Wafra International Investment Company K.S.C. (Closed)

FINANCIAL STATEMENTS

31 DECEMBER 2015

Ernst & Young
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the Financial Statements

We have audited the accompanying financial statements of Wafra International Investment Company K.S.C. (Closed) (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's Board of Directors relating to these 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 financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, the executive regulation of Law No. 25 of 2012 and by the 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 the executive regulation of Law No. 25 of 2012 or of the Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, 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 organisation 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 2015 that might have had a material effect on the business of the Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

19 April 2016
Kuwait

A member firm of Ernst & Young Global Limited

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
INCOME			
Net management fees	5	5,849,399	6,477,704
Interest income		256,065	190,049
Unrealised loss from financial assets at fair value through profit or loss		(309,465)	(252,855)
Realised gain (loss) on sale of financial assets at fair value through profit or loss		8,275	(236,523)
Gain on sale of financial assets available for sale		261,221	644,273
Interest income on forward deal contract receivables		186,794	335,441
Impairment loss on forward deal contract receivables		-	(99,743)
Share of results of an associate	11	(23,798)	(38,695)
Impairment loss on financial assets available for sale	12	(579,443)	(607,751)
Dividend income		700,338	630,657
Foreign exchange gain		189,475	13,035
		6,538,861	7,055,592
EXPENSES			
Administrative expenses	6	(1,826,810)	(1,882,399)
		(1,826,810)	(1,882,399)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), ZAKAT AND DIRECTORS' REMUNERATION		4,712,051	5,173,193
Contribution to KFAS		(47,120)	(46,559)
Zakat		(42,284)	(50,094)
Directors' remuneration	18	(56,000)	(60,000)
PROFIT FOR THE YEAR		4,566,647	5,016,540
BASIC AND DILUTED EARNINGS PER SHARE	7	30.44 fils	33.44 fils

The attached notes 1 to 25 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 KD	2014 KD
Profit for the year		**4,566,647**	5,016,540
Other comprehensive loss:			
Other comprehensive loss to be reclassified to statement of income in subsequent periods:			
Changes in fair value of financial assets available for sale		**(3,391,123)**	(161,837)
Impairment losses transferred to statement of income	12	**579,443**	607,751
Net gain transferred to statement of income on sale		**(261,221)**	(644,273)
Share of other comprehensive loss of associate		**(80,188)**	(98,336)
Total other comprehensive loss for the year		**(3,153,089)**	(296,695)
Total comprehensive income for the year		**1,413,558**	4,719,845

The attached notes 1 to 25 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 KD	2014 KD
ASSETS			
Cash and cash equivalents	8	12,579,349	11,514,094
Financial assets at fair value through profit or loss	9	1,335,942	2,471,920
Accounts receivable and other assets	10	4,457,443	6,455,716
Loans to customers		425,700	455,400
Investment in an associate	11	2,174,971	2,209,480
Financial assets available for sale	12	35,975,032	37,386,369
Held-to-maturity investments	13	3,407,950	1,800,000
Property and equipment		41,169	28,953
TOTAL ASSETS		60,397,556	62,321,932
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other liabilities	14	915,602	1,099,594
Employees' end of service benefits		1,149,878	1,303,820
Total liabilities		2,065,480	2,403,414
Equity			
Share capital	15	15,000,000	15,000,000
Statutory reserve	16	8,034,887	7,563,682
Voluntary reserve	17	8,067,591	7,596,386
Cumulative changes in fair values reserve		3,774,375	6,927,464
Retained earnings		20,455,223	19,830,986
Proposed dividend	18	3,000,000	3,000,000
Total equity		58,332,076	59,918,518
TOTAL LIABILITIES AND EQUITY		60,397,556	62,321,932

Salah Abdel Latif Al-Mudhaf
Chairman

Tareq Khaled Bourisli
Acting Chief Executive Officer

شركة وفرة للاستثمار الدولي
WAFRA INTERNATIONAL INVESTMENT CO.
WAFRA

The attached notes 1 to 25 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Cumulative changes in fair values reserve KD*	*Retained earnings KD*	*Proposed dividend KD*	*Total KD*
Balance at 1 January 2015	15,000,000	7,563,682	7,596,386	6,927,464	19,830,986	3,000,000	59,918,518
Profit for the year	-	-	-	-	4,566,647	-	4,566,647
Other comprehensive loss for the year	-	-	-	(3,153,089)	-	-	(3,153,089)
Total comprehensive (loss) income for the year	-	-	-	(3,153,089)	4,566,647	-	1,413,558
Dividend paid (Note 18)	-	-	-	-	-	(3,000,000)	(3,000,000)
Transfer to reserves	-	471,205	471,205	-	(942,410)	-	-
Proposed dividend (Note 18)	-	-	-	-	(3,000,000)	3,000,000	-
Balance at 31 December 2015	**15,000,000**	**8,034,887**	**8,067,591**	**3,774,375**	**20,455,223**	**3,000,000**	**58,332,076**
Balance at 1 January 2014	15,000,000	7,046,363	7,079,067	7,224,159	18,849,084	3,000,000	58,198,673
Profit for the year	-	-	-	-	5,016,540	-	5,016,540
Other comprehensive loss for the year	-	-	-	(296,695)	-	-	(296,695)
Total comprehensive (loss) income for the year	-	-	-	(296,695)	5,016,540	-	4,719,845
Dividend paid	-	-	-	-	-	(3,000,000)	(3,000,000)
Transfer to reserves	-	517,319	517,319	-	(1,034,638)	-	-
Proposed dividend (Note 18)	-	-	-	-	(3,000,000)	3,000,000	-
Balance at 31 December 2014	15,000,000	7,563,682	7,596,386	6,927,464	19,830,986	3,000,000	59,918,518

The attached notes 1 to 25 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, Zakat and Directors' remuneration		**4,712,051**	5,173,193
Adjustments for:			
Depreciation	6	**30,746**	20,076
Provision for employees' end of service benefits		**117,727**	179,465
Interest income		**(256,065)**	(190,049)
Unrealised loss from financial assets at fair value through profit or loss		**309,465**	252,855
(Gain) loss on sale of financial assets at fair value through profit or loss		**(8,275)**	236,523
Gain on sale of financial assets available for sale		**(261,221)**	(644,273)
Share of results of an associate	11	**23,798**	38,695
Impairment loss on financial assets available for sale	12	**579,443**	607,751
Foreign exchange gain on held to maturity investments		**(6,500)**	-
Interest income on forward deal contract receivables		**(186,794)**	(335,441)
Impairment loss on forward deal contract receivables		**-**	99,743
		5,054,375	5,438,538
Working capital adjustments:			
Financial assets at fair value through profit or loss		**834,788**	393,698
Accounts receivable and other assets		**2,185,065**	1,516,415
Loans to customers		**30,000**	20,000
Financial assets available for sale (net)		**(1,979,784)**	(3,088,098)
Accounts payable and other liabilities		**(329,696)**	(253,097)
Cash from operations		**5,794,748**	4,027,456
Employees' end of service benefits paid		**(271,669)**	-
Net cash flows from operating activities		**5,523,079**	4,027,456
INVESTING ACTIVITIES			
Additions of investment in associate	11	**(69,477)**	-
Additions to property and equipment		**(42,962)**	(5,619)
Interest income received		**256,065**	190,049
Additions to held-to-maturity investments		**(1,601,450)**	(300,000)
Net cash flows used in investing activities		**(1,457,824)**	(115,570)
FINANCING ACTIVITIES			
Dividend paid	18	**(3,000,000)**	(3,000,000)
Net cash flows used in financing activities		**(3,000,000)**	(3,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,065,255**	911,886
Cash and cash equivalents at 1 January		**11,514,094**	10,602,208
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**12,579,349**	11,514,094

The attached notes 1 to 25 form part of these financial statements.

1 ACTIVITIES

The financial statements of Wafra International Investment Company K.S.C. (Closed) (the "Company") were authorised for issue by the Board of Directors on 11 February 2016. The shareholders' Annual General Assembly has the power to amend these financial statements after issuance.

The financial statements of the Company for the year ended 31 December 2014 have been approved by the shareholders' Annual General Assembly on 3 September 2015.

The Company is a closed Kuwaiti shareholding company incorporated on 16 June 1993 and regulated under the Companies Law No. 1 of 2016. The Company is also regulated by the Central Bank of Kuwait ("CBK") and Capital Market Authority ("CMA") as an investment company.

The main objectives for which the Company is incorporated is as follows:

1. Investment in the real estate, industrial, agricultural fields, and other economic industries through contributing to incorporation of specialised entities, or subscription of the shares of these entities.
2. Transactions related to trading securities including, sale or purchase shares and bonds of Governmental companies and institutions.
3. Conducting the function of investment trustees, and investment portfolio management for others.
4. Mediation in lending and borrowing transactions for commission or fees; for the interest of the Company or for others.
5. Financing and brokerage in the international trade transactions.
6. Provision of research, studies, and other technical services related to the investment operations, and employment of the funds of others.
7. Establishment and management of mutual funds in accordance with the related Laws.
8. Conducting the functions of issuance managers for bonds issued by companies and institutions.

The registered address of the Company is P.O. Box 27635, Safat 13137, State of Kuwait.

The Company is a subsidiary of The Public Institution for Social Security (PIFSS) (the "Parent Company").

2.1 BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) except for the IAS 39 requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

Basis of preparation

The financial statements have been prepared on a historical cost convention, as modified to include the measurement at fair value of financial assets at fair value through profit or loss and financial assets available for sale.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The following specific recognition criteria must also be met before revenue is recognised:

Management fees
Management fees represent revenue from placement and advisory services, management fees related to portfolios, fund management, custody fees and incentive fees. Management fees is recognized on accrual basis.

Interest income
Interest income is recognised as interest accrues, using the effective yield method.

Dividend income
Dividend income is recognised when the Company's right to receive payment is established.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Company calculates the contribution to KFAS at 1% of profit for the year, in accordance with the modified calculation based on the Company's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Company, in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances, short term deposits having original maturity less than three months and call accounts, net of any outstanding bank overdraft.

Financial assets
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as "financial assets at fair value through profit or loss", "financial assets available for sale", "loans and receivables", or as "derivatives designated as hedging instruments" in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

A "regular way" purchase of financial assets is recognised using the trade date accounting, i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Company's financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivable and other assets, loan to customers, financial assets available for sale and held-to-maturity investments.

The Company has not classified any financial asset as "derivatives designated as hedging instruments" at inception upon initial recognition.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets carried at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in the statement of income. Financial assets are designated at fair value through profit or loss if they are managed, and their performance is evaluated on reliable fair value basis in accordance with a documented investment strategy. After initial recognition financial assets at fair value through profit or loss are remeasured at fair value with all changes in fair value recognised in the statement of income.

The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity investments depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the statement of income. The losses arising from impairment are recognised in the statement of income.

Forward deal contract receivables
Forward deal contract receivables are financial instruments which comprise amounts due from counterparties under local equity forward contracts entered into by the Company. Net results from forward deals comprise of forward premium income and gain or loss on settlement of forward deals if any, net of transaction cost.

Forward premium income is recognized over the period of the forward contract net of transaction cost. The amount receivable from counterparties on maturity, net of unearned premium is disclosed in the statement of financial position as part of accounts receivable and other debit balances.

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of income, or determined to be impaired, at which time the cumulative loss is recognised in the statement of income and removed from the cumulative changes in fair values reserve.

Held-to-maturity investments
Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity that the Company has the intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost, less provision for impairment in value if any. The losses arising from impairment of such investments are recognised in the statement of income.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
Financial assets carried at amortised cost for financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Financial assets available for sale
For financial assets available for sale, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income is removed from other comprehensive income and recognised in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as financial assets available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at "fair value through profit or loss", "loans and borrowings", or as "derivatives" designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company classifies its financial liabilities as account payable and other liabilities.

The Company has not classified any financial liability at "fair value through profit or loss" or "derivatives" at inception upon initial recognition.

Subsequent measurement

Liabilities
Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Fair value measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts, or similar investment vehicles are based on the last published bid price.

For financial instruments where there is no active market, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values of investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Sale and repurchase agreements
Investments sold under sale and repurchase agreements (repo) continue to be recognised in the statement of financial position and are measured in accordance with the relevant accounting policy for that investment. The proceeds from the sale of the investments are reported as part of liabilities as a term loan.

Investment in associates
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of income.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in statement of income.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities is made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

Employees' end of service benefits
The Company provides end of service benefits for its expatriate employees. The entitlement to those benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to social security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies
Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to Kuwaiti Dinars at rates of exchange prevailing at the reporting date. Exchange differences are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in these financial statements.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the previous year. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Company.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments
The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments
Classification of investments is based on management's intention at acquisition and requires considerable judgment.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Fair value of financial instruments
Where the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of receivables
An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Impairment of associates
After application of the equity method, the Company determines whether it is necessary to recognise any impairment loss on the Company's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of income.

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;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2015 have not been early adopted in the preparation of the Company's financial statements. None of these are expected to have a significant impact on the financial statements of the Company except the following:

IFRS 9: Financial Instruments: Classification and Measurement
The IASB issued IFRS 9 *Financial Instruments* in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The adoption of this standard will have an effect on the classification and measurement of Company's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Company is in the process of quantifying the impact of this standard on the Company's financial statements, when adopted.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15: Revenue from Contracts with customers
IFRS 15 was issued by IASB on 28 May 2014, effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 *Construction Contracts* and IAS 18 *Revenue* along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Company is in the process of evaluating the impact of IFRS 15 but does not expect any significant effect on adoption of this standard.

5 NET MANAGEMENT FEES

	2015 *KD*	*2014* *KD*
Management fees	5,950,857	6,579,402
Subscription fees	(24,213)	(24,117)
Custody fees	(77,245)	(77,581)
	(101,458)	(101,698)
	5,849,399	6,477,704

6 ADMINISTRATIVE EXPENSES

	2015 *KD*	*2014* *KD*
Staff costs	1,557,736	1,652,354
Depreciation	30,746	20,076
Other administrative expenses	238,328	209,969
	1,826,810	1,882,399

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Company had no outstanding dilutive potential shares.

	2015	*2014*
Profit for the year (KD)	4,566,647	5,016,540
Weighted average number of ordinary shares outstanding during the year (shares)	150,000,000	150,000,000
Basic and diluted earnings per share (fils)	30.44	33.44

8 CASH AND CASH EQUIVALENTS

	2015 *KD*	*2014* *KD*
Bank balances and cash	452,627	925,002
Short-term deposits	6,366,371	6,254,726
Call accounts	5,760,351	4,334,366
	12,579,349	11,514,094

Short-term deposits are denominated in both local and foreign currency. These short terms deposits have original maturity of three months or less. These deposits carry interest in the range of 0.40% to 1.75% (2014: 0.40% to 1.38%) per annum.

Call accounts are denominated in both local and foreign currency and earn an average interest rate in range of 0.001% to 0.125% (2014: 0.001% to 0.125%) per annum.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 *KD*	*2014* *KD*
Local quoted equity securities	1,335,942	2,471.920

The fair value of financial assets at fair value through profit or loss is determined using the last bid prices as of the reporting date.

10 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2015 *KD*	*2014* *KD*
Forward deal contract receivables	2,273,541	3,870,885
Accrued management fees	2,065,551	2,310,244
Other assets	118,351	274,587
	4,457,443	6,455,716

Receivables related to forward deal contracts comprises of amounts due from counterparties under local equity forward contracts entered into by the Company. Forward deal contract receivables are secured by local quoted securities (Note 22.1) and carry an average interest rate in the range of 6.50% – 6.75% (2014: 6.50% - 6.75%) per annum.

11 INVESTMENT IN AN ASSOCIATE

Name of the associate	*Country of incorporation*	*Effective interest 2015*	*Effective interest 2014*	*Principal activity*
Sanam Real Estate K.S.C. (Closed)	Kuwait	**24.13%**	22.71%	Real Estate

Summarised financial information of the associate is as follows:

	2015 KD	*2014 KD*
Share of associate's assets and liabilities:		
Current assets	**992,307**	710,974
Non-current assets	**1,563,696**	1,784,479
Current liabilities	**(22,509)**	(17,987)
Non-current liabilities	**(10,661)**	(8,127)
Share of associate's revenue and loss:		
Revenue	**55,345**	75,951
Net loss	**(23,798)**	(38,695)
Fair value	**1,252,820**	1,581,486

During the current year, the Company acquired 1,732,753 shares in the associate amounting to KD 69,477, thereby raising their equity interest in the associate to 24.13%.

As of 31 December 2015, the management reviewed the carrying amount of the associate for impairment and is not aware of any circumstances that would indicate any impairment in the value of this investment at the reporting date.

12 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 KD	*2014 KD*
Local unquoted equity securities	**1,231,931**	1,231,931
Local quoted equity securities	**10,550,467**	11,964,380
Foreign unquoted equity securities	**-**	190,473
Foreign quoted equity securities	**5,497,494**	6,063,595
Local funds	**8,361,272**	9,004,609
Foreign funds	**10,333,868**	8,931,381
	35,975,032	37,386,369

An impairment loss of KD 579,443 (2014: KD 607,751) has been recorded against quoted equity securities on which there has been a significant or prolonged decline in value below its cost.

Local unquoted equity securities are carried at cost less impairment because fair value could not be reliably measured. Management has reviewed its local unquoted equity securities for impairment and there was no impairment as a result of this review.

Information for investments in funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the fund managers.

Hierarchy for determining and disclosing the fair values of financial instruments are presented in Note 24.

13 HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments represent investment in subordinated bonds issued by local banks and carry an interest rate of 4.50% to 6.15% (2014: 5.75% to 5.90%) per annum and have maturity dates between June 2018 and December 2049 (2014: June 2018 and December 2022).

14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015 *KD*	*2014* *KD*
Accounts payable	**47,410**	129,322
Accrued expenses	**551,859**	593,461
Other liabilities	**316,333**	376,811
	915,602	1,099,594

15 SHARE CAPITAL

Authorized, issued and fully paid up share capital consists of 150,000,000 (2014: 150,000,000) shares of 100 fils (2014: 100 fils) each. All shares were paid in cash.

16 STATUTORY RESERVE

As required by the Companies' Law and the Company's Articles of Association, 10% of profit for the year before KFAS, Zakat and directors' remuneration is transferred to statutory reserve. The Company has resolved to continue such annual transfers although the reserve has exceeded 50% of the share capital. Only that part of the reserve in excess of 50% of paid up share capital is freely distributable. Distribution of the balance of the 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

17 VOLUNTARY RESERVE

As required by the Company's Articles of Association, 10% of annual profit before KFAS, Zakat and directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Company's Board of Directors.

18 DIVIDEND AND DIRECTORS' REMUNERATION

The Board of Directors meeting held on 11 February 2016 has proposed a cash dividend of 20% (2014: 20%) of the paid up share capital, totalling to KD 3,000,000 (2014: KD 3,000,000) and directors' remuneration of KD 56,000 (2014: KD 60,000), which are subject to the approval of the shareholders at the Annual General meeting.

The annual general meeting held on 3 September 2015 approved the proposed dividend and directors' remuneration for the year ended 31 December 2014, which have been paid subsequently.

19 FIDUCIARY ASSETS

In the normal course of business, the Company carries out investment management and custody services on behalf of others. As at 31 December 2015, the value of fiduciary assets amounted to KD 1,371,241,541 (2014: KD 1,403,915,521) of which 87.81% (2014: 86.50%) relates to the principal shareholder of the Company. Fiduciary assets are excluded from the statement of financial position of the Company.

20 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Transactions with related parties are as follows:

	Major shareholders	*2015 KD*	*2014 KD*
Statement of financial position			
Accounts receivable and other assets (accrued management fees)	**1,626,731**	**1,626,731**	1,786,133
Statement of income:			
Management fees	**4,143,517**	**4,143,517**	4,474,901
Administrative expenses (rent expenses)		**102,744**	87,516
Fiduciary assets managed on behalf of the Parent Company (Note 19)		**1,204,070,263**	1,214,436,057
Key management compensation:			
Salaries and other short term benefits		**574,254**	642,966
Terminal benefits		**57,119**	73,574

21 CONTINGENCIES

At 31 December 2015, the Company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business amounting to KD 200,000 (2014: KD 200,000).

22 RISK MANAGEMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company's principal financial liabilities comprise of accounts payables and other liabilities. The main purpose of these financial liabilities is to fund the Company's operations. The Company's principal financial assets comprise of bank balances and cash, investments, receivables and loans to customers.

The Company is exposed to credit risk, operational risk, market risk and liquidity risk. Market risk is subdivided into interest risk, currency risk and equity price risk.

The Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

22.1 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 Company's credit policy and exposure to credit risk is monitored on an ongoing basis. The Company seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of lending activities and through acceptance of collateral. These collaterals are in the nature of portfolio of investments of the counterparty.

With respect to credit risk arising from the other financial assets of the Company, including bank balances and cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits its credit risk with regard to bank balances, short term deposits and held-to maturity investments by only dealing with reputable banks.

22 RISK MANAGEMENT (continued)

22.1 CREDIT RISK (continued)

Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. The Company manages its risk to concentration by setting limits for individual investments and for sectors and geographical diversification.

The table below illustrates the maximum exposure to credit risk for the components of the statement of financial position:

	2015 *KD*	*2014* *KD*
Cash and cash equivalents	**12,579,349**	11,514,094
Accounts receivable and other assets	**4,457,443**	6,455,716
Loans to customers	**425,700**	455,400
Held-to-maturity investments	**3,407,950**	1,800,000
Credit exposure on assets	**20,870,442**	20,225,210
Bank guarantees (Note 21)	**200,000**	200,000
	21,070,442	20,425,210

The Company has accepted collateral on the loans advanced in the nature of portfolio of investments of counterparties. The detail of these collaterals with coverage over the loan portfolio is as follows:

	2015 *KD*	*2014* *KD*
Loans to customers	**425,700**	455,400
Collateral received	**3,806,019**	4,406,698
Coverage	**894%**	968%

Forward deal contract receivables included in accounts receivable and other assets, are secured by local quoted equity securities with fair value of KD 4,000,003 (2014: KD 6,494,330).

The table below illustrates the maximum exposure to credit risk for the components of the financial position analysed by geographical sector:

2015	*State of Kuwait* *KD*	*Europe* *KD*	*United States of America* *KD*	*GCC* *KD*	*Total* *KD*
Cash and cash equivalents	**11,563,486**	**992,888**	**-**	**22,975**	**12,579,349**
Accounts receivable and other assets	**4,394,844**	**-**	**14,080**	**48,519**	**4,457,443**
Loans to customers	**425,700**	**-**	**-**	**-**	**425,700**
Held-to-maturity investments	**3,407,950**	**-**	**-**	**-**	**3,407,950**
Credit exposure on assets	**19,791,980**	**992,888**	**14,080**	**71,494**	**20,870,442**
Bank guarantees	**200,000**	**-**	**-**	**-**	**200,000**
	19,991,980	**992,888**	**14,080**	**71,494**	**21,070,442**

22 RISK MANAGEMENT (continued)

22.1 CREDIT RISK (continued)

2014	*State of Kuwait* KD	*Europe* KD	*United States of America* KD	*GCC* KD	*Total* KD
Cash and cash equivalents	9,847,714	1,511,348	-	155,032	11,514,094
Accounts receivable and other assets	6,210,097	-	13,616	232,003	6,455,716
Loans to customers	455,400	-	-	-	455,400
Held-to-maturity investments	1,800,000	-	-	-	1,800,000
Credit exposure on assets	18,313,211	1,511,348	13,616	387,035	20,225,210
Bank guarantees	200,000	-	-	-	200,000
	18,513,211	1,511,348	13,616	387,035	20,425,210

22.2 MARKET RISK

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk, currency risk, and equity price risk.

22.2.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates.

The Company is not materially exposed to interest rate risk as interest bearing assets and liabilities are mainly stated at fixed interest rate. Short-term deposits disclosed in Note 8, are fixed interest bearing and hence not exposed to interest rate risk.

22.2.2 CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company manages its foreign currency risk by continuous assessment of the Company's open positions and current and expected exchange rate movements.

The Company is exposed to currency risk on purchases and sales of securities that are denominated in a currency other than the Kuwaiti Dinars mainly in US dollars. The Company ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The table below indicates the effect of a reasonably possible movement of the currency rate against the Kuwaiti Dinars, with all other variables held constant on the profit and the fair value reserve.

Foreign currency	*Change in currency rate in % 2015*	*Effect on profit 2015 KD*	*Effect on fair value reserve 2015 KD*	*Change in currency rate in % 2014*	*Effect on profit 2014 KD*	*Effect on fair value reserve 2014 KD*
USD	+/- 5%	97,836	791,568	+/-5%	93,732	759,272

22 RISK MANAGEMENT (continued)

22.2 MARKET RISK (continued)

22.2.3 EQUITY PRICE RISK

The Company's quoted and unquoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

The effect on equity (as a result of a change in the fair value of financial investments available for sale at 31 December) and Company's profit (as a result of a change in the fair value of financial assets at fair value through profit or loss at 31 December) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2015			*2014*		
Market indices	*Change in equity price %*	*Effect on profit KD*	*Effect on equity KD*	*Change in equity price %*	*Effect on profit KD*	*Effect on equity KD*
Quoted						
Local	+/- 5%	66,797	527,523	+/-5%	141,219	584,635
Foreign	+/- 5%	-	791,568	+/-5%	-	759,272

The Company has unquoted financial assets available for sale carried at cost less any impairment, where the impact of changes in equity prices could not be reliably determined due to the unpredictability of their cash flows.

22.3 LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments. To manage this risk, the Company invests in highly liquid marketable securities; and monitors liquidity on a regular basis.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2015	*Within 3 months KD*	*3 months to 1 year KD*	*Total KD*
Accounts payable and other liabilities	**64,878**	**850,724**	**915,602**
Contingent liabilities	**-**	**200,000**	**200,000**

2014	*Within 3 months KD*	*3 months to 1 year KD*	*Total KD*
Accounts payable and other liabilities	166,584	933,010	1,099,594
Contingent liabilities	-	200,000	200,000

22 RISK MANAGEMENT (continued)

22.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may review the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. Capital comprises share capital, statutory reserve, voluntary reserve, retained earnings and proposed dividend, and is measured at KD 54,557,701 as at 31 December 2015 (2014: KD 52,991,054).

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, investments, receivables and loans to customers. Financial liabilities consist of payables.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 12) amounting to KD 1,231,931 (2014: KD 1,422,404), are not materially different from their carrying values.

Fair value hierarchy
As at 31 December, the Company held the following financial instruments measured at fair value:

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2015	*Level: 1* KD	*Level: 2* KD	*Level: 3* KD	*Total* KD
Financial assets at fair value through profit or loss				
- Equity securities	**1,335,942**	-	-	**1,335,942**
Financial assets available for sale				
- Equity securities	**16,047,961**	-	-	**16,047,961**
- Managed funds and portfolios	-	**18,695,140**	-	**18,695,140**
	17,383,903	**18,695,140**	-	**36,079,043**

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2014	*Level: 1* KD	*Level: 2* KD	*Level: 3* KD	*Total* KD
Financial assets at fair value through profit or loss				
- Equity securities	2,471,920	-	-	2,471,920
Financial assets available for sale				
- Equity securities	18,027,975	-	-	18,027,975
- Managed funds and portfolios	-	17,935,990	-	17,935,990
	20,499,895	17,935,990	-	38,435,885

During the reporting period ending 31 December, there were no transfers between Level 1 and Level 2 fair value measurements.

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Company's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss, financial assets available for sale and investment in associates is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

31 December 2015	*Within 3 months* KD	*3 to 12 months* KD	*1 to 5 years* KD	*Total* KD
ASSETS				
Cash and cash equivalents	12,579,349	-	-	12,579,349
Financial assets at fair value through profit or loss	1,335,942	-	-	1,335,942
Accounts receivable and other assets	4,295,152	160,149	2,142	4,457,443
Investment in an associate	-	-	2,174,971	2,174,971
Loans to customers	-	425,700	-	425,700
Held-to-maturity investments	-	-	3,407,950	3,407,950
Financial assets available for sale	-	-	35,975,032	35,975,032
Property and equipment	-	-	41,169	41,169
TOTAL ASSETS	18,210,443	585,849	41,601,264	60,397,556
LIABILITIES				
Accounts payable and other liabilities	64,878	850,724	-	915,602
Employees' end of service benefits	-	-	1,149,878	1,149,878
TOTAL LIABILITIES	64,878	850,724	1,149,878	2,065,480

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2014	*Within 3 months* KD	*3 to 12 months* KD	*1 to 5 years* KD	*Total* KD
ASSETS				
Cash and cash equivalents	11,514,094	-	-	11,514,094
Financial assets at fair value through profit or loss	2,471,920	-	-	2,471,920
Accounts receivable and other assets	6,320,597	134,669	450	6,455,716
Investment in an associate	-	-	2,209,480	2,209,480
Loans to customers	-	455,400	-	455,400
Held-to-maturity investments	-	-	1,800,000	1,800,000
Financial assets available for sale	-	-	37,386,369	37,386,369
Property and equipment	-	-	28,953	28,953
TOTAL ASSETS	20,306,611	590,069	41,425,252	62,321,932
LIABILITIES				
Accounts payable and other liabilities	166,584	933,010	-	1,099,594
Employees' end of service benefits	-	-	1,303,820	1,303,820
TOTAL LIABILITIES	166,584	933,010	1,303,820	2,403,414