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

FINANCIAL STATEMENTS

31 DECEMBER 2016

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wafra International Investment Company K.S.C. (Closed) (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the Audit of Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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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, and its executive regulations and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016 and its executive regulations nor of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business 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 2016 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

21 March 2017
Kuwait

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

STATEMENT OF INCOME

For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
INCOME			
Net management fees	5	**5,636,717**	5,849,399
Interest income		**286,871**	256,065
Unrealised gain (loss) from financial assets at fair value through profit or loss		**24,607**	(309,465)
Realised (loss) gain on sale of financial assets at fair value through profit or loss		**(23,450)**	8,275
Realised (loss) gain on sale of financial assets available for sale		**(603,505)**	261,221
Interest income on forward deal contract receivables		**120,032**	186,794
Share of results of an associate	11	**(62,337)**	(23,798)
Impairment loss on financial assets available for sale	12	**(471,852)**	(579,443)
Dividend income		**1,041,890**	700,338
Foreign exchange gain		**206,500**	189,475
		6,155,473	6,538,861
EXPENSES			
Administrative expenses	6	**(2,018,305)**	(1,826,810)
		(2,018,305)	(1,826,810)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), ZAKAT AND DIRECTORS' REMUNERATION		**4,137,168**	4,712,051
Contribution to KFAS		**(41,372)**	(47,120)
Zakat		**(36,836)**	(42,284)
Directors' remuneration	18	**(68,000)**	(56,000)
PROFIT FOR THE YEAR		**3,990,960**	4,566,647
BASIC AND DILUTED EARNINGS PER SHARE	7	**26.60 fils**	30.44 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 2016

	Note	2016 KD	2015 KD
Profit for the year		**3,990,960**	4,566,647
Other comprehensive income (loss):			
Items that are or may be reclassified subsequently to statement of income:			
Changes in fair value of financial assets available for sale		**428,071**	(3,391,123)
Impairment losses on financial assets available for sale transferred to statement of income	12	**471,852**	579,443
Net loss (gain) transferred to statement of income on sale of financial assets available for sale		**603,505**	(261,221)
Share of other comprehensive loss of associate		**(20,090)**	(80,188)
Total other comprehensive income (loss) for the year		**1,483,338**	(3,153,089)
Total comprehensive income for the year		**5,474,298**	1,413,558

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 2016

	Notes	2016 KD	2015 KD
ASSETS			
Cash and cash equivalents	8	**10,415,539**	12,579,349
Financial assets at fair value through profit or loss	9	**639,968**	1,335,942
Accounts receivable and other assets	10	**7,056,079**	4,457,443
Loans to customers		**425,700**	425,700
Investment in an associate	11	**2,092,687**	2,174,971
Financial assets available for sale	12	**38,089,532**	35,975,032
Held-to-maturity investments	13	**4,100,000**	3,407,950
Property and equipment		**18,069**	41,169
TOTAL ASSETS		**62,837,574**	60,397,556
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other accruals	14	**951,518**	915,602
Employees' end of service benefits		**1,079,682**	1,149,878
Total liabilities		**2,031,200**	2,065,480
Equity			
Share capital	15	**15,000,000**	15,000,000
Statutory reserve	16	**8,448,604**	8,034,887
Voluntary reserve	17	**8,481,308**	8,067,591
Cumulative changes in fair values reserve		**5,257,713**	3,774,375
Retained earnings		**20,618,749**	20,455,223
Proposed dividend	18	**3,000,000**	3,000,000
Total equity		**60,806,374**	58,332,076
TOTAL LIABILITIES AND EQUITY		**62,837,574**	60,397,556

Salah Abdel Latif Al-Mudhaf
Chairman

Tareq Khaled Bourisli
Chief Executive Officer

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 2016

	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 2016	15,000,000	8,034,887	8,067,591	3,774,375	20,455,223	3,000,000	58,332,076
Profit for the year	-	-	-	-	3,990,960	-	3,990,960
Other comprehensive income for the year	-	-	-	1,483,338	-	-	1,483,338
Total comprehensive income for the year	-	-	-	1,483,338	3,990,960	-	5,474,298
Dividend paid (Note 18)					-	(3,000,000)	(3,000,000)
Transfer to reserves	-	413,717	413,717	-	(827,434)	-	-
Proposed dividend (Note 18)	-	-	-	-	(3,000,000)	3,000,000	-
Balance at 31 December 2016	**15,000,000**	**8,448,604**	**8,481,308**	**5,257,713**	**20,618,749**	**3,000,000**	**60,806,374**
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	-	-	-	-	-	(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

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 2016

	Notes	2016 KD	2015 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, Zakat and Directors' remuneration		**4,137,168**	4,712,051
Adjustments for:			
Depreciation	6	**38,615**	30,746
Provision for employees' end of service benefits		**201,017**	117,727
Interest income		**(286,871)**	(256,065)
Unrealised (gain) loss from financial assets at fair value through profit or loss		**(24,607)**	309,465
Realised loss (gain) loss on sale of financial assets at fair value through profit or loss		**23,450**	(8,275)
Realised loss (gain) on sale of financial assets available for sale		**603,505**	(261,221)
Share of results of an associate	11	**62,337**	23,798
Impairment loss on financial assets available for sale	12	**471,852**	579,443
Foreign exchange gain on held to maturity investments		**(7,195)**	(6,500)
Interest income on forward deal contract receivables		**(120,032)**	(186,794)
		5,099,239	5,054,375
Working capital adjustments:			
Financial assets at fair value through profit or loss		**697,131**	834,788
Accounts receivable and other assets		**(2,478,604)**	2,185,065
Loans to customers		**-**	30,000
Accounts payable and other accruals		**(110,291)**	(329,696)
Cash from operations		**3,207,475**	7,774,532
Employees' end of service benefits paid		**(271,214)**	(271,669)
Net cash flows from operating activities		**2,936,261**	7,502,863
INVESTING ACTIVITIES			
Additions in investment in an associate	11	**(143)**	(69,477)
Additions in financial assets available for sale (net)		**(1,686,429)**	(1,979,784)
Additions to property and equipment		**(15,515)**	(42,962)
Interest income received		**286,871**	256,065
Additions to held-to-maturity investments		**(684,855)**	(1,601,450)
Net cash flows used in investing activities		**(2,100,071)**	(3,437,608)
FINANCING ACTIVITY			
Dividend paid	18	**(3,000,000)**	(3,000,000)
Net cash flows used in financing activities		**(3,000,000)**	(3,000,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,163,810)**	1,065,255
Cash and cash equivalents at 1 January		**12,579,349**	11,514,094
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**10,415,539**	12,579,349

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 21 March 2017. 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 2015 have been approved by the shareholders' Annual General Assembly on 28 June 2016.

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").

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

2.1 BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with the regulations of the State 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 impairment 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 taking into account contractually defined terms of payment. 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.

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 except for financial assets classified as loans to customers where minimum general provision as per CBK's instructions is followed. 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.

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.

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)

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.

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.

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 used in the preparation of these financial statements are consistent with those used in previous year, except for the adoption of the amendments to the existing standards relevant to the Company effective as at 1 January 2016, which did not result in any material impact on the accounting policies, financial position or performance of the Company:

Amendments to IAS 16 and IAS 38 : Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets 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 use of the 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 amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of income and other comprehensie income. These amendments do not have any impact on the financial statements of the Company.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

Annual Improvements 2012-2014 Cycle
IFRS 7 Financial Instruments: Disclosures
Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

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:

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of associates (continued)
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;
- underlying net asset base of the investment; or
- other valuation models.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9: Financial Instruments:
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 a 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.

IFRS 15 – Revenue from Contracts with customers
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Company does not anticipate early adopting IFRS 15 and is currently evaluating its impact on the Company and do not expect significant impact on adoption of this standard.

IFRS 16 Leases
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right- of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of income.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Company does not anticipate early adopting IFRS 16 and is in the process of evaluating the effect of IFRS 16 on the Company and do not expect any significant impact on adoption of this standard.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 7 Statement of Cash Flows
In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Company is currently evaluating the impact.

5 NET MANAGEMENT FEES

	2016 *KD*	*2015* *KD*
Management fees	**5,742,629**	5,950,857
Subscription fees	**(27,551)**	(24,213)
Custody fees	**(78,361)**	(77,245)
	(105,912)	(101,458)
	5,636,717	5,849,399

6 ADMINISTRATIVE EXPENSES

	2016 *KD*	*2015* *KD*
Staff costs	**1,694,651**	1,557,736
Depreciation	**38,615**	30,746
Other administrative expenses	**285,039**	238,328
	2,018,305	1,826,810

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.

	2016	*2015*
Profit for the year (KD)	**3,990,960**	4,566,647
Weighted average number of ordinary shares outstanding during the year (shares)	**150,000,000**	150,000,000
Basic and diluted earnings per share (fils)	**26.60**	30.44

8 CASH AND CASH EQUIVALENTS

	2016 KD	*2015 KD*
Bank balances and cash	**272,597**	452,627
Short-term deposits	**651,568**	6,366,371
Call accounts	**9,491,374**	5,760,351
	10,415,539	12,579,349

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 0.75% to 2.20% (2015: 0.40% to 1.75%) 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% (2015: 0.001% to 0.125%) per annum.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 KD	*2015 KD*
Local quoted equity securities	**639,968**	1,335,942

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. The fair value hierarchy disclosure is given in Note 24

10 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2016 KD	*2015 KD*
Forward deal contract receivables	**701,693**	2,273,541
Accrued management fees	**2,042,464**	2,065,551
Other assets	**4,311,922**	118,351
	7,056,079	4,457,443

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 6.5%- 6.75% (2015: 6.50% – 6.75%) per annum.

Other assets include an amount of KD 3,677,228 (2015: KD Nil) paid as advance for the purchase of financial assets available for sale, for which the share certificates were not transferred to the Company as at the reporting date.

11 INVESTMENT IN AN ASSOCIATE

Name of the associate	*Country of incorporation*	*Effective interest 2016*	*2015*	*Principal activity*
Sanam Real Estate K.S.C.P.	Kuwait	**24.13%**	24.13%	Real Estate

Summarised financial information of the associate is as follows:

	2016 KD	*2015 KD*
Assets and liabilities:		
Current assets	**3,933,257**	4,112,339
Non-current assets	**6,339,594**	6,480,300
Current liabilities	**(95,977)**	(93,283)
Non-current liabilities	**(63,248)**	(44,182)
Equity	**10,113,626**	10,455,174
Proportion of the Company's ownership	**24.13%**	24.13%
Company's share in Equity	**2,440,549**	2,522,833
Impairment	**(347,862)**	(347,862)
Total carrying value	**2,092,687**	2,174,971
Income	**151,782**	229,363
Company's share of income	**36,625**	55,345
Loss for the year	**(258,350)**	(86,758)
Company's share in the loss for the year	**(62,337)**	(23,798)
Fair value (Level 1)	**884,446**	1,252,820

The movement in the carrying amount of the investment in an associate during the year is as follows:

	2016 KD	*2015 KD*
As at 1 January	**2,174,971**	2,209,480
Additions	**143**	69,477
Share of results	**(62,337)**	(23,798)
Share of other comprehensive income	**(20,090)**	(80,188)
As at 31 December	**2,092,687**	2,174,971

During the current year, the Company acquired 3,398 shares (2015: 1,732,753) in the associate amounting to KD 143 (2015: KD 69,477).

As of 31 December 2016, 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

	2016 *KD*	*2015* *KD*
Local unquoted equity securities	**1,186,931**	1,231,931
Local quoted equity securities	**10,970,257**	10,550,467
Foreign quoted equity securities	**4,998,182**	5,497,494
Local funds	**9,536,232**	8,361,272
Foreign funds	**11,397,930**	10,333,868
	38,089,532	35,975,032

An impairment loss of KD 426,852 (2015: KD 579,443) 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 based on which an impairment loss has been provided on an unquoted investment amounting to KD 45,000 (2015: KD Nil).

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 6.20% (2015: 4.50% to 6.15%) per annum and have maturity dates between June 2018 and March 2026 (2015: June 2018 and December 2022).

14 ACCOUNTS PAYABLE AND OTHER ACCRUALS

	2016 *KD*	*2015* *KD*
Accounts payable	**90,731**	47,410
Accrued expenses	**558,520**	551,859
Other liabilities	**302,267**	316,333
	951,518	915,602

15 SHARE CAPITAL

Authorized, issued and fully paid up share capital consists of 150,000,000 (2015: 150,000,000) shares of 100 fils (2015: 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 16 February 2017 has proposed a cash dividend of 20% (2015: 20%) of the paid up share capital, totalling to KD 3,000,000 (2015: KD 3,000,000) and directors' remuneration of KD 68,000 (2015: KD 56,000), which are subject to the approval of the shareholders at the Annual General meeting.

The annual general meeting held on 28 June 2016 approved the proposed dividend and directors' remuneration for the year ended 31 December 2015, 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 2016, the value of fiduciary assets amounted to KD 1,402,587,684 (2015: KD 1,371,241,541) of which 87.45% (2015: 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 shareholder	*2016 KD*	*2015 KD*
Statement of financial position			
Accounts receivable and other assets (accrued management fees)	**1,580,688**	**1,580,688**	1,626,731
Statement of income:			
Management fees	**4,215,875**	**4,215,875**	4,143,517
Administrative expenses (rent expenses)	**-**	**107,820**	102,744
Fiduciary assets managed on behalf of the Parent Company (Note 19)	**1,226,584,914**	**1,226,584,914**	1,204,070,263
Key management compensation:			
Salaries and other short term benefits		**447,753**	574,254
Terminal benefits		**55,237**	57,119

21 CONTINGENCIES

At 31 December 2016, the Company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business amounting to KD 200,000 (2015: 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 accruals. 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.

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:

	2016 *KD*	*2015* *KD*
Cash and cash equivalents	**10,415,539**	12,579,349
Accounts receivable and other assets	**7,056,079**	4,457,443
Loans to customers	**425,700**	425,700
Held-to-maturity investments	**4,100,000**	3,407,950
Credit exposure on assets	**21,997,318**	20,870,442
Bank guarantees (Note 21)	**200,000**	200,000
	22,197,318	21,070,442

22 RISK MANAGEMENT (continued)

22.1 CREDIT RISK (continued)

Risk concentration of the maximum exposure to credit risk (continued)

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:

	2016 *KD*	*2015* *KD*
Loans to customers	**425,700**	425,700
Collateral received	**3,888,949**	3,806,019
Coverage	**914 %**	894%

Forward deal contract receivables included in accounts receivable and other assets, are secured by local quoted equity securities with fair value of KD 1,778,566 (2015: KD 4,000,003).

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

2016	*State of Kuwait* *KD*	*Europe* *KD*	*United States of America* *KD*	*GCC* *KD*	*Total* *KD*
Cash and cash equivalents	**9,583,830**	**673,027**	**-**	**158,682**	**10,415,539**
Accounts receivable and other assets	**6,790,081**	**-**	**-**	**265,998**	**7,056,079**
Loans to customers	**425,700**	**-**	**-**	**-**	**425,700**
Held-to-maturity investments	**4,100,000**	**-**	**-**	**-**	**4,100,000**
Credit exposure on assets	**20,899,611**	**673,027**	**-**	**424,680**	**21,997,318**
Bank guarantees	**200,000**	**-**	**-**	**-**	**200,000**
	21,099,611	**673,027**	**-**	**424,680**	**22,197,318**

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)

22.2 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 % 2016*	*Effect on profit 2016 KD*	*Effect on fair value reserve 2016 KD*	*Change in currency rate in % 2015*	*Effect on profit 2015 KD*	*Effect on fair value reserve 2015 KD*
USD	+/-5%	**85,831**	**819,805**	+/- 5%	97,836	791,568

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:

	2016			*2015*		
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%	**31,998**	**548,513**	+/- 5%	66,797	527,523
Foreign	+/- 5%	-	**819,805**	+/- 5%	-	791,568

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 RISK MANAGEMENT (continued)

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:

2016	*Within 3 months* *KD*	*3 months to 1 year* *KD*	*Total* *KD*
Accounts payable and other accruals	**101,742**	**849,776**	**951,518**
Contingent liabilities	**-**	**200,000**	**200,000**

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

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 2016 and 31 December 2015. Capital comprises share capital, statutory reserve, voluntary reserve, retained earnings and proposed dividend, and is measured at KD 55,548,661 as at 31 December 2016 (2015: KD 54,557,701).

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 1,186,931 (2015: KD 1,231,931), 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:

2016	*Level: 1* *KD*	*Level: 2* *KD*	*Total* *KD*
Financial assets at fair value through profit or loss			
- Equity securities	**639,968**	-	**639,968**
Financial assets available for sale			
- Equity securities	**15,968,439**	-	**15,968,439**
- Managed funds and portfolios	-	**20,934,162**	**20,934,162**
	16,608,407	**20,934,162**	**37,542,569**

2015	*Level: 1* *KD*	*Level: 2* *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

During the current and previous year, 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:

2016	*Within 3 months* KD	*3 to 12 months* KD	*> 1 year* KD	*Total* KD
ASSETS				
Cash and cash equivalents	**10,415,539**	-	-	**10,415,539**
Financial assets at fair value through profit or loss	**639,968**	-	-	**639,968**
Accounts receivable and other assets	**5,995,807**	**1,058,130**	**2,142**	**7,056,079**
Loans to customers	-	**425,700**	-	**425,700**
Investment in an associate	-		**2,092,687**	**2,092,687**
Financial assets available for sale	-	-	**38,089,532**	**38,089,532**
Held-to-maturity investments	-	-	**4,100,000**	**4,100,000**
Property and equipment	-	-	**18,069**	**18,069**
TOTAL ASSETS	**17,051,314**	**1,483,830**	**44,302,430**	**62,837,574**
LIABILITIES				
Accounts payable and other accruals	**101,742**	**849,776**	-	**951,518**
Employees' end of service benefits	-	-	**1,079,682**	**1,079,682**
TOTAL LIABILITIES	**101,742**	**849,776**	**1,079,682**	**2,031,200**

31 December 2015	*Within 3 months* KD	*3 to 12 months* KD	*> 1 year* 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
Loans to customers	-	425,700	-	425,700
Investment in an associate	-	-	2,174,971	2,174,971
Financial assets available for sale	-	-	35,975,032	35,975,032
Held-to-maturity investments	-	-	3,407,950	3,407,950
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 accruals	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