balance at 1 January 2016	-	-	192,804	191,237	2,673,887	783,321	61,536	31,084	3,933,869
Additions	-	-	-	1,200	41,001	14,243	46,305	-	102,749
Disposals	-	-	(96,000)	-	(104,736)	(14,681)	(4,450)	(31,084)	(250,951)
Addition through Purchase Price Allocation (note 3.2)	1,595,698	2,627,871	-	-	64,128	699,041	-	-	4,986,738
Foreign exchange differences	-	40,162	-	-	981	(68,315)	-	-	(27,172)
Balance at 31 December 2016	1,595,698	2,668,033	96,804	192,437	2,675,261	1,413,609	103,391	-	8,745,233
Accumulated depreciation and impairment									
Balance at 1 January 2016	-	-	73,740	132,461	880,287	643,170	37,596	-	1,767,254
Annual depreciation	-	13,188	2,829	11,434	95,038	44,313	15,492	-	182,294
Disposals	-	-	(3,998)	-	(40,621)	(9,868)	(4,449)	-	(58,936)
Addition through Purchase Price Allocation (note 3.2)	-	373,195	-	-	36,432	468,371	-	-	877,998
Foreign exchange differences	-	5,695	-	-	556	(61,232)	-	-	(54,981)
Balance at 31 December 2016	-	392,078	72,571	143,895	971,692	1,084,754	48,639	-	2,713,629
Net book value									
31 December 2016	1,595,698	2,275,955	24,233	48,542	1,703,569	328,855	54,752	-	6,031,604
31 December 2015	-	-	119,064	58,776	1,793,600	140,151	23,940	31,084	2,166,615
Depreciation rate (year)		5	40	10	240-	310-	5		

Buildings are constructed on a leased land from Government.

Depreciation expenses have been charged as follows:

	2016	2015
	KD	KD
General and administrative expenses	72,570	40,916
Cost of revenue	109,724	120,099
	182,294	161,015

4. Property, plant and equipment (continued)

	Buildings on leased land	Buildings improvements	Plant and equipment	Furniture, fixtures and computers	Vehicle	Project under construction	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 and impairment							
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 (year)	40	10	2-40	3-10	5		

5. Right of use property

	2016 KD	2015 KD
Cost		
Balance at 31 December	16,761,575	17,707,975
Transfer from right of use property to assets held for sale	-	(946,400)
	16,761,575	16,761,575
Accumulated amortization		
Balance at 31 December	4,287,759	3,565,443
Annual amortization	861,782	868,716
Transfer from right of use property to assets held for sale	-	(146,400)
	5,149,541	4,287,759
Net book value		
31 December	11,612,034	12,473,816

Right of use property as at 31 December 2016 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 22).

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

6. Goodwill

Goodwill resulted from acquisition of the following company:

	2016 KD	2015 KD
Al-Assriya Printing Press Publishing and Distribution Company W.L.L. (indirect subsidiary)	1,550,265	1,550,265
	1,550,265	1,550,265

The management of the Group performed assessment of goodwill to determine whether there is impairment in value or not based on internal valuation report. The Group management beliefs that there is no impairment in value of goodwill.

7. Investment in associates

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

Notes to the consolidated financial statements
For the year ended 31 December 2016

Associate company name	Place of incorporation	Ownership interest and voting rights		Carrying value		Activities
		2016	2015	2016	2015	
		(%)	(%)	KD	KD	
Kuwait Medical Center Holding Company K.S.C. (Closed)	Kuwait	13.72	13.72	3,825,702	3,814,712	Holding
Dana Al-Safat Real Estate Company K.S.C. (Closed)	Kuwait	24.09	24.09	1	1	Real Estate
Al-Safat Media for Advertising & Publicity K.S.C. (Closed)	Kuwait	27.00	27.00	1	1	Advertising and Promotion
Safat Industries Holding Company K.S.C. (Holding)	Kuwait	25.35	25.35	2,142,338	2,251,293	Holding
				5,968,042	6,066,007	

All above associates are measured using equity method.

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 financial information from associates are based on financial statements as at 31 December 2016.

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

	2016	2015
	KD	KD
Associates' financial position:		
Total assets	45,780,323	46,024,122
Total liabilities	(8,883,957)	(8,798,867)
Net assets	36,896,366	37,225,255
Group's share of net assets of associates	5,968,042	6,066,007
Associates' share of revenues and results:		
Total net revenues	7,986,234	8,252,819
Total results	(332,797)	(3,748,173)
Other comprehensive income for the year	29,968	20,840
Group's share of results of associates	(100,279)	20,828

8. Available for sale investments

	2016 KD	2015 KD
Quoted Local securities	1,412,494	1,639,171
Quoted Foreign securities	-	2,296,086
Unquoted Local securities	1,158,155	977,743
Unquoted Foreign securities	18,339,471	18,770,838
	20,910,120	23,683,838

The valuation methods for unquoted securities are disclosed in note (31 c).

The quoted and unquoted securities include investments with related parties in the amount of KD 1,406,653 (2015: KD 1,594,023) and KD 493,476 (2015: KD 310,853) respectively.

As at 31 December 2016, 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 profit or loss from the other comprehensive income amounting to KD 29,189 (2015: KD 1,323,311) (see note 24).

Unquoted foreign securities include Al Qudra Holding company shares in the amount of KD 18,080,277 (2015: KD 18,080,277) based on independent valuation recorded in Group's books at 31 December 2013, at a rate of 296 fils Kuwaiti per share. Although the latest value per share as per independent valuation performed at 31 December 2016 is 456 fils, Kuwaiti the Group management decided to rely on the earlier valuation pricing.

Available for sale investments with a fair value of KD 12,109,091 as at 31 December 2016 (2015: KD 12,109,091) are pledged against wakala investment - Qatar National Bank and wakala payable (see note 20).

9. Accounts receivable and other assets

	2016 KD	2015 KD
Refundable deposits	48,569	10,801
Prepaid expenses	107,723	65,109
Project advance	450,265	450,265
Provision for project advance	(450,265)	(450,265)
Accrued income	934,735	912,280
Other receivables	8,242,134	8,367,859
Provision for other receivables and accrued income	(7,095,265)	(6,979,893)
	2,237,896	2,376,156

Accrued income include income from pledge against wakala investment amounting to KD 819,385 as at 31 December 2016 (2015: KD 541,823).

The movement of provision of other receivable and accrued income is as follows:

	2016 KD	2015 KD
Opening balance	6,979,893	6,950,851
Provision for the year	219,370	29,042
Provision written off	(103,998)	-
Ending balance	7,095,265	6,979,893

10. Related parties 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 parties balances and transactions included in the consolidated financial statements are as follows:

	2016 KD	2015 KD
Transactions during the year		
Key management personnel's salaries and benefits	103,870	141,826
Associate companies – Administration fees	3,877	5,065
Other related parties – Administration fees	30,205	79,808
Committees bonus	100,000	-
	237,952	226,699
Due from :		
Associate companies	-	62,008
Other related parties	351,959	-
Less: provision for associates and other related parties	(44,062)	(62,008)
	307,897	-
Available for sale investments (note 8)	1,900,129	1,904,876
Wakala receivables (note 11)	-	306,000
Investments at fair value through statement of profit or loss (note 12)	1,564,555	1,564,384
Due to:		
Other related parties	15,527	-
	15,527	-

Amounts due from / to related parties do not include any interest and they are due upon demand.

Off-financial position:		
Managed portfolios	15,552,631	34,687,605

11. Wakala receivables and islamic finance

	2016	2015
	KD	KD
Wakala receivable	1,167,500	1,417,500
Loan without cost	-	306,000
Less: provisions	-	(3,060)
Less: provision for doubtful wakala receivables (see below)	(965,703)	(1,211,572)
	201,797	508,868

Wakala receivables includes KD 1,167,500 (2015: KD 1,417,500) from individuals against which a specific provision of KD 965,703 (2015: KD 1,211,572) has been made.

During the year, the company received loan without cost amounting to KD 306,000 from an associate.

12. Investments at fair value through statement of profit or loss

	2016	2015
	KD	KD
Financial assets		
Quoted investments		
Financial services sector	114,800	-
Banks sector	155,400	-
Real estate sector	2,985	20,704
Industrial sector	998,773	962,516
Services sector	138,082	82,488
Food sector	343,359	47,992
Oil and gas sector	143,355	-
Communication sector	32,400	-
	1,929,154	1,113,700
Managed funds	-	467,756
Managed portfolio	143,725	3,336,801
	2,072,879	4,918,257

Quoted investments and managed funds include investments with related parties in the amount of KD 1,564,555 (2015: KD 1,096,628) and KD Nil (2015: KD 467,756) respectively.

13. Cash and cash equivalent

	2016	2015
	KD	KD
Cash in hand	23,932	19,349
Cash at bank	7,849,336	1,495,515
Short term Islamic deposit	1,059,794	2,523,404
	8,933,062	4,038,268

The effective yield rate of the short term Islamic deposit is 5% to 9% (2015: 4.5% to 5%) per annum.

14. Assets held for sale

	2016	2015
	KD	KD
Right of use property	-	800,000
Dar Al Huda Holding Company K.S.C. (Closed) (Under Liquidation)	276,861	276,861
	276,861	1,076,861

During the year, the Group sold right of use land in Sabhan rented from government for KD 960,333 and recognized a gain of KD 160,333.

The liquidation process of Dar Al Huda Holding Company K.S.C. (Closed) has not been completed up to the date of preparation of these consolidated financial statements.

15. Share capital

	2016	2015
	KD	KD
Authorised share capital: Issued and fully paid up share capital comprise of: 256,939,400 (2015 : 256,939,400) shares at a nominal value of 100 fils each all in cash	25,693,940	25,693,940

16. 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.

17. 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.

18. 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.

20. Treasury shares

	2016	2015
Number of shares (No's)	803,011	417,427
Percentage of issued shares (%)	0.31	0.16
Cost (KD)	307,393	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. The increase in treasury shares as a result of the acquisition of indirect subsidiary (Al-Ezdehar Real Estate Tourism Company K.S.C. (Closed)) Reserves equivalent to the cost of treasury shares held are not distributable.

21. Wakala investment – Qatar National Bank

The balance wakala investment – Qatar National Bank in the amount of KD 21,322,928 (2015: KD 21,142,347) 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.

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 KD 30,303,175 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 32,940,507 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 2016 by KD 32,940,507 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 (see note 29). The consolidated financial statements of the Group do not include any effect relating to settlement of contingent liabilities previously stated above.

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

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 (2015: KD 12,109,091) (see note 8).

22. Accounts payable and other liabilities

	2016 KD	2015 KD
Trade payables	916,566	1,089,823
Provisions against guarantee (note 29)	-	1,470,000
Provision for legal cases	466,544	250,000
Accrued expenses	147,233	132,095
Provision for leave	143,987	139,846
Dividend payable	6,707	6,707
KFAS	8,676	17,834
NLST	-	113,405
Zakat	103,996	106,452
Board of Directors' remuneration	42,000	35,000
Others	99,868	138,183
	1,935,577	3,499,345

23. Net rental gain / (loss) from right of use property

	2016 KD	2015 KD
Rental income from right of use property	1,283,564	1,237,719
Amortisation of right of use property	(814,812)	(812,585)
Right of use property expenses	(406,785)	(484,093)
	61,967	(58,959)

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

24. Reversal of provisions / (provisions) net

	2016 KD	2015 KD
Provision for receivables, other assets and accrued income (note 9)	(219,370)	(29,042)
Reversal of provision / (provision) for associates and other related parties (note 10)	14,276	(43,335)
Reversal of provision / (provision) / reversal of wakala receivable and Islamic finance (note 11)	248,929	(75,975)
Provision for legal cases (note 21)	(216,544)	(250,000)
Reversal of provision / (provision) for Bank guarantee on behalf of associate (note 29)	1,470,000	(111,948)
Reversal of provision of indemnity	59,223	-
	1,356,514	(510,300)

24. 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.

	2016 KD	2015 KD
Other debit balances	23,498	-
Available for sale investments (note 8)	29,189	1,323,311
	52,687	1,323,311

25. Other income

	2016 KD	2015 KD
Payables written off	-	373,752
Reversal of Zakat and NLST	-	89,984
Other miscellaneous income	67,179	90,053
	67,179	553,789

26. General and administrative expenses

	2016 KD	2015 KD
Staff costs	1,142,868	1,107,935
Legal and professional fees	222,200	374,850
Rent	24,914	30,703
Depreciation and amortisation	119,540	97,047
Committees bonus	100,000	-
Others	337,562	261,394
	1,947,084	1,871,929

27. Earnings per share (Basic and diluted) attributable to owners of the parent company (fils)

Basic and diluted earnings per share is computed by dividing profit 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 and weighted average number of shares outstanding during the year used in computation of earnings per share:

	2016	2015
Profit for the year attributable to owners of the parent (KD)	844,357	1,875,021
Weighted average number of shares less treasury shares (shares)	256,425,841	256,425,841
Earnings per share (Basic and diluted) (fils)	3.29	7.31

28. 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 46,494,716 (2015: KD 75,059,312).

29. Commitments and contingencies

	2016 KD	2015 KD
Contracted cost for past due wakalas as at 31 December (note 20)	32,940,507	29,046,075
Bank guarantees	-	1,470,000
Letter of guarantee	-	114,227
	32,940,507	30,630,302

The provision for bank guarantee that was charged to statement of profit or loss in prior years is reversed based on release letter from beneficiary bank on 18 August 2016 (note 23).

Operating lease commitments

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

	2016 KD	2015 KD
Not less than one year	360,000	360,000
Later than one year but not less than five years	1,440,000	1,440,000
More than five years but not less than twenty years	3,360,000	3,720,000

30. Annual general assembly

The annual general assembly meeting of shareholders held on 23 August 2016 approved the consolidated financial statements for the year ended 31 December 2015. It also approved non-distribution of dividend for the years then ended.

31. Capital management and financial risks

(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 as follows:

	2016	2015
	KD	KD
Wakala investment – Qatar National Bank	21,322,928	21,142,347
Cash and cash equivalents	(8,933,062)	(4,038,268)
Net debt	12,389,866	17,104,079
Total equity	36,404,811	33,772,364
Net debt to equity ratio	% 34	% 51

(b) Financial risks

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 cash equivalent, accounts receivable, due from related parties, wakala receivables and Islamic finance.

Market risk

(i) 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, the group had the following significant exposures denominated in foreign currencies:

	2016 Equivalent KD	2015 Equivalent KD
US Dollars	2,832,137	379,823
Qatari Riyal	(21,322,928)	(21,142,347)
UAE Dirhams	18,967,002	18,622,098
Egyptian Pound	1,654,137	5,941,095
Lebanese Lira	4,206,322	-
Net assets denominated in foreign currency	6,336,670	3,800,669

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 2016 and 2015, with all other variables held constant on the consolidated statement of profit or loss and equity. A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in	2016		2015	
		Effect on profit	Effect on equity	Effect on profit	Effect on equity
	%	KD	KD	KD	KD
USD	±5	134,837	6,707	12,219	6,772
QAR	±5	(1,066,146)	-	(1,057,117)	-
AED	±5	44,336	904,014	27,091	904,014
EGP	±5	62,473	20,234	124,930	172,125
Lebanese Lira	±5	210,316	-	-	-

(ii) 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 profit or loss, 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 2016	Effect on profit 2016	Effect on equity 2016	Change in equity price 2015	Effect on profit 2015	Effect on equity 2015
	KD	KD	KD	KD	KD	KD
Kuwait	%5+	402,523	128,532	%5+	549,213	130,846
Middle East	%5+	-	916,974	%5+	-	1,053,346

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group has no profit bearing assets, and has interest bearing liabilities represented in term loans, murabaha payables, due to banks and notes payable. The Group is exposed to interest rate risk with respect to its borrowings. The risk is managed by the the Group maintaining an appropriate mix between fixed and floating rate borrowings. The Board has established levels of interest rate risk by setting limits on the profit rate gaps for stipulated periods.

Provisions are monitored on a regular basis and hedging strategies used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in profit rates of the Group borrowings +1% and –1% (2015: +1% and –1%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition and rates.

	2016	2015
	1% +	1% +
	KD	KD
Result for the year	202,631	186,189

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

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 (see note 33).

(c) 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 consolidated 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 2016	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of profit or loss				
Quoted equities	2,072,879	-	-	2,072,879
Available-for-sale investments				
Quoted local / foreign equities	1,412,494	-	-	1,412,494
Unquoted local / foreign equities	-	-	19,497,626	19,497,626
Total	3,485,373	-	19,497,626	22,982,999

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

Reconciliation of Level 3 fair value measurements of financial assets as follows:

31 December 2016	Available for sale Investments KD
Beginning balance	19,748,581
Total gains or losses	
In other comprehensive income	(250,955)
Closing balance	19,497,626

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

32. 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 2016 are set out below:

31 December 2016

	Kuwait KD	Others KD	Total KD
Net revenue	2,303,540	607,582	2,911,122
Segment results	661,160	252,202	913,362
Segment assets	29,627,892	30,560,110	60,188,002
Segment liabilities	2,303,892	21,479,299	23,783,191

31 December 2015

	Kuwait KD	Others KD	Total 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

Others geographical segment includes, United Arab Emirates, Qatar, Bahrain, Saudi Arabia, Egypt and Jordan.

33. 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.

At 31 December 2016

	Past due but not paid	Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD
Assets				
Available for sale investments	-	1,412,494	19,497,626	20,910,120
Accounts receivable and other assets (except prepaid expenses)	-	2,130,172	-	2,130,172
Due from related parties	-	307,897	-	307,897
Wakala receivables and Islamic finance	-	201,797	-	201,797
Investments at fair value through statement of profit or loss	-	2,072,879	-	2,072,879
Cash and cash equivalent	-	8,933,062	-	8,933,062
Assets held for sale	-	276,861	-	276,861
Total assets	-	15,335,162	19,497,626	34,832,788
Liabilities				
Provision for staff indemnity	-	-	509,159	509,159
Wakala investment – Qatar National Bank	21,322,928	-	-	21,322,928
Accounts payable and other liabilities	-	1,935,577	-	1,935,577
Due to related party	-	15,527	-	15,527
Total liabilities	21,322,928	1,951,104	509,159	23,783,191

At 31 December 2015

	Past due but not paid	Up to 1 year	Over 1 year	Total
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 and Islamic finance	-	508,868	-	508,868
Investments at fair value through statement of profit or loss	-	4,918,257	-	4,918,257
Cash and cash equivalent	-	4,038,268	-	4,038,268
Assets 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

34. Past due wakala payable

As at 31 December 2016, the Group had past due wakalas in the amount of KD 21,322,928 (2015: KD 21,142,347) representing the amount recorded in Group's books with respect to appeals court judgement No. 2013/2701 commercial / 12 (note 20).

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.

35. Board of Directors' remuneration

Based on their meeting held on 29 March 2017, the Board of Directors' recommended remuneration of Parent Company's Board of Directors' for KD 42,000 for the year ended 31 December 2016 although no dividends has been distributed to shareholders. This recommendation is subject to approval at annual general assembly meeting and related oversight authorities.

الصفاة

AL SAFAT

شركة الصفاة للإستثمار ش.م.ك

AL SAFAT INVESTMENT COMPANY KSC