بيت الأوراق المالية
THE SECURITIES HOUSE

2016
ANNUAL REPORT
The Securities House K.S.C.P.

بسم الله الرحمن الرحيم

بيت الأوراق المالية
THE SECURITIES HOUSE

2016
ANNUAL REPORT

Established on 29th March, 1982

Authorised and Paid up Capital KD 48,000,000

Divided into 480,000,000 share

Par value 100 Fils / share

H.H. Sheikh
Sabah Al Ahmed Al Jaber Al Sabah
The Amir of the State of Kuwait

H.H. Sheikh
Nawaf Al Ahmed Al Jaber Al Sabah
The Crown Prince

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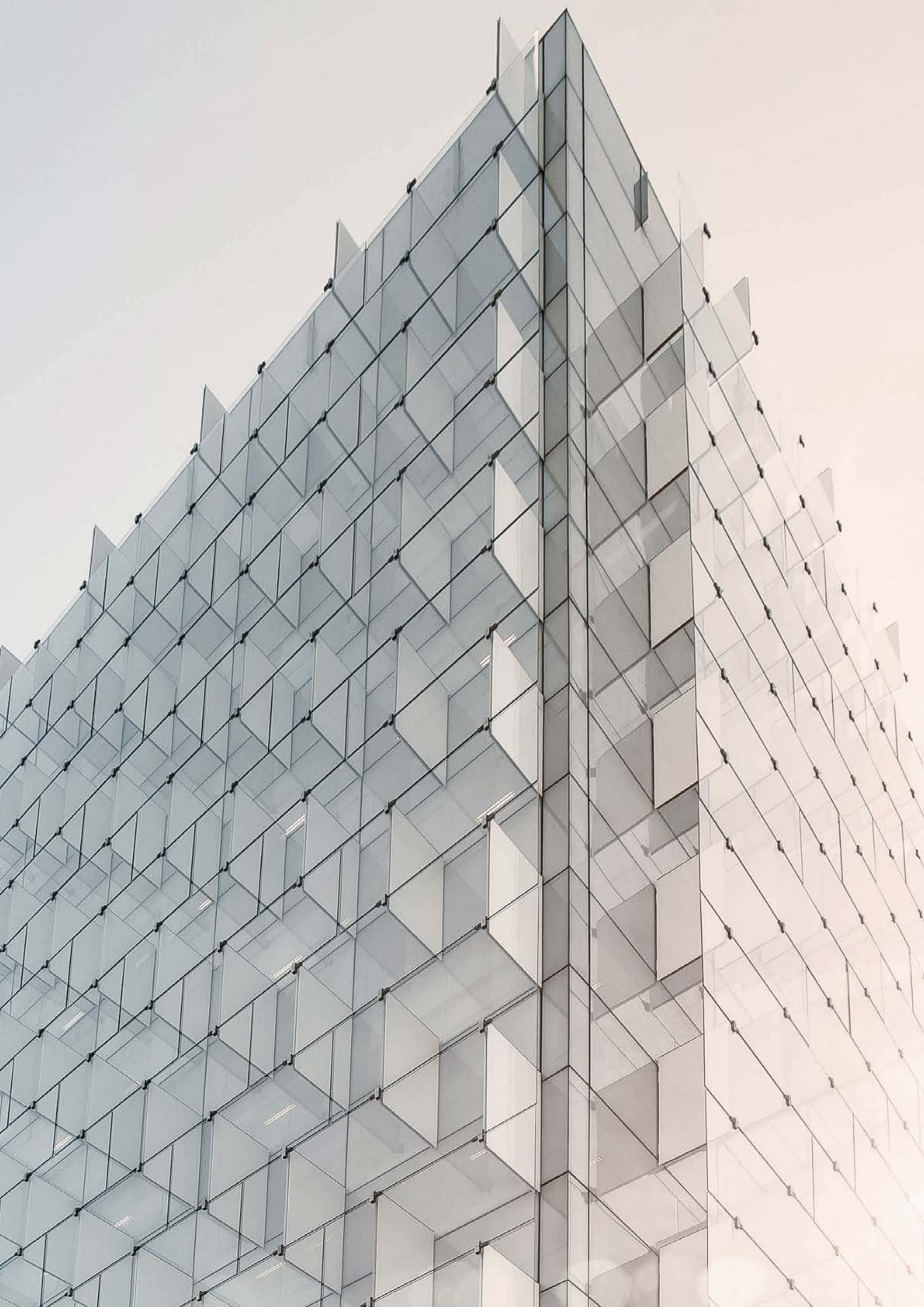


BOARD MEMBERS

Ibrahim Yousef Al-Ghanim
Chairman

Fahed Faisal Boodai
Vice Chairman & Chief Executive Officer

Aysha Faisal Al-Mudhaf
Board Member

Abdullah Jassem Boodai
Board Member

Mosaied Adnan Al-Ajeel
Board Member

DIRECTORS' REPORT FOR 2016

In the Name of Allah, Most Gracious, Most Merciful. Praise be to Allah, the Cherisher and Sustainer of the worlds, and may His peace and blessings be upon His messenger our Prophet Muhammad, his family and his companions and whosoever follows his example and seeks his guidance until the Day of Resurrection.

Dear Shareholders,

On behalf of myself, Board of Directors and all employees of The Securities House, I am highly delighted to welcome you to the Company's 34th Ordinary General Assembly and present the major highlights of 2016 and prospects for 2017.

In 2016, the Company has fully settled its last debt of KD 4.8 million. Both recognition of the Company's share in the associates' results and increase of investment in Al-Aman Investment Company led to a realized gain for 2016 of KD 757 thousand (equivalent to 1.5 fils per share) compared to a gain of KD 1.2 million (equivalent to 2.3 fils per share) for the previous year.

As for the Company's financial position during 2016, cash capital reduction of 6.5% of the outstanding share capital was made and share capital was reduced from KD 68,000,000 to KD 48,000,000. Accordingly, the book value per share post reduction reached to par value of 100 fils and, however, was subsequently affected by the reduction of Pound Sterling in 2016, being the currency of the major associate, Gatehouse Financial Group, due to Britain's voting to exit from the European Union. The impact of such reduction in currency exceeded KD 5 million and, hence, the equity attributable to the Parent Company's shareholders amounted to KD 43.3 million, equivalent to 90 fils per share as at 31 December 2016.

Within this context, we undertake the integrity and validity of the Company's financial statements and reports in relation to the Company's activities that are included in the annual report presented to you.

With reference to the associate companies, Gatehouse Financial Group has continued in posting profit for 2016 in continuity to profit achievement for the fourth year since 2012 and in focusing on its main activities; firstly the banking and financing services of its UK-based subsidiary, Gatehouse Bank, by providing secured residential mortgage financing, wealth management, retail deposit-taking, treasury operations as well as providing real estate investment opportunities in the UK, and secondly, the investment activities of its Kuwait-based subsidiary, Gatehouse Capital, by providing real estate investment opportunities in the US. In that regard, we are delighted to inform you of the joining of a new CEO for Gatehouse Bank in 2017 who enjoys high qualifications and long experience in the UK residential financing sector, the matter which will support the bank's direction towards expansion in this big promising market.

As for Al Aman investment Company realized profit in 2016. Given that The Securities House holds an equity stake of 46% in Al Aman's capital and that the activities of both companies are integrated, the Board of Directors of The Securities House explored the merger benefits between The Securities House and Al Aman Investment Company due to the several benefits for the shareholders of both companies after merger. Chief among these benefits are the various experiences in the fields of asset management, international real estate and private equity investment advisory which reinforce the Company's competitive edge by offering a wide range of products and services to its clients with recurring returns in the form of fees on asset management and advisory services and cross-selling of these products and services. Such benefits also support growth of the combined cash position and, hence, provide flexibility in seizing investment opportunities, enhance geographic and qualitative diversity to cover the GCC region and UK though Gatehouse Financial Group, streamline the regulatory requirements applicable to the Company and the possibility to reasonably rationalize operating expenses.

As a result, an initial agreement was reached with the Board of Directors of Al Aman Investment Company for the merger between both companies. The two companies are currently preparing the draft merger contract in line with the relevant instructions of the Capital Markets Authority (CMA) and in coordination with CMA approved investment advisor and asset valuer to submit the same to the CMA for approval before taking the legal and regulatory procedures and calling for an extraordinary general assembly meeting for discussing and voting on the draft merger contract.

During the ordinary course of business, the Company ensures its compliance with the principles of corporate governance in accordance with the Law 7/2010 regarding the Establishment of the Capital Markets Authority and the Regulation of the Activity of Securities and the amendments thereof, as mentioned in the Corporate Governance Report presented to you for the year ended 31 December 2016.

Valued Shareholders,

Our outlook towards the future is driven by the Company's adopted approach since its inception to focus on the investment in the major operating segments, maximizing management and advisory fees and recurring returns within reasonable timeframes and in line with a deliberate investment strategy and by developing our strategic investments and investing in the companies of operating nature for the Company and on behalf of its clients. Going forward, we shall focus on the continually growing sectors that could stand against the economic volatilities in addition to the investment products, real estate development and contributions to value-added and risk-adjusted returns real estate and private equity investments.

We hope we have provided a clear overview about the major highlights of our Company's performance during 2016 along with the Company's perspectives for the interests of the shareholders.

Finally, I would like to thank Allah for all challenges we encountered and achievements we made, and thank you for your attendance and enduring support. I also pray to the Almighty Allah to crown our endeavors with success and prosperity for the sake of our beloved country under the wise leadership of His Highness the Amir and His Highness the Crown Prince.

I would like also to express my honest appreciation and thank to the government bodies for their cooperation and support. My heartfelt gratitude is extended to our Company's executive management and employees for their dedication and devotion.

May Allah perpetuate the grace of safety, security and prosperity, and bless the souls of our martyrs.

Peace and Allah's Mercy and Blessings be upon you.

Ibrahim Yousef Al-Ghanim
Chairman

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Securities House K.S.C.P. spares no effort to ensure compliance with all instructions and decisions issued by the Capital Markets Authority (CMA), in particular those included under Article 3.7 of Module 15 "Corporate Governance" of the Executive Regulations of the Law No. 7/2010 regarding the Establishment of the Capital Markets Authority and the Regulation of the Activity of Securities and the amendments thereto. Enumerated below the actions taken during 2016 to fulfill all the regulatory requirements and adopt the corporate governance policies in line with the relevant CMA instructions:

Rule (1): Balanced Structure of the Board

1. 1. Criteria of Board Membership

The Board of Directors (BoDs) of The Securities House comprises of 5 members. BoD formation considers, inter alia, qualifications, diversified experience and professionalism. In addition, BoD members are mostly non-executive directors but there is an independent director reflecting a balanced structure that enables BoD discharge its duties and responsibilities by laying down the Company's strategy and policies, setting its targets and overseeing the performance of the executive management. The following table sets out the names of qualifications of BoDs:

Name	Designation	Qualification & Experience	Election Date
Ibrahim Yousef Al-Ghanim	Chairman / Non-executive	Bachelor of Science in Business Administration 36 years experience in finance and management	5 July 2015
Fahed Faisal Boodai	Vice Chairman / Executive	MBA 20 years experience in finance and management	5 July 2015
Aysha Faisal Almudhaf	BoD Member / Independent	MBA 14 years experience in finance and management	5 July 2015
Abdullah Jassem Boodai	BoD Member / Non-executive	Diploma from the Public Authority for Applied Education and Training 20 years experience (Businessman)	5 July 2015
Mosaed Adnan Al-Ajeel	BoD Member / Non-executive	Master in Business Law 7 years experience (Legal)	5 July 2015
Madi Talal Al-Khamis	Board Secretary	B.Sc. degree in accounting 14 years experience in finance and management	5 July 2015

2. Board Meetings

BoD meetings are regularly held based on an invitation by the Chairman. For the purpose of BoD meetings, each BoD member is provided with the meeting agenda along with the related information and data at least three working days prior to the scheduled date of meeting. BoD approves its agenda in the meeting that shall not be valid unless it is attended by half of its members, provided that the number of attendees should be at least three members. Decisions are passed only by absolute majority. The Company's Memorandum and Articles of Association govern BoD meetings and attendance thereof and handling the irregular attendance of BoD meetings. During the year ended 31 December 2016, BoD held 8 meetings as tabulated below:

Name of Board Member	Meeting (1) held on 09.02.2016	Meeting (2) held on 13.04.2016	Meeting (3) held on 26.04.2016	Meeting (4) held on 10.05.2016	Meeting (5) held on 13.07.2016	Meeting (6) held on 16.08.2016	Meeting (7) held on 03.10.2016	Meeting (8) held on 16.11.2016	No. of Meetings
1. Ibrahim Yousef Al-Ghanim (Chairman)	√	√	√	√	√	√	√	√	8
2. Fahed Faisal Boodai (Vice Chairman)	√	√	√	√	√	√	√	√	8
3. Aysha Faisal Almudhaf (Independent)	√	√	√	√	√	√	√	√	8
4. Abdullah Jassem Boodai (BoD Member)	√	√	√	X	√	√	√	√	7
5. Mosaed Adnan Al-Ajeel (BoD Member)	√	√	√	√	√	√	√	√	8

3. Recording, handling and filing BoD meetings' minutes

BoD appointed a Board Secretary from the Company staff to record and maintain all minutes of the board meetings and the reports to be submitted by/to BoD. The Board Secretary is also responsible for coordinating with the BoD members and communicate the meeting dates three days prior to the scheduled date.

The Company's management maintains a record of all minutes of BoD meetings in order of the years of the meetings. Such record also includes the place, date and start/end time of BoD meetings.

Rule (2): Assignment of Roles & Responsibilities

1. Roles & Responsibilities

Roles and responsibilities are entrusted to each BoD member in various forms. The Company's Articles of Association define the roles and responsibilities of assigned to BoD. In addition, the BoD Charter define the BoD roles including the task of overseeing the executive management and ensuring compliance with the BoD approved business strategy and plans. The Executive Committee Charter and the relevant policies and procedures approved by BoD assign certain tasks and responsibilities to the executive management. Moreover, the approved Authority Matrix sets out all powers and authorities delegated to the executive management and those assigned solely to BoD.

Board of Directors:

BoD is responsible for laying down a company-wide strategy and the key business plans. Among the other tasks of BoD are:

- Setting the company-wide targets and strategy, and overseeing the company-wide performance.
- Approving the annual budgets and monitoring any deviation.
- Ensuring compliance by the management with the operating policies and procedures.
- Approving the interim reviewed and the annual audited financial statements.
- Forming the necessary committees, and overseeing performance of, and discussing the reports presented by, those committees.
- Overseeing the performance of the executive management.

Major Highlights & Achievements in 2016:

a. Full settlement of debts.

b. Restricting the shareholders' equity, cancellation of treasury shares, amortization of accumulated losses and reduction of capital from KD 68 million to KD 48 million.

c. Obtaining the final license from CMA to carry out the activity of subscription agent and investment controller.

d. Developing a company-wide business strategy and development plans.

e. Considering profitable investment opportunities.

f. Approving certain policies and procedures in line with CMA instructions.

In order for BoD to discharge its duties in efficient and effective manner, several specialized sub committees were established namely Audit Committee, Risk Management Committee and Nomination & Remuneration Committee.

The following is an overview of each of the aforesaid committees:

Audit Committee (AC):

The Audit Committee was formed on 7 July 2015, the committee is responsible for promoting the compliance culture inside the Company by ensuring the soundness and integrity of the Company's reporting, and adequacy and efficiency of the internal control systems. The Audit Committee is supervised by, and submits it reports and recommendations to, the Company's BoD. The key tasks of AC include:

- Reviewing the financial statements before presenting the same to BoD, and expressing the related opinion and recommendations to BoD.

- Overseeing the tasks of the external auditors and assessing the audit quality, and submitting recommendations to BoD regarding appointment and reappointment of the external auditors and fixing his fees.
- Studying the accounting policies and expressing the related opinions and recommendations to BoD.
- Overseeing the tasks of the external Shariah auditors, and submitting recommendations to BoD regarding appointment and reappointment of the external Shariah audit office and fixing their fees.
- Assessing adequacy and efficiency of the internal control systems, and submitting the related recommendations to BoD.
- Overseeing the internal audit activity and ensuring efficiency thereof in implementation of the approved annual audit plan.
- Reviewing and approving the proposed annual audit plan.
- Recommending appointment, dismissal of the internal audit officer and evaluation of his performance.
- Reviewing the internal audit reports, and ensuring that the corrective actions are taken to address any observations or weakness in control environment including compliance with the Corporate Governance Manual.
- Reviewing the reports issued by the regulatory authorities, ensuring that there related actions have been taken.

AC Committee is comprised of the following members:

(1) Aysha Faisal Almudhaf - Committee Chairperson,

(2) Abdullah Jassem Boodai - Committee Member, and

(3) Mosaed Adnan Al-Ajeel - Committee Member

Secretary: Hatem Ibrahim Al-Kolak - Senior Vice President, Risk Management & Compliance

Membership in the Audit Committee shall remain valid as long as the committee member is a BoD member, and shall end when he/she is no longer a BoD member. During the year ended 31 December 2016, AC held 7 meetings.

Major Highlights & Achievements in 2016:

1. Reviewing and approving the financial statements for the year ended 31 December 2015 in addition to the interim financial statements during 2016.
2. Reviewing and approving the applied accounting policies.
3. Submitting recommendations to BoD for appointing the Company's internal audit consultant, and fixing his remuneration.
4. Selecting Al-Aiban & Al-Qatami Advisory Services (Grant Thornton) to be the internal audit consultant.
5. Recommending to the Company's general assembly for reappointing Bader Abdullah Al-Wazan from (Deloitte & Touche, Al-Wazzan & Partners) to be the Company's auditors for the year ended 31 December 2016, and dismissing Ali Abdurrahman Al-Hasawi from Ali Abdulrahman Al-Hasawi, Rödl Middle East - Burgan International Accountants.
6. Recommending to the Company's general assembly for appointing Islamic Financial Industry House as Fatwa & Shariah Supervisory Board for the year ended 31 December 2016.

Risk Management Committee (RMC):

The Risk Management Committee was formed on 7 July, 2015, the committee identifies and measures the various risks the Company encounters in practicing its activities in order to minimize such risks, identifies the internal and external factors of risks and develop approaches to address such risks in line with the preset policies with respect thereto, in particular the risk appetite. The key tasks of RMC include:

- Preparing, reviewing risk management strategies and policies before approving the same by BoD, and ensuring implementation thereof.
- Assessing the systems and mechanisms for identifying, measuring and monitoring all types of risks the company may encounter.
- Assisting BoD to identify and assess the risk appetite and ensure adherence thereto.
- Preparing the periodic risk reports and submitting the same to BoD.
- Discussing the issues and observations raised by the Audit Committee that may affect risk management in the Company.

RMC Committee is comprised of the following members:

(1) Aysha Faisal Almudhaf - Committee Chairperson,

(2) Abdullah Jassem Boodai - Committee Member, and

(3) Mosaed Adnan Al-Ajeel - Committee Member.

Secretary: Hatem Ibrahim Al-Kolak - Senior Vice President, Risk Management & Compliance

Membership in the Risk Management Committee shall remain valid as long as the committee member is a BoD member, and shall end when he/she is longer a BoD member. During the year ended 31 December 2016, RMC held 4 meetings.

Major Highlights & Achievements in 2016:

a. Approving the Authority Matrix including the authority for signing on bank transactions.
b. Conducting comparative analysis of the actual investment position against the risk appetite, and developing the recommendations for any deviation.
c. Monitoring the Company's risk profile through the periodic reporting prepared by Risk Management Department.
d. Submitting recommendations to BoD for updating any policy and procedures relating to risk management, compliance and combat of money laundering and financing of terror.

Nomination & Remuneration Committee (NRC):

The Nomination & Remuneration Committee was formed on 7 July, 2015, the committee is responsible for nominating the competent candidates for the BoD positions, BoD committees and executive management. Selection criteria include the nominee's background, professional/technical skills, morals and reputation to ensure that nomination is for the best interest of the Company and its shareholders.

NRC is also responsible for developing the policies and bylaws for compensation and remuneration for all job levels and grades in the Company including the Chairman, members of BoD and executive management in line with the Company's strategy and based on its long- and short-term targets to attract the highly qualified most competent candidates, motivate the Company's employees at the various job levels and, hence, achieve the Company's goals. The key tasks of NRC include:

- Recommending nomination and re-nomination for members of BoD, Bod committees and executive management, and ensuring that all candidates meet the requirements provided for under CMA instructions regarding Rules of Competency & Integrity.
- Reviewing the requirements of appropriate skills for BoD membership on an annual basis, and receiving applications from those interested to fill executive positions. Every candidate should meet the hold the necessary qualifications and experience.
- Developing the job descriptions of the executive, non-executive and independent members.
- Proposing nomination and re-nomination of the independent members to be elected by the general assembly, and ensuring that independence of each independent member has not been compromised.
- Preparing remuneration policy in line with the Company's strategic objectives, and ensuring that such policy is applied to all job levels in the Company.
- Ensuring that remuneration of each BoD, BoD committee and executive management member is fair and support the Company's long-term objectives.
- Documenting the various categories of remuneration including the fixed and performance based bonus/rewards.
- Ensuring that remuneration policy is consistently applied and complied with.
- Reviewing the remuneration policy on a regular basis to ensure the non-existence of any deviations.
- Preparing a detailed annual report on the remunerations of BoD and executive management members and type thereof, provided such report should be presented to the Company's general assembly for approval

NRC Committee is comprised of the following members:

(1) Ibrahim Yousef Al-Ghanim – Committee Chairperson,

(2) Aysha Faisal Almudhaf - Committee Member, and

(3) Abdullah Jassem Boodai - Committee Member.

Secretary: Mohamad Tawfik Al Tahawy - Chief Operating Officer

Membership in the Nomination & Remuneration Committee shall remain valid as long as the committee member is a BoD member, and shall end when he/she is no longer a BoD member. During the year ended 31 December 2016, NRC held 3 meetings.

Major Highlights & Achievements in 2016:

1. 1. Approving the job descriptions of BoD and its executive, non-executive and independent members.
2. 2. Approving the Human Resource Plan for 2016.
3. 3. Approving the Employees Handbook.
4. 4. Approving disbursement of staff remuneration for 2015.
5. 5. Approving the methodology and forms for evaluating the performance of BoD and its committees.
6. 6. Approving the staff and BoD remuneration policy.
7. 7. Approving the updated organization structure, and updaing the registered persons with CMA.

2. Mechanism applied for BoD members to obtain accurate information on a timely basis

The executive management provide BoD members with several reports and data to keep BoD updated of all the Company's activities and running of its business. Furthermore, BoD and executive management committees provides BoD with the necessary reports on a timely basis. BoD is also provided with all information and data regarding the topics included in the agenda of its meetings to enable them make sound decisions based on sufficient and accurate information.

The Company's management is in process to develop the IT infrastructure by updating the current systems and, hence, develop reporting systems in terms of quality and accuracy of the reports presented to BoD.

Rule (3): Selection of competent candidates for BoD and executive management

1. Fulfillment of NRC Formation Requirements

NRC is comprised of 3 members and presided by a non-executive BoD member. NRC Composition includes an independent BoD member. NRC had approved a clear policy for remuneration of BoD Chairman and members in line with the Law of Companies No. 1 of 2016 and its Executive Regulations.

2. BoD and Executive Management Remuneration Report

The Company adopts a simple and appropriate staff remuneration policy that include a profit-sharing scheme for staff, especially the high performing employees in appreciation of their contribution and to foster their dedication and commitment to achieve a targeted minimum profit. This policy also ensures obtaining the confidence of the shareholders that the minimum profit target shall be achieved even before the profit-sharing portion is allotted to staff based on the approval of BoD and NRC.

Staff Remuneration

By end of each financial year, the bonus pool to be allotted to staff including CEO is determined as a variable percentage of the net realized profit based on the realized to target profit ratio at the beginning of the year. Staff are classified into categories by the approved job grade and the bonus amount is divided to such categories. Amount of each employee is based on his/her appraisal score in terms of two criteria namely achievement of the set objectives for each employee at the beginning of the year (with weight of 70%) and the employee personal characteristics and skills (with weight of 30%). Bonus is paid after issuing the annual audited financial statements.

It's worth mentioning that a bonus could be paid to certain employees if they have achieved the target performance even if the Company's minimum target profit is not achieved, subject to a recommendation of the NRC and BoD approval for CEO and executive management, and to CEO approval for the other employees.

In certain cases, incentive bonus is granted to some employees or teams as a reward for good performance by a percentage of fees and specific proceeds earned by the Company such as performance fees earned from the portfolios it manages for the clients of listed asset portfolios, incentive fees upon exit from private equity or real estate investments for the benefit of clients of such investments, or placement fees earned by the Company. Such rewards or bonus are approved by NRC and paid to those employees at the time of disbursing the annual bonus.

BoDs' Remuneration

A fixed amount of annual remuneration is disbursed to BoDs subject to approval of the Company's financial statements by the general assembly and in conformity with the regulatory and legal requirements. The amount of remuneration is based on the certain criteria like number of committees in which BoD director is a member beside his/her BoD membership, number of committee meetings attended by the concerned director and annual appraisal of BoDs in terms of the technical skills and personal characteristics relating to Company's activities.

The following table sets out the remunerations, benefits and compensation paid to BoDs and executive management for the financial year ended 31 December 2016:

	Amounts (KD'000)
Board of Directors	
Directors' remuneration (cash, benefits and compensation including committee attendance allowances)	27
Note: payment of directors' remuneration has been approved in the general assembly meeting held on 19.06.2016.	
Executive Management	
Fixed remuneration (including salaries, allowances, benefits, end of service indemnity and leaves)	325
Variable remuneration	129

No deviation from the approved remuneration policy has been reported during the year.

Rule (4): Integrity of Financial Reporting

1. Undertakings by BoD and Executive Management for Soundness and Integrity of the Financial Reports

The executive management represented in Chief Operating Officer and the Financial Controller undertake in writing to BoD that the Company's reports are presented in fair and sound manner.

Within the same context, the Chairman declares and undertakes the accuracy, integrity and soundness of the financial statements furnished to the external auditors, and that the Company's financial reports are presented in a sound and fair manner in accordance with the International Financial Reporting Standards (IFRSs) applicable to the State of Kuwait and approved by CMA and that it represents the Company's financial positions as at 31 December 2016, based on the information and reports provided by the executive management and the external auditor and the due care exercised, to ensure the soundness and accuracy of these reports.

2. Fulfillment of Audit Committee Formation Requirements

AC is comprised of 3 members including an independent director and two non-executive directors. In addition, AC members are highly qualified and/or having an extensive experience in accounting, finance and legal fields. AC meetings minutes are prepared by its secretary. AC hold meetings on a regular basis with the external and internal auditors.

3. Independence and Objectivity of the External Auditor

The Company's ordinary general assembly appoints the external auditor based on a recommendation of AC, which ensure independence of the external auditor. The Company's external auditor is not engaged in any further assignment outside the scope of review and audit. In addition, the external auditor is independent of the Company and its BoD.

Rule (5): Sound Risk Management and Internal Control Systems

1. Fulfillment of Risk Management Department Formation Requirements

Risk Management Department (RMD) identifies and measure the acceptable Risk Appetite and identify any variation. In addition, RMD reports to Risk Management Committee. Risk Management Officer is independent and reports directly to BoD. The Company has an acceptable Risk Appetite approved by BoD.

2. Fulfillment of Risk Management Committee Composition Requirements

RMC is comprised of three members and chaired by a non-executive director. RMC composition does not include BoD Chairman. The key responsibilities of RMC include implementation of risk management strategies and policies laid down by BoD, evaluation of the systems and mechanisms necessary for identifying, measuring and following up the various types of risks to which the Company may be exposed, and maintaining its meetings' minutes with RMC secretary.

3. Internal Control Systems

The internal control systems are designed to cover all the Company's activities and ensure efficiency and effectiveness of operations. The internal control systems also ensures the dual control by assigning responsibilities and authorities through the approved Authority Matrix and operating policies and procedures that set out all levels of powers and authorities. In addition, the Company ensures segregation of duties, monitoring of all transactions that implies conflict of interest and full disclosure of such translations. The Company also adopts the Dual Control principle to all its operations and activities.

4. Fulfillment of Independent Internal Audit Unit Formation Requirements

Internal Audit Unit is established to assess the efficiency and effectiveness of applied internal control systems. The Unit is independent and directly reporting to AC and BoD. Internal Audit Officer is hired by a BoD decision based on a nomination by AC and CMA approval. Internal Audit Officer prepares the required periodic reports and discuss the same in AC's regular meetings.

Rule (6): Promoting Professional Conduct and Ethics

1. Standards of Professional Conduct and Ethics

The Company expects that all its directors and employees exert every effort and act in a manner that reflects and reinforce the Company's image and reputation. The Code of Conduct & Ethics approved by the company acts as a guide with the aim to:

- Promote the good conduct that positively affect the Company.
- Create a healthy and user-friendly environment that protects the dignity of every employee.
- Ensure compliance with the regulations and rules that govern the Company's operations.
- Ensure the good and safe use of the Company's assets.

Code of Conduct & Ethics sets out the standard acts of every manager, officer or employee with the Company's stakeholders and the public. Such Code aims to ensure that the Company is viewed to others as an institution that complies with high standards of integrity in all its transactions. However, such Code does not address all situations and should not be considered as an alternative of practicing the good judgment and behaviors by the Company's employee.

Code of Conduct & Ethics

All employees should strive to maintain the Company's good reputation. In addition, they should:

1. Render a high quality service with high level of integrity.
2. Not to misuse the powers entrusted to his/her in dealing with any person, complainant or entity.
3. Act in objectivity and integrity towards others in practicing any discretion.
4. Exercise the authorities entrusted to him in a responsible manner, in particular:
   - Carrying out their duties while ensuring integrity and impartiality regardless of religion, race, political thoughts, etc.
   - Act in honor, honesty, respect and transparency.
   - Treat all persons equally and fairly.
   - Use any authority entrusted to him/her in a reasonable and unbiased manner.
5. Not to divulge any information he/she obtained during the course of business, unless the situation so requires to carry out his/her duties.
6. Report any act of bribery or fraud from any source, and act in their personal lives in a manner that does not jeopardize the Company or its reputation.
7. Observe and implement such Code at all times. In case they have doubt that a breach of this Code or the law has occurred or is about to occur, they should report the case to CEO or the Chairman, as appropriate.

2. Policies and Controls to Minimize the Conflict of Interest

A Conflict of Interest Policy has been developed to ensure maintenance of the highest level of transparency in reporting the Company's operations. Conflict of interest must be avoided among the employees/directors and their direct family members (i.e. spouse, sons/daughters, parents and siblings) and the Company in all their own transactions.

The aforesaid policy is not all-inclusive of all cases of potential conflict of interest. Examples for cases of conflict of interest that employees and directors should avoid are:

- Gaining any benefit from his/her position as an employee or director in the Company.
- Taking part in any activity that inappropriately interferes with the existing or the prospective business relations with others.
- Accept a bribe, undeclared commission or illegal payment against a service related to the Company's business.
- Accept, or urge any direct family member of an employee/director, to accept a gift from any person or entity that deals with the Company in the cases where such gifts may affect the decision or acts of that director.

Conflict of Interest - General Provisions

BoD should take all the reasonable procedures to detect, avoid or deal with the conflict of interest between BoDs/employee, any of their relative/subsidiaries and their customers, employees and agents, or misuse the confidential information of those customers, in particular the following cases:

1. Executing a transaction for a security to which a Company's client is party.
2. Executing a transaction for a security by misusing the client's confidential information.
3. Providing a consultation or a recommendation to a client to enter into a deal/transaction with the purpose of gaining a personal benefit for any of the Company's employees or agents.
4. Divulge any information obtained by any of the Company's employees/agents to any other person with the purpose of executing a transaction for security to which a Company's client is a party, or provide a consultation or recommendation to another person to execute such transaction.

Conflict of Interest - BoDs

BoD should always act in a manner that serves solely the Company's interests. They should set aside they personal interest and discharge their responsibilities for managing the Company in a manner that enhance the public's trust in BoD's integrity and impartiality.

None of BoDs should receive, directly or indirectly, any gain from his position.

Disclosing Conflict of Interest by a BoD Director

A BoD director should promptly disclose to BoD any case of actual or potential conflict of interest.

Interest in Business and Contracts concluded for the Company

A BoD director may not, without approval of the Company's general assembly (provided such approval should be renewed on an annual basis), be have a direct or indirect interest in the business or contract concluded for the Company, except for the business concluded through a public tender if such director submits the best bid.

A director shall notify BoD of his/her personal interests in the business and contract concluded for the Company and record such notification in the meeting's minutes. A director having such an interest may not vote on any decision to be passed in this respect. In addition, BoD Chairman should inform the Company's general assembly of the business and contracts to which he is a party. Such notification should be accompanied with a special report prepared by the Company's auditors.

Interest in Businesses that Compete with the Company's, and Providing Credit Facilities and Guarantees

No director may take part in any business or activity that competes with the Company's business. In addition, the Company does not extend any type of credit facilities to its directors or guarantee any loan granted by a contract concluded between the director and another entity.

Conflict of Interest - Employees

The Company expects that employees will avoid any personal activity or financial or non-financial interest that may contravene their commitment to carry out their duties in an effective manner.

No employee may participate in a commercial activity/project that, by its nature, scope or requirements, may:

- Constitute a conflict of interest that adversely affects the integrity and impartiality of the employee in performing his/her duties.
- Contravene the satisfactory performance of work in the Company or hinder the employee from paying the due attention to the daily work.
- Result in risks or misuse of authorities or information.
- Negatively affect the Company's interests or reputation.

Rule (7): Accurate and Timely Disclosure & Transparency

1. Accurate and Transparent Presentation & Disclosure

The management of The Securities House is keen to adopt and follow the highest standards of disclosure and transparency in order to ensure the equal and unbiased treatment of all the existing and potential shareholders and stakeholders. The adopted mechanisms of presentation and disclosures approved by BoD consider accuracy and transparency in presenting the financial and non-financial information and data. Furthermore, the material information is disclosed in a timely manner and in accordance with the relevant CMA instructions. For this purpose, the Company's management review the mechanisms and systems of disclosure and transparency on a regular basis to ensure adoption thereof in line with the best international practices.

2. Record of Disclosures by BoD and Executive Management Members

The Company's management developed a special record for all disclosures made by BoDs and executive management members. The Company's shareholders have the right to access such record which is updated on a regular basis.

3. Investor Relations Unit

The Company's management established an Investor Relations Unit that reports to BoD Deputy Chairman and CEO to ensure its independence. The Unit is responsible for providing all information and data to the existing shareholders and investors through the generally accepted means of disclosure including the Company's Website.

4. Development of IT Infrastructure

The Company's management pays special attention to development of IT infrastructure. The key noticeable developments include launching the new website that has a separate section of corporate governance along with the interim reviewed and annual audited financial statements, disclosures of the company-related material information and events and the other data and information that assist the shareholders, potential investors and stakeholders to exercise their rights and evaluate the Company's performance.

Rule (8): Respecting Shareholders' Rights

1. Defining and Protecting the Shareholders' Rights

Article (15) of the Company's Articles of Association provides for the general rights of the shareholders to ensure that all shareholders exercise their rights in an equal and unbiased manner. In addition, the Shareholders & Investors Relations Policy approved by BoD provides for all rights of the Company's shareholders and the equal and unbiased treatment of all shareholders holding the same class of shares. The aforesaid rights include the following:

- Dealing of the shares, e.g. registration, transfer, etc.
- Taking part in making the decisions for amendment of the Company's Memorandum and Articles of Association and the other extraordinary decisions that may affect the Company's future/business such as merge, sale of significant portion of assets or dissolution of a subsidiary.
- Monitoring the Company's performance in general and BoD performance in particular.
- Obtaining accurate, comprehensive and sufficient information in a timely manner including the operating and investing strategies in order to evaluate the financial statements of the Company and its performance.
- Charging BoDs and executive management members with the responsibilities if they failed in carrying out their duties.
- Receiving the dividends and voting in the general assembly's meetings.
- Receiving a portion of the Company's assets in case of liquidation thereof.
- Electing BoDs.

2. Continuous Follow up of Shareholders related Information

For continuous monitoring of the shareholders related information, the Company entered into a contract with Kuwait Clearing Company to maintain the Shareholders' register that includes names and nationalities of the shareholders and the number of shares owned by each shareholder. The aforesaid register is updated with any change made thereto. The Company's shareholders have access to that register, which is always treated as strictly confidential.

3. Encouraging Shareholders to Take Part and Vote in the General Assembly Meeting

BoD invites the shareholders to the general assembly meetings in the manner specified under the Law of Companies No. 1/2016 and its Executive Regulations. The Invitation includes the agenda, time and venue of the meeting and shall be addressed twice through announcement, provided the second announcement shall be made after a period of not less than seven days from the date of publication of the first announcement and at least seven days before the meeting. Such announcements should be made in at least two local newspapers and on both the Company's and Boursa Kuwait's websites.

In addition, the Company makes available all the data and information relating to the agenda within sufficient time before the meeting date, and give access for all the shareholders to these data and information to enable them take part in the meetings. The Chairman or the external auditor replies to all questions and inquiries raised by the shareholders with respect to the Company's financial position, results, operating activities or future plans.

Furthermore, the Company ensures that all shareholders have the chance to vote, in person or by proxy, on the decisions passed in the general meeting and for electing BoD members. Attendance of the general assembly meeting is free of charge, and no preference is granted to any shareholder over the others.

Rule (9): Recognizing the Role of the Stakeholders

1. Systems and Policies that Ensure Protection and Recognition of Stakeholders' Rights

The Company has developed systems and policies that ensure protection of the stakeholders' rights, as the key factor of the Company's success in achieving its goals is the mutual efforts of all parties including customers, suppliers, employees, investors and the other parties that have business relations with the Company. These systems and policies aim to:

- Ensure the equal and fair treatment.
- Receive a compensation in case of any breach of their rights stipulated under the regulations and the contracts concluded with them.
- Have the same rights and privileges of BoD and the related parties in making business with the Company. This includes, inter alia, compliance by the Company with the Procurement Policy.
- Compliance by the Company with the Privacy and Data Confidentiality Policy.
- Ensure the following is covered under each contract between the stakeholder and the Company:
    - Procedures and mechanisms to be followed in case any party fails to fulfill its obligations.
    - Procedures to paying compensation in case of breach.
- Obtain information of the related company that may be necessary for the stakeholders.
- Disclose the related information in a clear and express manner.
- Inform them of the "Whistleblowing Policy" to report any violation in the Company, where such policy ensures protection of the whistleblowers.
- Provide them with a suitable mechanism (in line with the Whistleblowing Policy) in case they need to inform BoD of any inappropriate practices in the Company.

2. Encourage Stakeholders' to Participate and Follow up on Company's Business Activities

The companys' management encourage stakeholders to take part and participate in following companys' business activities, through a systematic policy that put a great emphasis on transparency, and dealing fairly with all stakeholders, and by establishing a culture among employees to create a link between staff performance and achieving companys' strategic goals, leading to inspire company's employees to participate in a continued and effective manner in follow up on companys' business activities.

Rule (10): Enhancing Performance

1. Fulfillment of Trainings for BoD and Executive Management Requirements

The Company pays special attention to the continued trainings and qualification of each BoD and executive management member due to its belief that such continued trainings contribute to achievement of the Company's goals and ensure that each BoD and executive management member carries out his/her assigned task and responsibilities in a timely and efficient manner. Nomination & Remuneration Committee approves the annual training and workshop program in cooperation with the Company's Human Resources Department. Such programs and courses consider the training needs and requirements of BoD or executive management member.

2. Evaluation of BoD and Executive Management Performance

The Company developed Key Performance Indicators "KPIs" to measure and the BoD performance, as a whole, and contribution of each director. In addition, the Company developed KPIs for each board committee and every executive management member. Accordingly, performance appraisals are conducted against these KPIs and the preset objectives in order to measure any variations and address/resolve the same which ensures the good performance by BoD and executive management members and, hence, achieve the Company's targets.

3. BoD Efforts to Promote and Enhance Organizational Values

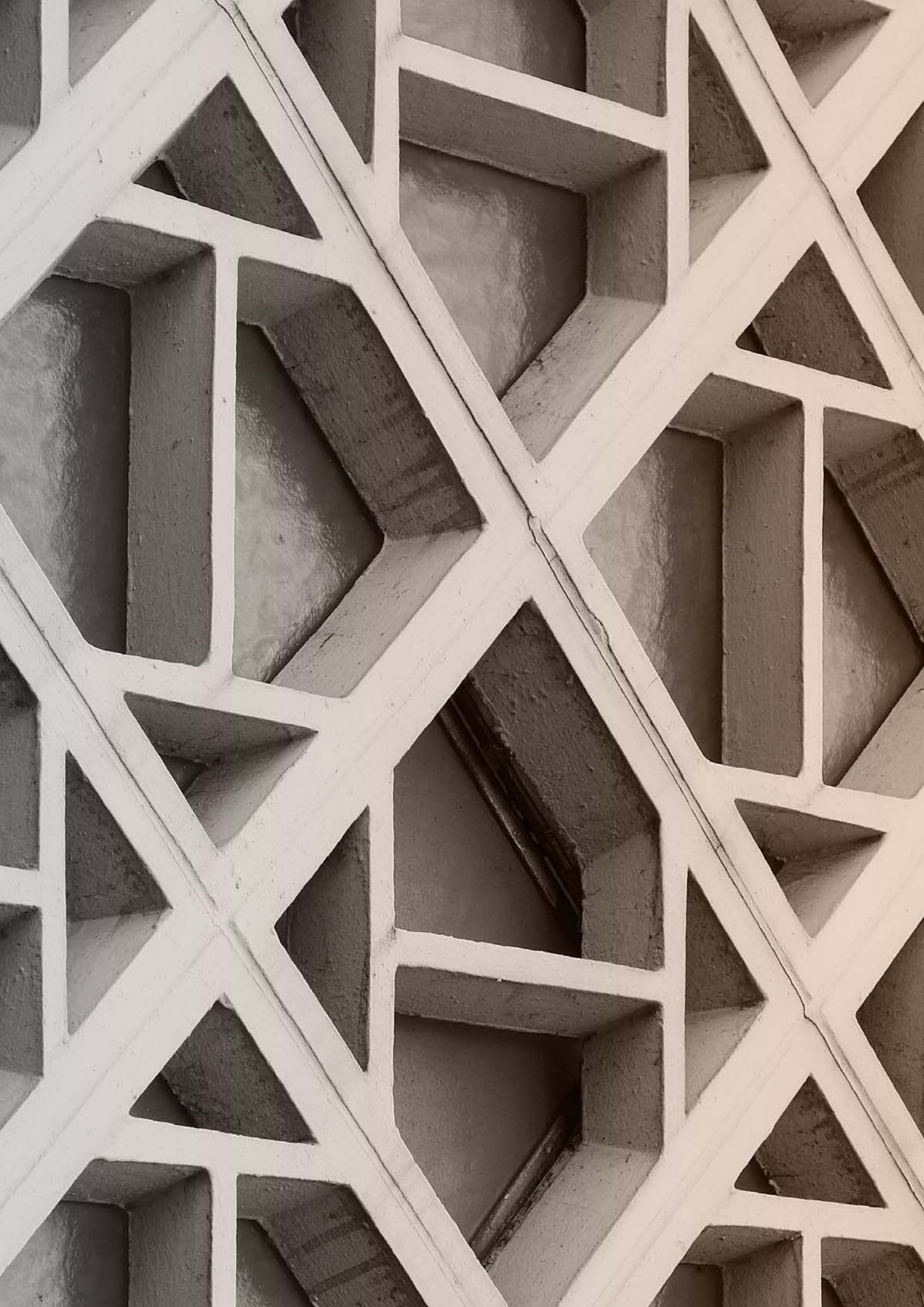
The Company strives to promote the organizational values by setting the mechanisms and procedures that help achieve its strategic goals and enhance performance. In addition, the Company continually develops the in-house integral reporting system to become more comprehensive and, accordingly, assist BoDs and executive management members to take the sound decisions.

Rule (11): Focusing on Social Responsibility

A Social Responsibility Policy has been developed and approved to emphasize on the Company's contributions to community and the area in which it exists and operates. The commitment of any institution towards the society is a key factor of its success. In The Securities House, we strive to work in line with a sustainable model with the aim to build strong and long-term relations with our customers and the other people in the community in which we operate. Our social responsibility is based on our values and forms a part of our day-to-day business activity and our commitment to provide distinct products and services.

To this end, the Company took some initiatives to highlight efforts in social responsibility such as attracting the national manpower, and providing necessary trainings to help the national manpower adapt to the business environment and contribute to development and prosperity of Kuwait.

Ibrahim Yousef Al-Ghanim
Chairman



REPORT OF SHARIAH SUPERVISORY BOARD
FOR THE PERIOD FROM 01.01.2016 TO 31.12.2016

Praise be to Allah, Alone, and Peace and Blessings of Allah be upon the Last Prophet, Muhammad, his family and his companions!

To the Shareholders of The Securities House K.S.C.P.

Peace and Allah's Mercy & Blessings be upon you

In accordance with the contract signed with us, we, the company's Fatwa and Shariah Supervisory Board, report the following:

We, the Fatwa and Shariah Supervisory Board, have monitored and audited the contracts of the company's transactions and activities for the period from 01.01.2016 to 31.12.2016, and conducted the due review to express an opinion whether the company complies with Shariah principles and the advices (Fatwas), decisions, principles and guidelines pronounced by us. Our responsibility was limited to expressing an independent opinion on compliance by the company therewith based on our audit.

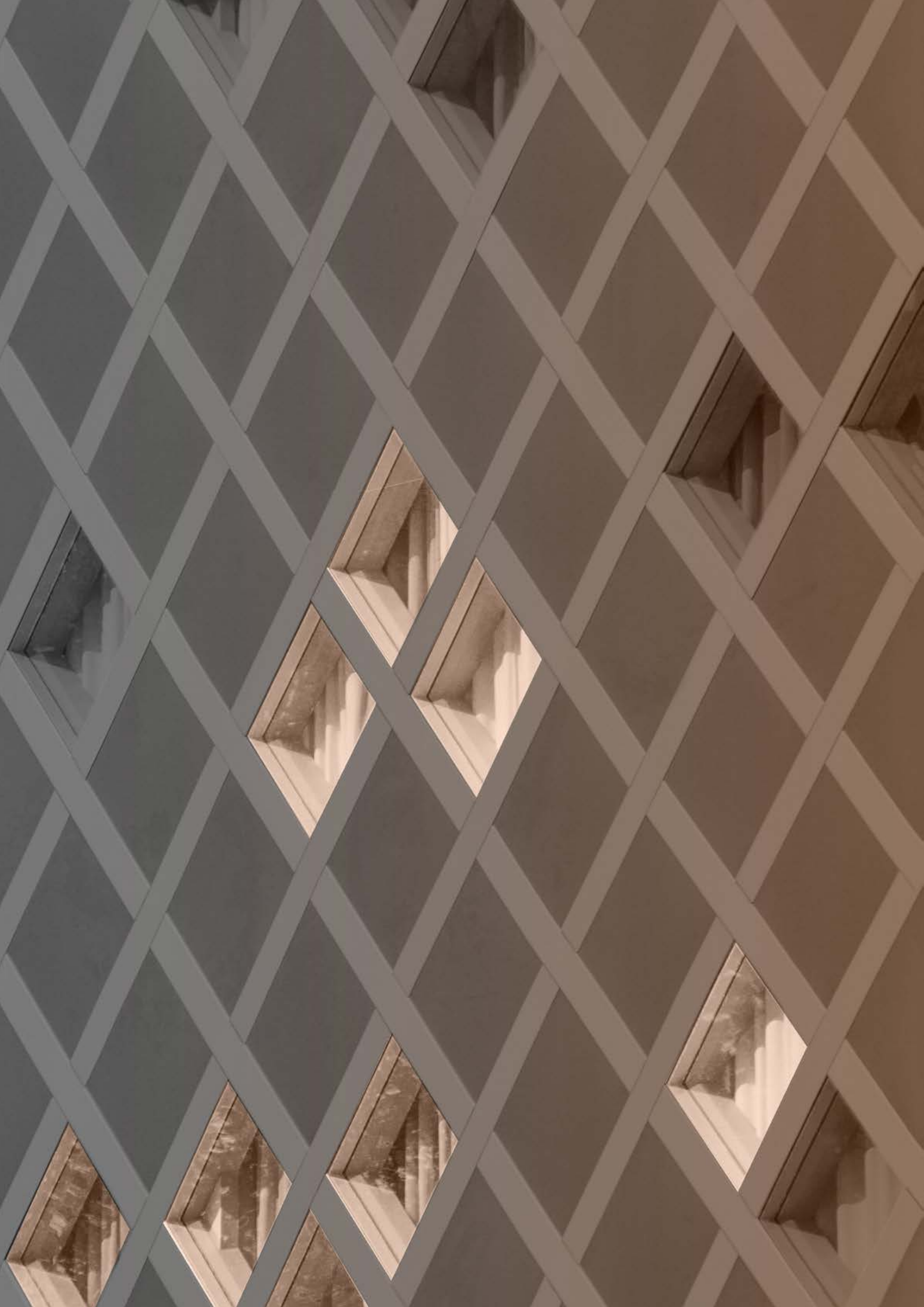
Our work included examination of the contracts and procedures adopted in the company based on testing each type of operations. We also obtained all the information and explanations necessary to issue our opinion on adherence of the company's business with Shariah principles.

In our opinion, the company's contracts, documentation and operations reviewed by us for the period from 01.01.2016 to 31.12.2016 are in accordance with Shariah principles. In addition, we would like to inform you that the company does not pay Zakat on behalf of its shareholders.

We pray to Allah to grant the company's management the guidance and ability to serve our true religion and beloved country.

Shariah Supervisory Board

Dr. Jarrah Naif Al-Fadhli	**Sheikh Salem Mufeed Eid**	**Abdullah Seif Al-Seif**
Chairman	Member	Member



بيت الأوراق المالية
THE SECURITIES HOUSE

2016
ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 December 2016

The Securities House K.S.C.P. and Subsidiaries, Kuwait

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SECURITIES HOUSE K.S.C.P., STATE OF KUWAIT

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed that matter is provided in that context.

Impairment of investment in associates

Investment in associates are the most significant asset of the Group. Under IFRS, the Group is required to assess if there is any indication that investments in associates may be impaired. Such assessment and the amount of impairment loss, if any, are significant to our audit because their determination requires considerable judgment on the part of management. Therefore, we identified the impairment assessment of associates and its testing as a key audit matter. The Group's policy on assessing impairment on associates is discloses in note 2.9 of the consolidated financial statements.

As part of our audit procedures, we assessed the objective evidence that management used to determine if the investment in an associate is impaired and tested the key inputs forming the Group's estimate of fair value less cost of disposal or value in use. We tested the estimates of fair values based on prices from recent market transactions involving identical assets, taking account of quantitative and qualitative factors specific to the measurement. For value in use estimates, we tested the reasonableness of key assumptions, including profit forecasts and the selection of growth rates and discount rates. We considered the historical accuracy of budgeting and forecasting and the understanding of the reasons for growth profiles used. We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions.

We also assessed the adequacy of the Group's disclosures regarding those assumptions, which are disclosed in Note 9 to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises of the information included in the Annual Report of the Group for the year ended 31 December 2016. The other information does not include the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2016 after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SECURITIES HOUSE K.S.C.P., STATE OF KUWAIT (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

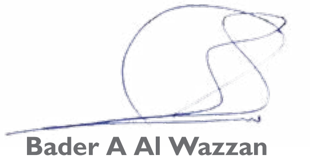
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all the 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 or of the Parent 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 Parent Company or on its consolidated financial position.

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



Bader A Al Wazzan

Licence No. 62A
Deloitte & Touche
Al-Wazzan & Co. Kuwait

XX March 2017

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016

	Notes	Kuwaiti Dinars 2016	Kuwaiti Dinars 2015
Continuing operations			
INCOME			
FROM INVESTMENT ACTIVITIES			
Realised gain/(loss) on sale of financial assets at fair value through income statement		**9,596**	(532)
Realised (loss)/gain on sale of financial assets available for sale		**(1,069)**	320,502
Dividend income and return on murabaha receivables		**172,142**	4,786
Realised gain on sale of investment in associates	9 (b)	**955,289**	394,993
Unrealised gain/(loss) on financial assets at fair value through income statement	7	**40,609**	(2,061,298)
Impairment loss on financial assets available for sale	8	**(108,464)**	(1,195,682)
Management fee income	18	**51,313**	31,265
Total income/(loss) from investment activities		**1,119,416**	(2,505,966)
Other (loss)/income		**(125,389)**	141,019
Total income/(loss)		**994,027**	(2,364,947)
EXPENSES			
Staff costs		**674,850**	833,768
General and administrative expenses		**359,998**	453,545
Total expenses from continuing operations		**1,034,848**	1,287,313
Loss before share of results, impairment, murabaha payable costs and		**(40,821)**	(3,652,260)
Share of results in associates	9	**287,901**	32,981
Recognition of negative goodwill of/ (impairment loss) on investment in associates	9 (d)	**538,545**	(5,904,448)
Murabaha payable costs		**-**	(431,755)
Contribution to Kuwait Foundation of Advancement of Sciences		**(5,692)**	-
National Labour Support Tax (NLST)		**(16,891)**	(14,744)
Zakat		**(6,520)**	(5,841)
Profit/ (loss) for the year from continuing operations		**756,522**	(9,976,067)
Profit for the year from discontinued operations	4	**-**	11,169,447
Profit for the year		**756,522**	1,193,380
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**757,624**	1,186,596
Non-controlling interests		**(1,102)**	6,784
Profit for the year		**756,522**	1,193,380
Basic and diluted earnings per share attributable to equity holders of the Parent Company	5	**1.5 Fils**	2.3 Fils
Basic and diluted (loss)/earnings per share from continuing operations attributable to equity holders of the Parent Company	5	**1.5 Fils**	(19.6) Fils

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	Kuwaiti Dinars 2016	2015
Profit for the year`		**756,522**	1,193,380
OTHER COMPREHENSIVE LOSS:			
Other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods:			
Foreign currency translation adjustment		**(6,127,305)**	(2,097,778)
Share of other comprehensive income/(loss) of associates	9	**207,452**	(811,344)
Reclassified to income statement on sale of investment in associates	9 (b)	**299,457**	(662,414)
Other comprehensive loss for the year		**(5,620,396)**	(3,571,536)
Total comprehensive loss for the year		**(4,863,874)**	(2,378,156)
Attributable to:			
Equity holders of the Parent Company		**(4,862,772)**	(2,386,239)
Non-controlling interests		**(1,102)**	8,083
		(4,863,874)	(2,378,156)

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Notes	Kuwaiti Dinars 2016	2015
ASSETS			
Bank balances and cash	6	**1,794,237**	2,505,256
Short-term murabaha investments	6	**2,926,358**	4,014,871
Accounts receivable and prepayments		**373,968**	1,915,427
Financial assets at fair value through income statement	7	**2,475,298**	1,870,338
Financial assets available for sale	8	**409,274**	2,897,724
Investment in associates	9	**37,781,187**	46,454,710
Property and equipment		**215,158**	-
TOTAL ASSETS		**45,975,480**	59,658,326
EQUITY			
Share capital	10	**48,000,000**	68,000,000
Statutory reserve	10	**78,673**	-
Foreign currency translation reserve		**(5,236,976)**	627,158
Treasury shares reserve	10	**-**	4,340,801
Treasury shares	11	**-**	(11,982,322)
Cumulative changes in equity of associates		**(266,802)**	(510,540)
Retained Earnings/ (accumulated losses)		**678,951**	(8,104,229)
Equity attributable to equity holders of the Parent Company		**43,253,846**	52,370,868
Non-controlling interests		**11,345**	189,450
TOTAL EQUITY		**43,265,191**	52,560,318
LIABILITIES			
Murabaha payables	12	**-**	4,808,900
Accounts payable and accruals		**2,641,193**	2,263,260
Employees' end of service benefits		**69,096**	25,848
TOTAL LIABILITIES		**2,710,289**	7,098,008
TOTAL EQUITY AND LIABILITIES		**45,975,480**	59,658,326

Ibrahim Youssef Al Ghanim
Chairman

Fahad Faisal Boodai
Vice Chairman and Chief Executive officer

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	Kuwaiti Dinars 2016	2015
OPERATING ACTIVITIES			
Profit/(loss) for the year from continuing operations		**756,522**	(9,976,067)
Profit for the year from discontinued operations		**-**	11,169,447
Adjustments for:			
Realised (gain)/loss on sale of financial assets at			
Realised loss/(gain) on sale of financial assets available for sale		**1,069**	(320,502)
Dividend income and return on murabaha receivables		**(172,142)**	(4,786)
Realised gain on sale of investment in associates	9 (b)	**(955,289)**	(394,993)
Realised gain on sale of investment in subsidiaries	4	**-**	(11,169,447)
Share of results of associates	9	**(287,901)**	(32,981)
Unrealised (gain)/loss on financial assets at fair value through income statement	7	**(40,609)**	2,061,298
Impairment loss on financial assets available for sale	8	**108,464**	1,195,682
(Negative goodwill)/Impairment of value of associates	9 (a, d)	**(538,545)**	5,904,448
Provision for employees' end of service benefits		**43,248**	17,955
Murabaha payables costs		**-**	431,755
		(1,094,779)	(1,117,659)
Change in operating assets and liabilities:			
Accounts receivable and prepayments		**1,480,721**	(1,065,590)
Financial assets at fair value through income statement		**(554,755)**	162,672
Accounts payable and accruals		**91,007**	(486,428)
Cash used in operations		**(77,806)**	(2,507,005)
Employees' end of service benefits paid		**-**	(7,021)
Net cash flows used in operating activities		**(77,806)**	(2,514,026)
INVESTING ACTIVITIES			
Investment in murabaha receivables		**(1,614,020)**	-
Collection of murabaha receivables		**1,614,020**	-
Purchase of financial assets available for sale		**(30,190)**	(2,272,500)
Proceeds from sale of financial assets available for sale		**2,409,107**	320,502
Purchase of an investment in an associate	9 (a)	**(389,038)**	(58,948)
Proceeds from sale of investments in associates	9 (b)	**-**	3,625,896
Purchase of interests in subsidiaries	3	**(35,000)**	-
Proceeds from sale of subsidiaries	4	**-**	8,219,577
Dividend income and return on murabaha receivables received		**172,142**	4,786
Dividends received from an associate	9	**415,000**	400,000
Purchase of property and equipment		**(215,158)**	-
Net cash flows from investing activities		**2,326,863**	10,239,313
FINANCING ACTIVITIES			
Payment of capital reduction	10	**(3,929,104)**	-
Sale of treasury shares		**-**	826,176
Non-controlling interests share in capital reduction of a subsidiary	3	**(125,000)**	-
Net movement on non-controlling interests		**5,515**	1,299
Repayment of murabaha payables		**-**	(3,067,225)
Murabaha payables costs paid		**-**	(431,755)
Net cash flows used in financing activities		**(4,048,589)**	(2,671,505)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(1,799,532)**	5,053,782
Cash and cash equivalents at 1 January		**6,520,127**	1,466,345
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	**4,720,595**	6,520,127

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Kuwaiti Dinars											
	Attributable to equity holders of the Parent Company									Non-controlling interests	Non-controlling interests associated with discontinued operations	Total equity
	Share capital	Statutory reserve	Foreign currency translation reserve	Employees' share purchase plan reserve	Treasury shares reserve	Treasury shares	Cumulative changes in equity of associates	Retained earnings (Accumulated losses)	Sub-total			
As at 1 January 2016	**68,000,000**	**-**	**627,158**	**-**	**4,340,801**	**(11,982,322)**	**(510,540)**	**(8,104,229)**	**52,370,868**	**189,450**	**-**	**52,560,318**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**757,624**	**757,624**	**(1,102)**	**-**	**756,522**
Other comprehensive (loss)/income	**-**	**-**	**(5,864,134)**	**-**	**-**	**-**	**243,738**	**-**	**(5,620,396)**	**-**	**-**	**(5,620,396)**
Total comprehensive (loss)/income for the year	**-**	**-**	**(5,864,134)**	**-**	**-**	**-**	**243,738**	**757,624**	**(4,862,772)**	**(1,102)**	**-**	**(4,863,874)**
Cancellation of treasury shares	**(2,550,000)**	**-**	**-**	**-**	**(4,340,801)**	**11,982,322**	**-**	**(5,091,521)**	**-**	**-**	**-**	**-**
Write-off of accumulated losses	**(13,195,750)**	**-**	**-**	**-**	**-**	**-**	**-**	**13,195,750**	**-**	**-**	**-**	**-**
Reduction of share capital	**(4,254,250)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,254,250)**	**-**	**-**	**(4,254,250)**
Transfer to reserves	**-**	**78,673**	**-**	**-**	**-**	**-**	**-**	**(78,673)**	**-**	**-**	**-**	**-**
Non- controlling interests share in capital reduction of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(125,000)**	**-**	**(125,000)**
Purchase of interests in subsidiaries from non- controlling interests and other movements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(52,003)**	**-**	**(52,003)**
As at 31 December 2016	**48,000,000**	**78,673**	**(5,236,976)**	**-**	**-**	**-**	**(266,802)**	**678,951**	**43,253,846**	**11,345**	**-**	**43,265,191**
As at 1 January 2015	**68,000,000**	-	**3,496,334**	**545,456**	**11,267,842**	**(19,735,539)**	**193,119**	**(9,836,281)**	**53,930,931**	**181,367**	**4,970,544**	**59,082,842**
Profit for the year	-	-	-	-	-	-	-	1,186,596	1,186,596	6,784	-	1,193,380
Other comprehensive (loss)/income	-	-	(2,869,176)	-	-	-	(703,659)	-	(3,572,835)	1,299	-	(3,571,536)
Total comprehensive (loss)/income for the year	-	-	(2,869,176)	-	-	-	(703,659)	1,186,596	(2,386,239)	8,083	-	(2,378,156)
Reclassification of a reserve	-	-	-	(545,456)	-	-	-	545,456	-	-	-	-
Sale of treasury shares	-	-	-	-	(6,927,041)	7,753,217	-	-	826,176	-	-	826,176
Non- controlling interests on Sale of subsidiaries (note 4	-	-	-	-	-	-	-	-	-	(4,970,544)	-	(4,970,544)
As at 31 December 2015	68,000,000	-	627,158	-	4,340,801	(11,982,322)	(510,540)	(8,104,229)	52,370,868	189,450	-	52,560,318

The attached notes 1 to 19 form part of these consolidated financial statements.

1. CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of The Securities House K.S.C.P. (the "Parent Company") and subsidiaries (collectively the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 29 March 2017. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly.

The Parent Company is a Kuwaiti public shareholding company incorporated and registered in Kuwait on 28 March 1982 and is engaged in dealing and brokerage in securities on its behalf and on behalf of third parties, underwriting and sale of third party-issued securities, investment trust and investment monitoring, providing financial advisory and research services, establishing financial, real estate, industrial and multipurpose investment funds and companies, fund management on behalf of third parties, investment in real estate and other economic sectors, finance activities and mediation in borrowing and international trade activities. The Parent Company performs all of its activities in accordance with Islamic Shariah principles and is regulated by the Central Bank of Kuwait (CBK) and the Capital Markets Authority (CMA) as an investment company.

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

The Parent Company's principal place of business and registered address is 18th floor, Al-Dhow Tower, Khalid Ibn Al-Waleed Street, Sharq, P. O. Box 26972 Safat, 13130, Kuwait.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRS except for the International Accounting Standard '(IAS) 39: Financial Instruments: Recognition and Measurement' requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision as described under the accounting policies for impairment and un-collectability of financial assets.

The consolidated financial statements have been prepared under the historical cost basis except for the measurement at fair value of financial assets classified as fair value through profit or loss, or financial assets classified as available for sale.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the Parent Company.

2.2 New and revised accounting standards

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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 consolidated financial statements of the Group.

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 income statement and statement of 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 income statements.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the income statement and statement of comprehensive income. These amendments do not have any impact on the consolidated financial statements of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2016 did not have any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not effective

The following IFRS and Interpretations have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them 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 an option 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 Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The new standard introduces an 'expected credit loss' model for the measurement of the impairment of financial assets. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and is effective for annual periods beginning on or after 1 January 2018 with an option to early adopt. IFRS 15 specifies how and when an entity will recognize revenue as well as requires the entity to provide users of financial statements with more informative, relevant disclosures. The Standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The Group is currently assessing the impact of this Standard.

IFRS 16 – Leases

IFRS 16 was issued by IASB on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019. IFRS 16 supersedes IAS 17: Leases along with related IFRIC 4, SIC-15 and SIC-27 from the effective date. This new standard establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The Group is currently assessing the impact of this Standard.

Adoption of other new or amended Standards is not expected to have any material effect on the financial position or financial performance of the Group. Additional disclosures will be made in the financial statements when these Standards become effective.

2.3 Business combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

2.4 Consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and income. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. Intra group losses that indicate an impairment is recognized in the consolidated financial statements.

When the Parent Company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

2.5 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of income.

2.6 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally bank balances and cash, short term murabaha investments, accounts receivables, investments, accounts payables and murabaha payables. In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as “at fair value through profit or loss”, “loans and receivables” or “available for sale”. All financial liabilities are classified as “other than at fair value through profit or loss”.

Recognition/derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where 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 recognition of a new liability.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. 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.

Measurement

Financial instruments

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

Financial assets at fair value through profit or loss

Financial assets classified as "at fair value through profit or loss" are divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Derivatives are classified as "held for trading" unless they are designated as hedges and are effective hedging instruments.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Financial assets Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of comprehensive income. When the "available for sale "asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of income as gains or losses.

Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Financial guarantees

Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the present value of the amount required to settle any financial obligation arising as a result of the guarantee.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the consolidated statement of income. For "available for sale" equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial assets are written off when there is no realistic prospect of recovery.

General provision

In accordance with the CBK instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

i. Gain or losses on sale of investments are recognised when the risks and rewards are transferred to the buyer.
ii. Dividend income is recognised when the right to receive payment is established.
iii. Management fee income is recognised when services are rendered.

2.8 Fair values measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group 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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and.

Level 3 - inputs are unobservable inputs for the asset or liability.

For financial instruments 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 net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost less impairment.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.9 Investment in associates

An associate is an entity over which the Group exerts significant influence. Investment in associates is accounted for under the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale under IFRS 5.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss statement. The Group's share of those changes is recognised in the consolidated statement of income and comprehensive income.

Unrealised gains on transactions with associates are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment is made at each statement of financial position date to determine whether there is objective evidence that an associate may be impaired. If such evidence exists, it is tested for impairment as a single asset, including goodwill, by comparing its recoverable amount (being the higher of its value in use and its fair value less cost to sell) with its carrying amount. Any impairment loss is recognized in the consolidated statement of income and forms part of its carrying amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

The associate's financial statements are prepared either to the Group's reporting date or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effects of significant transactions or other events that occur between the reporting date of the associates and the Group's reporting date.

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

2.10 Property and equipment

Equipment are carried at cost less accumulated depreciation and impairment losses. The cost of equipment is depreciated on a straight- line basis over an estimated useful life of years as follows:

- Decor and fixtures 3 years
- Furniture 3 years

The carrying amount of equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment in its carrying value. If any such indication exists, an impairment loss is recognised in the statement of profit or loss, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

2.12 Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes bank balances and cash and short-term murabaha investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

2.13 Post-employment benefits

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the reporting date. This basis is considered to be a reliable approximation of the present value of this liability.

2.14 Foreign currency

Foreign currency transactions are recorded at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the reporting date. Any resultant gains or losses are taken to the consolidated statement of income.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Translation difference on non-monetary items classified as "at fair value through profit or loss" are reported as part of the fair value gain or loss in the consolidated statement of income whereas, where as those on non-monetary items classified as "available for sale" financial assets are included in consolidated statement of income and comprehensive income.

The income and cash flow statements of foreign operations are translated into the Company's reporting currency at average exchange rates for the year and their statement of financial position are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill) are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of income as part of the gain or loss on sale.

2.15 Treasury shares

The Parent Company's holding in its own shares is stated at acquisition cost and is recognised in equity. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are sold or cancelled, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable until all the treasury shares are disposed. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. These shares are not entitled to any cash dividend. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.16 Contingencies

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefit is probable. Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

2.17 Zakat

Zakat is calculated and paid at 1.0% of the profit of the Group in accordance with the Law No. 46 of 2006. Responsibility for the calculation of Zakat in accordance with Shariah principles and the payment of unsettled zakat lies with the shareholders.

2.18 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "financial assets at fair value through profit or loss" or "financial assets available for sale".

The Group classifies investments as 'financial assets at fair value through profit or loss' if they are acquired primarily for the purpose of short term profit making or if they are managed and their performance is evaluated on a reliable fair value basis in accordance with a documented investment strategy. All other investments are classified as "available for sale".

Impairment of financial assets available for sale

The Group treats "financial assets available for sale" equity investments as impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance; changes in technology and operational and financing cash flows.

Estimation uncertainty

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:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- earnings multiple technique; or
- other valuation models.

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

Impairment of investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of investment in associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associates 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 Group 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 consolidated statement of income.

Impairment provision of receivables and murabaha receivables

An estimate of the collectible amount of receivables and murabaha 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, based on historical recovery rates.

3. SUBSIDIARIES

Details of the subsidiaries are shown below.

	Country of incorporation	Percentageof ownership	
		2016	2015
Subsidiaries			
Securities House for Real Estate Services Company K.S.C. (Closed) ("SHRES")	Kuwait	**100%**	80%
Saji Real Estate Company K.S.C. (Closed)	Kuwait	**90%**	90%
Held through SHRES			
Emirates and Kuwait Real Estate Company L.L.C.	United Arab Emirates	**95%**	80%

During the year, the Group has acquired additional interests in Securities House for Real Estate Services Company K.S.C. (Closed) and its subsidiary, Emirates and Kuwait Real Estate Company L.L.C. for an amount of KD 35,000, thus increasing the Group's interest in these two companies from 80% to 100% and from 80% to 95% respectively.

4. DISCONTINUED OPERATIONS

During 2014, the Parent Company entered into:

a. legally binding settlement agreement with its major creditor to settle murabaha payables in exchange for cash payment and the sale of specific assets including interests in subsidiaries, New Technology Bottling Company K.S.C. (Closed) and Kuwait Boxes Carton Manufacturing Company K.S.C. (Closed) to the creditor.

b. an agreement with Gatehouse Bank plc (a former associate), to sell its entire interest in its subsidiary, Gatehouse Capital - Economic and Financial Consultancy K.S.C. (Closed) (Note 9(c)).

The sale of these subsidiaries was completed during the previous year.

The results of the discontinued operations are as follows:

	Kuwaiti Dinars	
	2016	2015
Profit for the year from discontinued operations	**-**	11,169,447
Attributable to:		
Equity holders of the Parent Company (Note 5)	**-**	11,169,447
Non-controlling interests	**-**	-
Profit for the year from discontinued operations	**-**	11,169,447
Basic and diluted earnings per share from discontinued operations attributable to the equity holders of the Parent Company	**- Fils**	21.9 Fils

The net assets of the subsidiary companies on the date of disposal and classification as assets held for sale were as follows:

	Kuwaiti Dinars	
	2016	2015
Total assets	**-**	23,539,163
Total liabilities	**-**	(4,040,109)
Non-controlling interests	**-**	(4,970,544)
Net assets disposed off	**-**	14,528,510
Total consideration		26,449,436
Realised gain before elimination of gain on downstream transaction		11,920,926
Eliminated gain		(751,479)
Realised gain on sale attributable to the equity holders of the Parent Company		11,169,447

Net cash flows from transaction:

	Kuwaiti Dinars	
	2016	2015
Total consideration	**-**	26,449,436
Less: bank balances and cash, net of share of non-controlling interests	**-**	-
Less: non-cash consideration (Note 12)	**-**	(18,229,859)
Net cash consideration received on sale	**-**	8,219,577

5. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share is computed by dividing profit / (loss) attributable to the equity holders of the Parent Company by the weighted average number of shares (net of treasury shares) outstanding during the year as follows:

	Kuwaiti Dinars	
	2016	2015
Profit for the year attributable to equity holders of the Parent Company	**757,624**	1,186,596
	Shares	
Weighted average number of shares (net of treasury shares) outstanding for the year	**504,642,104**	510,231,323
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	**1.5 Fils**	2.3 Fils

Basic and diluted earnings/(loss) per share from continuing operations

	Kuwaiti Dinars	
	2016	2015
Profit for the year attributable to the equity holders of the Parent Company	**757,624**	1,186,596
Less:		
Profit for the year from discontinued operations attributable to the equity holders of the Parent Company (Note 4)	**-**	11,169,447
Profit/(Loss) for the year attributable to the equity holders of the Parent Company from continuing operations	**757,624**	(9,982,851)
	Shares	
Weighted average number of ordinary shares outstanding during the year (shares)	**504,642,104**	510,231,323
Basic and diluted earnings/(loss) from continuing operations per share attributable to the equity holders of the Parent Company	**1.5 Fils**	(19.6) Fils

There are no dilutive potential ordinary shares

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	Kuwaiti Dinars	
	2016	2015
Bank balances and cash	**1,794,237**	2,505,256
Short-term murabaha investments with original maturities up to three months	**2,926,358**	4,014,871
	4,720,595	6,520,127

Short-term murabaha investments carry an effective average profit rate of 1.00% (2015: 1.00%) per annum.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	Kuwaiti Dinars	
	2016	2015
Held for trading		
Quoted equity securities	**1,016,645**	384,172
Designated upon initial recognition		
Unquoted local equity securities	**633,750**	668,125
Unquoted foreign equity securities	**824,903**	818,041
	2,475,298	1,870,338

The valuation of investments in unquoted equity securities involves the exercise of judgment and is based on information available on recent arm's length market transactions, current fair value of another instrument that is substantially the same or other valuation methods. The management has used discount rates ranging from 20% to 50% to the available reported book values in valuing some material investments and discount rates at 100% in valuing some immaterial investments based on the management's assessment of their fair value.

During the year, the Group had an unrealised gain on quoted equity investments amounting to KD 58,122 (2015: KD 2,940) and an unrealised loss on unquoted equity investments amounting to KD 17,513 (2015: loss of KD 2,064,238 including an amount of KD 459,573 related to immaterial investments that were written off in full).

Financial assets at fair value through income statement amounting to KD Nil (2015: KD 581,507) are pledged as security against murabaha payables (Note 12).

8. FINANCIAL ASSETS AVAILABLE FOR SALE

	Kuwaiti Dinars	
	2016	2015
Unquoted foreign equity securities	**409,274**	2,897,724

Unquoted equity securities are carried at cost less impairment since their fair value cannot be reliably measured due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these assets. The management has used discount rates ranging from 20% to 30% to the available reported book values in valuing some material investments and discount rates at 100% in valuing some immaterial investments based on the management's assessment of their fair value.

During the year, the Group performed impairment testing for financial assets available for sale which resulted in impairment loss of KD 108,464 (2015: loss of KD 1,195,682 including an amount of KD 360,574 related to immaterial investments that were written off in full) in the consolidated statement of income to account for the adverse circumstances affecting certain assets, thus reducing the value of these assets to their recoverable amount. The management believes that there is no objective evidence or circumstances that indicate any further impairment in the value of these assets and that there is no need to recognise any additional impairment in their value.

Financial assets available for sale amounting to KD Nil (2015: KD 183,568) are pledged as security against murabaha payables (Note 12).

9. INVESTMENT IN ASSOCIATES

Details of the associates are shown below.

	Country of incorporation	Percentage of ownership	
		2016	2015
Gatehouse Financial Group Limited (GFGL)	United Kingdom	**28%**	31%
Al Aman Investment Company K.S.C.P. ("Al Aman")	Kuwait	**46%**	41%

During the year 2015, following a capital reorganisation, Gatehouse Bank became a wholly owned subsidiary of GFGL thus making GFGL an associate of the Group.

Movement on the investment in associates is shown below.

	Kuwaiti Dinars	
	2016	2015
At the beginning of the year	**46,454,710**	78,699,041
Acquisitions (a)	**927,583**	58,948
Disposals (b)	**(3,554,154)**	(22,369,912)
Share of results	**287,901**	32,981
Share of other comprehensive income/(loss)	**207,452**	(811,344)
Foreign currency translation adjustment	**(6,127,305)**	(2,099,077)
Dividend received	**(415,000)**	(400,000)
Elimination of gain on downstream transaction (c) (Note 4)	**-**	(751,479)
Impairment (d)	**-**	(5,904,448)
At the end of the year	**37,781,187**	46,454,710

a. During the current year, the Parent Company has acquired additional shares in Al Aman, for an amount of KD 389,038, thus increasing the Group's interest from 41% to 46%. The acquisition included a negative goodwill of KD 538,545. The Parent Company's Board of Directors held a meeting on Tuesday 31 January 2017, whereby an offer was made to Al Aman, proposing the merger between the Parent Company and Al Aman, which was accepted by Al Aman in principle and is subject to approval of shareholders of respective companies and the regulator.

During the previous year, the Parent Company has acquired additional shares in Al Aman for an amount of KD 58,948.

b. During the current year, the Parent Company transferred 400,000,000 shares (equivalent to 2.5% of the total issued share capital) of GFGL to its sole creditor against the final settlement of the outstanding murabaha payables amounting to KD 4,808,900 in a non-cash transaction (Note 12). As a result, the Group reclassified positive reserves of KD 299,457 and recognised a net realised gain on sale amounting to KD 955,289.

During the previous year, the Parent Company sold 285,000,000 shares (equivalent to 1.8% of the total issued share capital) of Gatehouse Bank for an amount of 2,808,671, net of transactional expenses of KD 86,188. As a result, the Group reclassified positive reserves of KD 141,542 and recognised a net realised gain on sale amounting to 58,836 in the consolidated statement of income.

During the previous year, the Parent Company sold 9,614,413 shares (equivalent to 4.9% of the total issued share capital) of Al Aman Investment Company and 1,536,869,952 shares (equivalent to 9.7% of the total issued share capital) of GFGL to its major creditor against settlement of certain outstanding murabaha payables amounting to 19,293,820 (Note 12). As a result, the Group reclassified positive reserves of KD 520,872 and recognised a net realised gain on sale amounting to 336,157 in the consolidated statement of income. This included a non-cash consideration amounting to KD 18,476,595.

c. During the previous year and as a result of the sale of Gatehouse Capital to Gatehouse Bank (a former associate) (Note 4), the Group eliminated gain amounting to KD 751,479 to the extent of its ownership percentage in Gatehouse Bank.

d. As at 31 December 2016, the Group performed an impairment test on its investment in associates which resulted in the recognition of an impairment loss amounting to KD Nil in investments in Gatehouse Financial Group (2015: KD 4,456,410) and KD Nil in Al Aman Investment Company (2015: KD 1,448,038). The management believes that there is no objective evidence on circumstances that indicates any further impairment in the value of its investment in associates.

Details of the test of impairment are shown below.

Gatehouse Financial Group Limited (GFGL)

The recoverable amount of the investment in GFGL has been determined based on fair value less cost to sell approach, relying on a recent arm's length cash sale transaction of GFGL's shares.

Al-Aman

The recoverable amount of the investment in Al Aman has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by the board of directors of Al Aman covering a 3-year period (2017 to 2019). The following table illustrates the rates used by the Group:

	Applied rate	
	2016	2015
Discount rate	**14.3%**	13.1%
Projected compounded annual change of income	**-5.7%**	12.2%
Terminal growth rate	**1.5%**	2.0%

The calculation of value-in-use for Al Aman is most sensitive to projected compounded annual change rate of income and discount rate. A reasonably possible change in the key assumptions does not have a material impact on the recoverable amount.

Discount rate

Discount rate reflects the current market assessment of the risk specific to Al Aman, which is a listed investment company in Kuwait specialised in portfolio and fund management in accordance with the Shariah principles. The discount rate was estimated based on the average percentage of a weighted cost of capital for the investment industry in Kuwait and was further adjusted to reflect the market assessment of any risks specific to Al Aman.

Al Aman's strategic business plan is for the company to be active in portfolio and fund management services.

The following table illustrates summarised financial information of investment in associates:

	Kuwaiti Dinars		
31 December 2016	**GFGL**	**Al Aman**	**Total**
Current assets	**35,539,811**	**18,496,879**	
Non-current assets	**74,959,075**	**3,110,429**	
Current liabilities	**(53,891,283)**	**(366,097)**	
Non-current liabilities and non-controlling interests	**(11,265,600)**	**(800,471)**	
Net Assets	**45,342,003**	**20,440,740**	
Revenues	**7,361,609**	**1,207,977**	
Profit for the year	**458,064**	**310,234**	
Share of associates' net assets	**12,827,769**	**9,478,010**	**22,305,779**
Goodwill and intangible assets	**16,522,880**	**-**	**16,522,880**
Eliminated gain on downstream transaction	**(1,047,472)**	**-**	**(1,047,472)**
Carrying amount of interest in associates	**28,303,177**	**9,478,010**	**37,781,187**

31 December 2015	Kuwaiti Dinars		
	GFGL	Al Aman	Total
Current assets	36,463,015	10,118,932	
Non-current assets	88,741,062	12,301,786	
Current liabilities	(71,129,828)	(566,978)	
Non-current liabilities	(1,355,819)	(457,422)	
Net Assets	52,718,430	21,396,318	
Revenues	5,463,149	3,298,413	
Profit for the year	(1,324,365)	1,466,177	
Share of associates' net assets	16,249,289	8,820,626	25,069,915
Goodwill and intangible assets	22,526,000	-	22,526,000
Eliminated gain on downstream transaction	(1,141,205)	-	(1,141,205)
Carrying amount of interest in associates	37,634,084	8,820,626	46,454,710

Investment in an associate amounting to KD Nil (2015: KD 5,463,783) are pledged as security against murabaha payables (Note 12).

The carrying value and market value of Al Aman Investment as at 31 December 2016 are KD 9,474,068 (2015: KD 8,820,626) and KD 4,292,250 (2015: KD 4,536,000) respectively.

10. SHARE CAPITAL, RESERVES AND DIRECTORS' REMUNERATION

a. Share capital

The Extraordinary General meeting of the Parent Company's shareholders held on 19 June 2016 resolved to:

- Cancel all treasury shares outstanding as at 31 December 2015 (Note 11).
- Write-off the accumulated losses as at 31 December 2015.
- Capital reduction in cash of 6.5% of the total outstanding share capital at 100 fils per share amounting to KD 4,254,250.

This was registered in the commercial register on 3 July 2016. The payment in cash of 6.5 fils per share was made to the registered shareholders on 31 July 2016 after the completion of official declaration procedures.

Accordingly, the authorised, issued and fully paid up share capital of the Parent Company is KD 48,000,000 (2015: KD 68,000,000;) comprising of 480,000,000 shares (2015: 680,000,000;) of 100 fils each.

b. Statutory reserve

In accordance with the Parent Company's articles of association, 10% of the profit for the year before directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat is required to be transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital. During the current year, 10% of the profit for the year has been transferred to statutory reserve (2015: no transfer was made since profit for the year was not sufficient to cover the balance of the accumulated losses).

Distribution of this 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.

c. Treasury share reserve

Treasury share reserve was utilised to set off loss on cancelation of treasury shares.

d. Directors' remuneration

No directors' remuneration was recommended for the year 2016.

The ordinary general assembly of the shareholders of the Parent Company held on 3 July 2016 approved the payment of directors' remuneration of KD 25,000 for the year 2015.

11. TREASURY SHARES

	Kuwaiti Dinars	
	2016	2015
Number of treasury shares	-	25,500,000
Percentage of share capital	-	3.8%
Market value (KD)	-	930,750

The Extraordinary General meeting of the Parent Company's shareholders held on 19 June 2016 resolved to cancel all treasury shares outstanding as at 31 December 2015 (Note 10(a)).

12. MURABAHA PAYABLES

	Kuwaiti Dinars	
	2016	2015
Current	-	4,808,900

Murabaha payable represents the value of assets purchased on a deferred settlement basis.

During the current year, the Parent Company settled the outstanding murabaha payable balances of KD 4,808,900 by transfer of investment in associate (Note 9(b)).

During the previous year, the Parent Company settled murabaha payable balances of KD 37,523,679 by sale and transfer of investments in associates of KD 19,293,820 (Note 9(b)) and transfer of investments in subsidiaries amounting of KD 18,229,859 (Note 4).

Murabaha payables amounting to KD 4,808,900 at 31 December 2015 were secured against receivable balances, financial assets at fair value through income statement, financial assets available for sale and investment in an associate amounting to KD 1,506,604, KD 581,507, KD 183,568 and KD 5,463,783 respectively.

13. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and executive officers of the Group, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Related party balances and transactions consist of the following:

	Kuwaiti Dinars	
	2016	2015
Consolidated statement of income:		
Gain on sale of equity interest in a former subsidiary	-	1,077,724
Murabaha payable costs	-	66,945
Consolidated statement of financial position:		
Bank balances and murabaha investment	-	4,119,177
Transactions:		
Sale of equity interest in a former subsidiary	-	8,243,600
Key management compensation:		
Salaries and other short term benefits	**265,167**	618,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

14. SEGMENTAL INFORMATION

For management purposes the Group is organised into two major business segments:

Proprietary investment management : Investing of Group's funds in securities and real estate, financing corporate and individual customers, and managing the Group's liquidity requirements.

Asset management and advisory services : Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related investment services.

	Kuwaiti Dinars									
	Continuing operations						Discontinued operations		Total	
	Proprietary investment management		Asset management and advisory services		Total					
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment loss (revenue)	**942,714**	(2,396,212)	**51,313**	31,265	**994,027**	(2,364,947)	**-**	11,169,447	**994,027**	8,804,500
Segment results	**166,578**	(3,361,697)	**(207,399)**	(290,563)	**(40,821)**	(3,652,260)	**-**	11,169,447	**(40,821)**	7,517,187
Share in result of associates	**287,901**	32,981		-	**287,901**	32,981	**-**	-	**287,901**	32,981
Impairment and amortisation	**538,545**	(5,904,448)		-	**538,545**	(5,904,448)	**-**	-	**538,545**	(5,904,448)
Murabaha payable costs	**-**	(431,755)		-	**-**	(431,755)	**-**	-	**-**	(431,755)
Taxation					**(29,103)**	(20,585)	**-**	-	**(29,103)**	(20,585)
Profit (loss) for the year					**756,522**	(9,976,067)	**-**	11,169,447	**756,522**	1,193,380
Assets:										
Segment assets	**3,258,540**	6,683,489	**-**	-	**3,258,540**	6,683,489	**-**	-	**3,258,540**	6,683,489
Investment in associates	**37,781,187**	46,454,710	**-**	-	**37,781,187**	46,454,710	**-**	-	**37,781,187**	46,454,710
Others	**4,935,753**	6,520,127	**-**	-	**4,935,753**	6,520,127	**-**	-	**4,935,753**	6,520,127
	45,975,480	59,658,326	**-**	-	**45,975,480**	59,658,326	**-**	-	**45,975,480**	59,658,326

14. SEGMENTAL ANALYSIS (CONTINUED)

	Kuwaiti Dinars									
	Continuing operations						Discontinued operations		Total	
	Proprietary investment management		Asset management and advisory services		Total					
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Liabilities:										
Murabaha payables	**-**	4,808,900	**-**	-	**-**	4,808,900	**-**	-	**-**	4,808,900
Account payable and accruals	**2,641,193**	2,263,260	**-**	-	**2,641,193**	2,263,260	**-**	-	**2,641,193**	2,263,260
Employees' end of service benefits	**69,096**	25,848	**-**	-	**69,096**	25,848	**-**	-	**69,096**	25,848
	2,710,289	7,098,008	**-**	-	**2,710,289**	7,098,008	**-**	-	**2,710,289**	7,098,008
Other segmental information:										
Capital expenditure	**215,158**	-	**-**	-	**215,158**	-	**-**	-	**215,158**	-
Impairment loss on financial assets available for sale (Note 8)	**(108,464)**	(1,195,682)	**-**	-	**(108,464)**	(1,195,682)	**-**	-	**(108,464)**	(1,195,682)
Negative goodwill / Impairment in goodwill in associates (Note 9)	**-**	-	**538,545**	(5,904,448)	**538,545**	(5,904,448)			**538,545**	(5,904,448)

15. FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities as defined in Note 2.

The fair values of financial instruments except financial assets available for sale stated in Note 8, are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

Fair value of financial assets at fair value through income statement is based on the following:

	Kuwaiti Dinars			
	Total	**Level 1**	**Level 2**	**Level 3**
31 December 2016				
Financial assets at fair value through income statement				
Held for trading:				
Foreign quoted securities	**1,016,645**	**1,016,645**	**-**	**-**
Designated upon initial recognition				
Local unquoted securities	**633,750**	**-**	**-**	**633,750**
Foreign unquoted equity securities	**824,903**	**-**	**-**	**824,903**
	2,475,298	**1,016,645**	**-**	**1,458,653**
31 December 2015				
Financial assets at fair value through income statement				
Held for trading:				
Foreign quoted equity securities	384,172	384,172	-	-
Designated upon initial recognition				
Local unquoted securities	668,125	-	-	668,125
Foreign unquoted equity securities	818,041	-	-	818,041
	1,870,338	384,172	-	1,486,166

The following table shows a reconciliation of the opening and closing amount of level 3 financial instruments which are recorded at fair value.

	Kuwaiti Dinars				
	As at 1 January 2016	**Transfer from level 1 on delisting of investment**	**Loss recorded in the consolidated statement of income**	**Net purchases, sales and settlements**	**As at 31 December 2016**
Financial assets at fair value through income statement					
Unquoted equity securities	**1,486,166**	**-**	**(17,513)**	**(10,000)**	**1,458,653**

	Kuwaiti Dinars				
	As at 1 January 2015	Loss recorded in the consolidated statement of income	Net purchases, sales and settlements	Classified as held for sale	As at 31 December 2015
Financial assets at fair value through income statement					
Unquoted equity securities	3,958,040	136,800	(1,744,268)	(864,406)	1,486,166

During the previous year, there have been transfers between the hierarchies.

Description of significant unobservable inputs to valuation of financial assets:

Local unquoted securities represent unlisted securities on local stock exchange. Unquoted equity securities are valued based on net book value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued, or based on last traded prices, adjusted for impairment losses, if any.

16. RISK MANAGEMENT

Risk is inherent in the Group'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 Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk, currency risk and equity price risk. The Group is also subject to operational risk. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

16.1 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 Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of financing activities.

Maximum exposure to credit risk and risk concentration

With respect to credit risk arising from the financial assets of the Group, which comprise bank balances and cash, short-term murabaha investments, murabaha receivables and certain accounts receivable, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of contractual financial instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group's bank balances and short-term murabaha investments are held with high credit quality banks and financial institutions. In addition, murabaha receivables and receivable balances are monitored on an ongoing basis. As a result, the Group's exposure to bad debts is not significant.

Concentrations arise whe 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 Group's performance to developments affecting a particular industry or geographic location.

The table below shows the maximum exposure to credit risk and risk concentration for the contractual financial instruments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements or credit enhancements:

	Kuwaiti Dinars	
	Gross maximum exposure 2016	Gross maximum exposure 2015
Bank balances and short-term murabaha investments:		
• Local banks and financial institutions	**4,720,595**	2,400,236
• Foreign banks and financial institutions	**-**	4,119,891
• Accounts receivable	**353,009**	1,894,697
Total exposure to credit risk	**5,073,604**	8,414,824

Collateral and other credit enhancements

The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2016 and 31 December 2015.

Analysis of impaired financial assets

An estimate of the collectible amount of financial assets 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, based on historical recovery rates.

16.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in short-term murabaha or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

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

31 December 2016	Kuwaiti Dinars				
	Within 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Accounts payable and accruals	**-**	**117,480**	**221,005**	**2,302,708**	**2,641,193**
Total financial liabilities	**-**	**117,480**	**221,005**	**2,302,708**	**2,641,193**
Commitments	**-**	**-**	**-**	**-**	**-**

31 December 2015	Kuwaiti Dinars				
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Murabaha payables	-	-	4,808,900	-	4,808,900
Accounts payable and accruals	-	11,687	159,278	2,092,295	2,263,260
Total financial liabilities	-	11,687	4,968,178	2,092,295	7,072,160
Commitments	-	-	-	-	-

16.3 MARKET RISK

Market risk is the risk that the value of a financial asset will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration as disclosed in Note 16.4, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

16.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is not exposed to profit rate risk on its profit bearing assets and liabilities (short-term murabaha investments and murabaha payable) as a result of reasonably possible changes in profit rates since the Group is not exposed to any fixed rate profit bearing assets and liabilities.

16.3.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed by the Group on the basis of determined limits and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, and consequently the Group does not hedge foreign currency exposures.

The effect on profit for the year (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	Change in currency rate by 3%			
	31 December 2016		31 December 2015	
Currency	**Effect on profit for the year**	**Effect on other comprehensive income**	Effect on loss for the year	Effect on other comprehensive income
GBP	**46,105**	**851,348**	1,553	1,138,660
USD	**25,038**	**10,025**	24,557	77,294
SAR	**19,293**	**-**	-	-
AED	**7,470**	**-**	7,589	-
QAR	**3,736**	**-**	4,536	-

16.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Stock Exchanges of the GCC countries.

The effect on profit for the year (as a result of a change in the fair value of financial assets at fair value through income statement) and on equity (as a result of a change in the fair value of financial assets available for sale) due to a reasonably possible changes in active market indices, with all other variables held constant is as follows:

	Change in equity market index by 3%			
	31 December 2016		31 December 2015	
Market index	**Effect on profit for the year**	**Effect on other comprehensive income**	Effect on loss for the year	Effect on other comprehensive income
Saudi	**19,293**	**-**	-	-
UAE	**7,470**	**-**	6,989	-
Qatar	**3,736**	**-**	4,536	-

Any change in fair values of unquoted investments valued based on price earnings ratios will have a corresponding change in equity and profit before deductions.

Investments in the category of financial assets available for sale category are in unlisted companies and therefore the Group is not significantly exposed to equity price risk due to reasonably possible changes in active market indices.

The Group's unquoted equity securities carried at cost in available for sale category where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted.

16.3.4 Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

16.4 ASSET CONCENTRATIONS

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 Group's performance to developments affecting a particular industry or geographic location.

The distribution of assets by geographic region is as follows:

	Kuwaiti Dinars	
	2016	2015
Geographic region		
Kuwait	**15,421,481**	13,653,834
United Kingdom	**28,378,281**	41,936,829
GCC	**2,145,528**	1,581,842
United States of America	**30,190**	2,485,821
	45,975,480	59,658,326

The distribution of financial investments by industry sector is as follows:

	Kuwaiti Dinars	
	2016	2015
Industry sector		
Banks and financial and investment institutions	**39,697,839**	47,456,319
Insurance	**803,980**	803,980
Real estate	**163,940**	2,578,301
Others	**-**	384,172
	40,665,759	51,222,772

17. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group'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 income statement, financial assets available for sale and investment properties is based on management's estimate of liquidation of those investments.

The maturity profile of assets and liabilities at 31 December was as follows:

2016	Kuwaiti Dinars		
	Up to 1 year	**Over 1 year**	**Total**
Assets:			
Bank balances and cash	**1,794,237**	**-**	**1,794,237**
Short-term murabaha investments	**2,926,358**	**-**	**2,926,358**
Accounts receivable and prepayments	**373,968**	**-**	**373,968**
Financial assets at fair value through income statement	**1,016,645**	**1,458,653**	**2,475,298**
Financial assets available for sale	**-**	**409,274**	**409,274**
Investment in associates	**-**	**37,781,187**	**37,781,187**
Property, plant and equipment	**-**	**215,158**	**215,158**
Total assets	**6,111,208**	**39,864,272**	**45,975,480**
Liabilities:			
Accounts payable and accruals	**2,641,193**	**-**	**2,641,193**
Employees' end of service benefits	**-**	**69,096**	**69,096**
Total liabilities	**2,641,193**	**69,096**	**2,710,289**
LIQUIDITY SURPLUS	**3,470,015**	**39,795,176**	**43,265,191**

2015	Kuwaiti Dinars		
	Up to 1 year	Over 1 year	Total
Assets:			
Bank balances and cash	2,505,256	-	2,505,256
Short-term murabaha investments	4,014,871	-	4,014,871
Accounts receivable and prepayments	1,915,427	-	1,915,427
Financial assets at fair value through income statement	384,172	1,486,166	1,870,338
Financial assets available for sale	-	2,897,724	2,897,724
Investment in associates	-	46,454,710	46,454,710
Total assets	8,819,726	50,838,600	59,658,326
Liabilities:			
Murabaha payables	4,808,900	-	4,808,900
Accounts payable and accruals	2,263,260	-	2,263,260
Employees' end of service benefits	-	25,848	25,848
Total liabilities	7,072,160	25,848	7,098,008
LIQUIDITY SURPLUS	1,747,566	50,812,752	52,560,318

18. FIDUCIARY ASSETS

In its capacity as manager of portfolios and funds belonging to third parties, the Parent Company manages investments and bank accounts amounting to KD 3,564,638 (2015: KD 11,323,871) in its own name as a nominee on behalf of third parties. These assets are not included in the consolidated statement of financial position of the Group. Income from the managed portfolios and funds amounts to KD 51,313 for the year ended 31 December 2016 (2015: KD 31,265).

19. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may reduce the amount of borrowings, adjust the dividend payment to shareholders, return capital 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.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Capital represents equity attributable to the equity holders of the Parent Company.

	Kuwaiti Dinars	
	2016	2015
Murabaha payable	**-**	4,808,900
Less: Cash and cash equivalents	**(4,720,595)**	(6,520,127)
Net debt	**-**	-
Equity attributable to the equity holders of the Parent Company	**43,253,846**	52,370,868
Capital and net debt	**43,253,846**	52,370,868
Gearing ratio	**-%**	-%