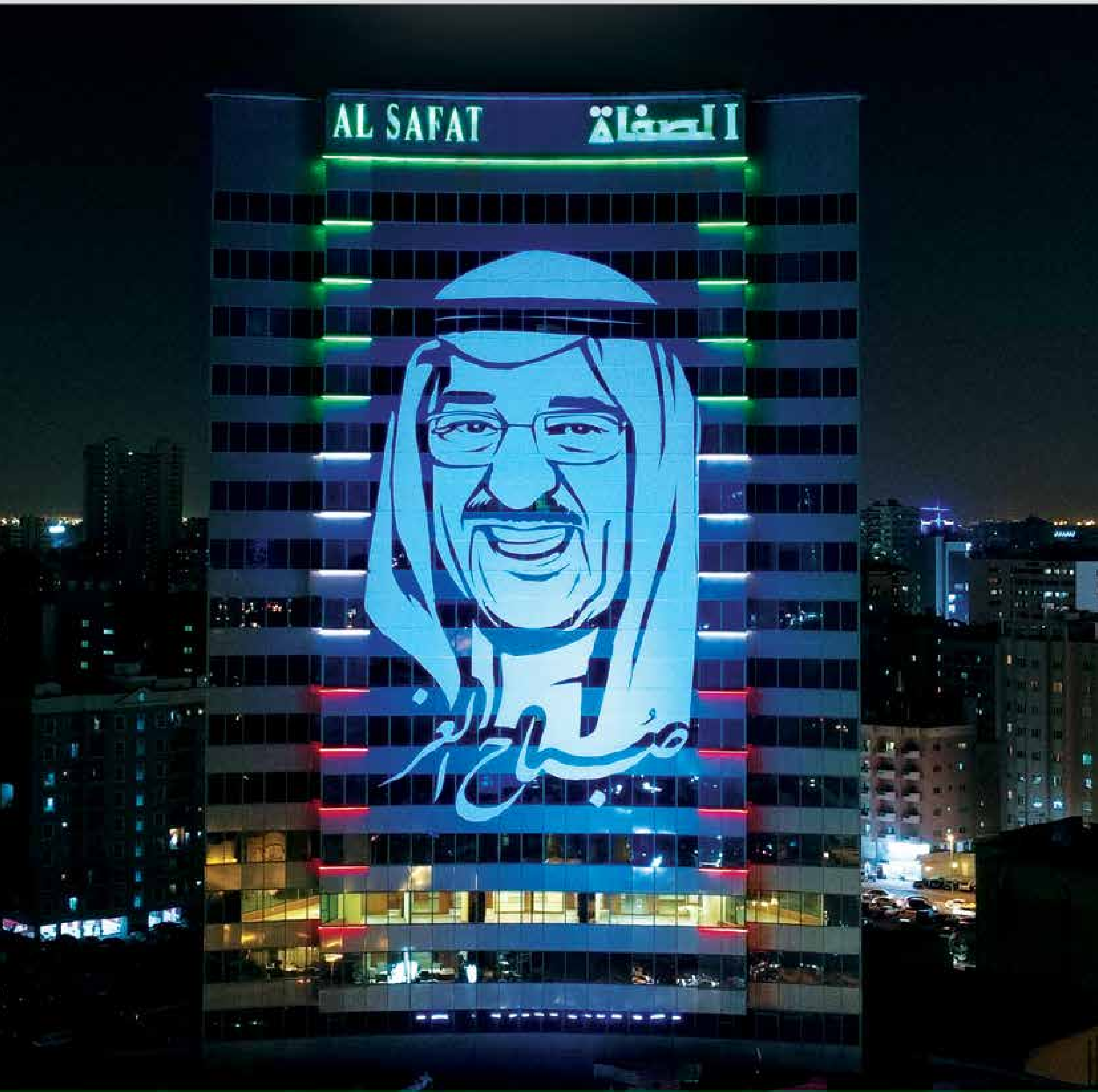
الصفاة
AL SAFAT

شركة الصفاة للإستثمار
AL SAFAT INVESTMENT COMPANY

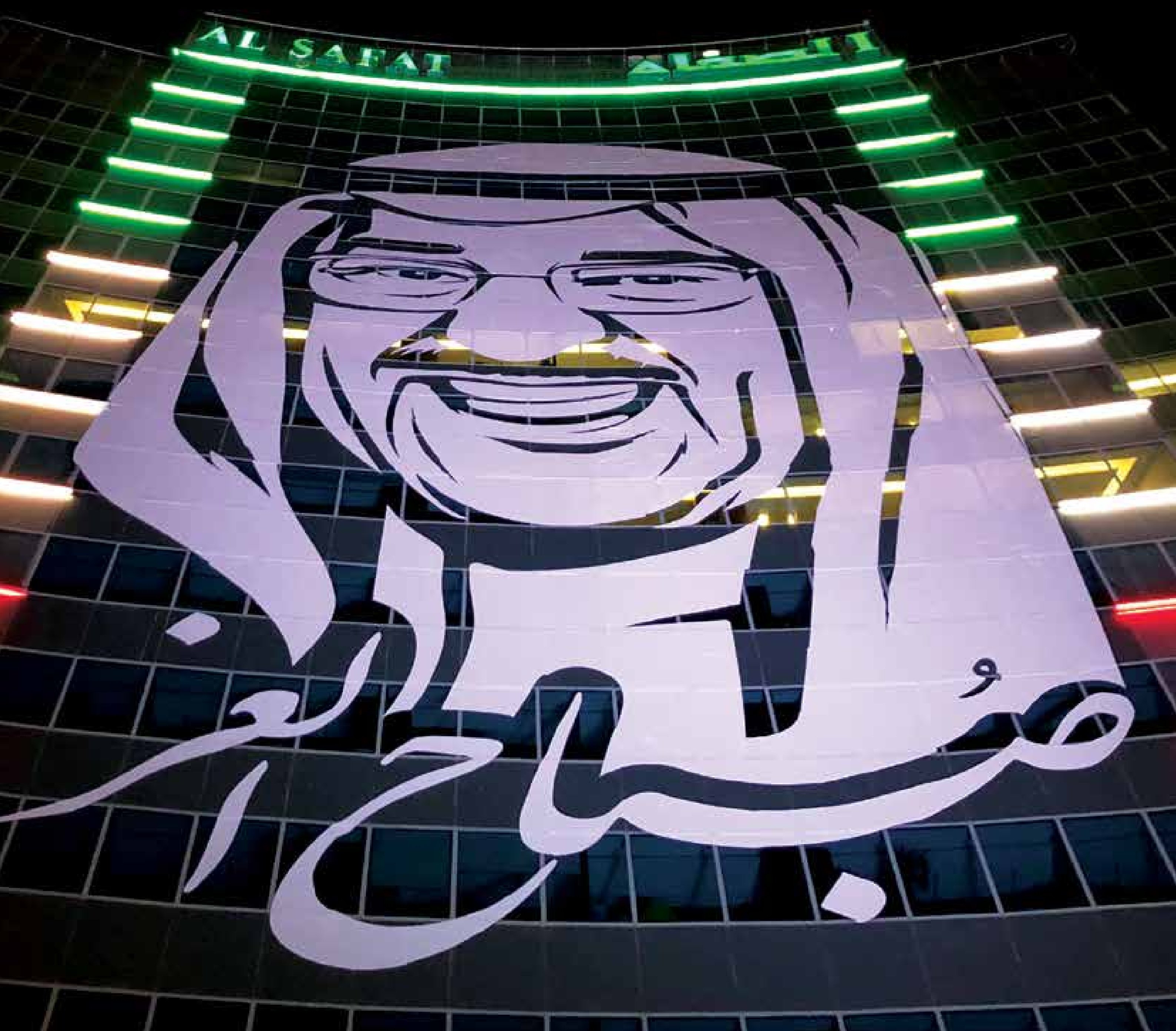


ANNUAL REPORT 2017

بسم الله الرحمن الرحيم

In the occasion of celebrating Kuwait's national and liberation anniversaries and in acknowledgement of HH the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah achievements in all aspects of economics, politics and society, Safat Investment Company decorated the front façade of its headquarters' building with the world's largest poster of which will be submitted to the Guinness World Record.

The poster's artistic work and design took over a week of constant work, starting with the idea and followed by designing, execution and installation. The poster covers 936 square meters of the frontage of Safat Tower in Hawally.



HH. SHEIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the State of Kuwait

HH. SHEIKH
SABAH AL-AHMAD AL-JABER AL-SABAH
Amir of the State of Kuwait

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Company Profile

Alsafat Investment Company was incorporated on September 15th, 1983 as a Kuwaiti Shareholding Company (KSC) that currently has a share capital of KD 25,693,940.

It conducts its business with adherence to Islamic Shariah and the rules and regulations set by Kuwaiti Capital Markets Authority, the Central Bank of Kuwait and Ministry of Commerce and Industry.

Safat has a wide-ranging investments and interests in real-estate, finance and other sectors; in addition, it offers a diverse set of financial and consultancy services that supports the shareholders' aims and goals.

All investments and financial services offered by the Company are in accordance with the highest standards of Islamic Shariah compliance, supervised by a CMA-Certified Islamic Shariah Auditor.

Company's activities:

1) Invest in real estate, financial, healthcare, industrial, energy, agricultural, food and other economic sectors through participating in the establishment of specialized companies or purchase of stocks and bonds in these companies, or manage projects in various sectors.

2) Manage funds of private and public institutions funds and investing such funds in the various economic sectors.

3) Conduct and provide technical, economic and evaluation consultancy, study investment projects and prepare the necessary studies through a professional integrated team.

4) Act as an intermediary in lending and borrowing transactions and extend loans to others in accordance with the generally recognized conventions and rules and regulations laid down by the Central Bank of Kuwait.

5) Perform the functions of lead manager of bonds issued by companies and institutions as well as the functions of investment trustee.

6) Carry out stock trading including sale and purchase of shares and bonds of local and international governmental institutions.

7) Provide all services that assist in development and reinforcement of the market's financial and monetary capabilities in Kuwait and satisfying its needs.

8) Form and manage all kinds of investment funds in accordance with the applicable law.

9) Manage and oversee the activities of Collective Investment Scheme acting as an "Investment Controller".

Subsidiaries of Al-Safat Investment Company:

Name of the Subsidiary	Ownership Percentage 2017
Al-Safat Holding Company K.S.C. (Closed)	100 %
Safat House for Consultancy Company K.S.C. (Closed)	96 %
Dar Al-Safat for General Trading Company W.L.L.	100 %
The Roots Brokerage – Egypt	60 %
Safat House for General Trading Company W.L.L.	80 %

Assosiates of Al-Safat Investment Company:

Name of the Associate	Ownership Percentage 2017
Asia Holding Company K.S.C	21.7%

Key Investments of Al-Safat Investment Company:

Name of the Company
Al-Qudra Holding Company - United Arab Emirates
Senergy Holding Company K.S.C.
Osos Holding Group Company K.S.C.
Shuaiba Industrial Company K.P.S.C.
Kuwait Medical Centre Holding Company K.S.C. (Closed)

Board of Directors

Abdullah Hamad AlTerkait
Chairman

Fahad Abdul Rahman Al Mukhaizim
Vice Chairman

Abdul Muhsen Suliman Al Meshan
Board Member and Chief Executive Officer

Dr. Anwar Ali Al Naqi
Board Member

Mishaal Ahmed Al Jareki
Board Member

Abdul Razzaq Zaid Al Dhubayan
Board Member

Naser Bader Al Sharhan
Board Member

Chairman's Statement

Distinguished shareholders of Safat Investment Company,

May peace be upon you. On half of the Board of Directors it is my pleasure to welcome all of you, and to present the annual report for the year 2017 that will highlight the company's performance, along with the Consolidated Financial Statements, Auditors' Report, Sharia Compliance Report, Corporate Governance Report and Audit Committee's Report.

It is no secret, that we face challenges in the investment sector which is still suffering from the lack of liquidity in relation to the resurgence of corporate operations, in addition to the fluctuation of the region's market due to the correlation between the region's and global market, the political climate and the fear of a global economic recession in by its own right a challenge.

Safat commenced 2017 with clear specific goals, to work towards comprehensive corporate restructuring and laying down the foundation for institutionalizing all it's operations. With the grace of god was able to achieve with the diligent work of the board of directors, executive management and staff in a brief period to adjust and improve the company's track and performance. Also, the company implemented a plan and a new strategy through focus on strategic sectors to achieve sustainable growth to it's businesses and expedite internal growth by funding growth maximizing opportunities in addition to modernizing internal policies and procedures and building a team of young experienced professionals to take on future challenges.

The focus of management was to increase revenues, improve liquidity levels and keep the financial standing of the company intact, as well as strengthen the company's assets through focus on operational income-generating investments, meanwhile decreasing corporate spending within the framework of the corporate strategy of the board of directors.

ASIC continuously strived towards establishing a framework of transparency, governance and control which in part to increase institutionalization as Capital Market Authority and other regulatory authorities require. And regarding compliance to corporate governance rules related to the integrity of financial statements, the board of directors assures the adequacy and accuracy of 2017's financial statements and other related reports that were handed to external auditors to do what they're required to. As for the board of directors' benefits for 2017, it should be noted that they did not receive financial and non-financial benefits, salaries, bonuses or compensation for attending committee meetings.

The execution of the plan developed by the company in previous years to minimize expenses and costs in order to improve and strengthen the company's performance, as well as finding exceptional opportunities through buying and owning stakes in high-yielding companies with valuable assets, in tern caused increase in growth and profitability for the company.

The company's financial performance as of December 31st, 2017

Safat Investment Company (parent company) ended FY 2017 with profit, the third year in a row, and it's profitability amounted to KD 1,028,125 and equivalent of 4.01 Fils/share in comparison to end of FY 2016 profits of KD 844,357, an equivalent of 3.29 Fils/share.

Furthermore, the company's assets as of December 31st, 2017 amounted to KD 56.9m in comparison to KD 60.2m in December 31st, 2016.

The shareholders equity for the parent company amounted to KD 22.9m in December 31st, 2017, as well as, the book value for the parent company is 89.5 Fils/share.

Moreover, the total liabilities for the group as of December 31st, 2017 amounted to KD 25.4m while it was KD 24m in December 31st, 2016.

The Wakala payable due for December 31st, 2017 amounted to KD 20.9m as the year before and it represents the existing Wakala with Qatar National Bank. The Wakala agreement between the company and Qatar National Bank resulted to legal dispute regarding the liquidation f the agreement and on April 6th, 2016, the court ruled cessation of execution of the previous ruling issued on January 27th, 2016 by the Court of Appeals till the disposition of appeal, noting that the court is still looking in the matter.

All are aware of the efforts and endeavors of the company's management to resolve this issue in a matter in which it preserves the rights of its shareholders.

In conclusion, on my behalf and on behalf of fellow board members, I extend my sincerest gratitude for the trust we were given which we consider our greatest support and had the utmost effect in our successful journey and improving the company's performance. I also would like to thank my fellow board members and executive management and the company's employees for their efforts in improving the company's performance.

I would also like to thank the Ministry of Commerce and Industry, the Capital Markets Authority and the Central Bank of Kuwait for their diligence for protecting the rights of shareholders and stakeholders by embracing best practices and international standards that will revive the investment and economic sector in the State of Kuwait.

Chairman of the Board of Directors
Abdullah Hamad AlTerkait

Corporate Governance Report FY 2017

The Corporate Governance rules of Safat Investment Company comprises of commitment to work ethics and values, and in principles, systems and procedures that ensures the optimal protection and balance between the interests of the Company's management, shareholders and related stakeholders. The main objective of implementing Corporate Governance rules is to make sure the its goals align with its shareholders, which in turn will strengthen investor confidence in the Company's managerial efficiency and it's ability to face crises.

Corporate Governance is also related to the Company's management style, corporate culture, policies and how it deals with different stakeholders, in addition to accuracy in financial disclosures in a timely manner, performance and equity.

In 2017, the company worked diligently to implement its Corporate Governance rules to boost its transparency level and integrity of corporate operations. Also, a full review of Corporate Governances rules and practices was applied to reassure and expand trust in dealing with the Company. Furthermore, shareholders and stakeholders were able to monitor the Company efficiently, which is built on the independence of the Board of Directors and the separation between their roles as management and controller through committees.

Rule 1: Building a balanced Board of Directors

Safat Investment Company's Board of Directors is adequate to the size and the nature of activities of the Company, the tasks and responsibilities assigned to it, as it's made of seven members that were elected by shareholders of the Company's Ordinary General Assembly in August 23rd, 2016 for three years, after approval of the Capital Markets Authority of the names of nominees for the Board, taking into consideration that its made of four non-executive members, two independent members and one executive member.

All Board Members are experienced and qualified professionals with the right credentials for the Company, details as follow:

Name	Classification	Education & Experience	Election Date/ Appointment Date (Board Secretary)
Abdullah Hamad Al-Terkait	Chairman – Non-Executive	Bachelors of Public Administration & Political Science Has 12 years experience.	August 23rd, 2016
Fahad Abdul Rahman Al Mukhaizim	Vice-Chairman Non-Executive	MBA and a Bachelors of Finance. Has 22 years experience.	August 23rd, 2016
Abdul Muhsen Suliman Al Meshan	Member - Executive	Bachelors in International Finance and Marketing. Has 38 years experience.	August 23rd, 2016
Naser Bader Al Sharhan	Member - Independent	Bachelors of Political Science and Marketing. Has 20 years experience	August 23rd, 2016
Mishaal Ahmed Al Jareki	Member – Non-Executive	MBA with specialization in General and Strategic Management; Bachelors of Accounting. Has 12 years experience.	August 23rd, 2016
Dr. Anwar Ali Al Naqi,	Member - Independent	PhD and MSc in Civil Engineering; Bachelors of Architecture. Has 40 years experience.	August 23rd, 2016
Abdul Razzaq Zaid Al Dhubayan	Member – Non-Executive	Bachelors of Civil Engineering. Has 13 years experience.	August 23rd, 2016
Khawla Mohammed Kendeel	Board Secretary	Certificate of Business Management. Has 20 years experience.	February 23rd, 2014

The Board of Directors allocate enough time to conduct their assigned tasks and responsibilities, in which the Board meets when the Chairman calls for a meeting.

Brief on Board Meeting

Board meetings for FY 2017 is shown below

Name	Meeting (1) on 29/3/2017	Meeting (2) on 26/4/2017	Meeting (3) on 11/5/2017	Meeting (4) on 18/6/2017	Meeting (5) on 13/8/2017	Meeting (6) on 9/11/2017
Abdullah Hamad AlTerkait	√	√	√	√	√	√
Fahad Abdul Rahman Al Mukhaizim	√	√	√	√	√	√
Abdul Muhsen Suliman Al Meshan	√	√	√	√	√	√
Naser Bader Al Sharhan	√	√	√	√	√	√
Mishaal Ahmed Al Jareki	√	√	√	√	√	√
Anwar Ali Al Naqi, PhD	√	√	√	√	√	√
Abdul Razzaq Zaid Al Dhubayan	√	√	√	√	√	√

Also, all Board Members adopted two resolutions in the first pass on January 29th, 2017 and second on December 27th, 2017.

Explanation of applying registration, coordination, record keeping requirements for Board of Director meetings

The Board Secretary assists the Board Members completely to ensure availability of information available to them, and assists the Chairman of the Board in issues relating to the preparation of the Business Agenda and issuing invitations to Board Members. The Board Secretary also records all Board resolutions and discussions, in addition to vote counting in Board meetings. Documents and ledgering with serial numbers per year along with the place, date, time of commencement and ending of meetings are documented by the Board Secretary.

Rule 2: Proper identification of tasks and responsibilities

This is how the Company defines the policy of the responsibilities, tasks, and duties of each member of the Board of Directors and Executive Management, and also the responsibilities which have been delegated to the Executive Management.

The Board of Directors has therefore adopted a special charter for itself which includes the duties and responsibilities assigned to them. However, this is not limited to:

- Adopting various strategic objectives, plans, and policies of the Company and reviewing them periodically;
- Approval of estimated annual budgets, approval of interim and annual financial statements before sending them to the regulatory authorities;
- Supervise major capital expenditures, in addition to owning and disposing of assets;
- Ensuring compliance with policies and procedures to in relation to internal procedures and regulations;
- Ensuring accuracy and safety of data and information to be disclosed in regard to the applicable disclosure and transparency policies and procedure;
- Establishing effective communication channels that will allow shareholders to view different aspects of the Company's activities;
- Forming technical committees originating from it in accordance to a charter that specifies the responsibilities and authority of each committee;
- Determining the powers entrusted to the Executive Management through the adoption of a comprehensive table of powers of the organization, supervised by the Board of Directors to ensure performance of tasks.

Achievements of the Board of Directors in 2017

In accordance with the Board's responsibilities in achieving the optimal financial, operational results and achieving the Company's strategic plan, the current Board of Directors was involved in the fulfillment of a number of tasks, as such was the approval of the Financial Statements for FY 2016 and interim (quarterly) reports and submitted them to regulatory authorities to be audited.

The decision was then made to make invest abroad through specialized parties to maximize returns. During the year, the Board of Directors appointed Mr. Abdul Muhsen Suliman Al Meshan as Chief Executive Officer (CEO) of the Company after being approved by the Capital Markets Authority for his candidacy.

This was followed by the appointment of two independent Board Members as Mr. Al Meshan served as an independent Board Member. Also, the Investor Relations Unit was established in compliance to the corporate governance rules, and the approval of the budget estimate for FY 2017, as well as approving some policies and internal regulations that were updated. Furthermore, the Board approved liquidating non-profitable investments and writing them off.

Highlight of specialized independent committees by the Board of Directors

The Board of Directors formed several committees and took into consideration Corporate Governance rules and regulations from the Capital Markets authority when establishing such committees, and laws and instructions issued from the Central Bank of Kuwait regarding Companies which carry out financial activities activities. The Board of Committees will include:

Audit Committee

This committee was formed on September 25th, 2016 and it's duration is related to the mandate of the current Board of Directors. It's members are Fahad Abdul Rahman Al Mukhaizim (Chairman), Dr. Anwar Ali Al-Naqi, (Vice Chairman) and Nasser Badr Al-Sharhan. It held 5 meetings.

Duties and the achievements of the Committee in 2017

- Reviewing interim and annual financial statements, the external auditors report and initially approving them before submission to the Board of Directors for final approval. This is to ensure the relevance of the financial statements of the company and the independence of the external auditor.
- Discussing and studying the observations contained in the External Auditor's Report for the fiscal year 2016.

- Adopting the internal audit plan for various Company departments.
- Recommend hiring new external auditors for the Company in compliance with article 3-4-6 of Module 5 – Securities Activities and Registered Persons which states that each registered auditor shall not review or audit for any client for a period exceeding four consecutive financial years unless the Client is under liquidation. The term shall be calculated as of the date of registration in the Auditors' register with the Capital Markets Authority;
- Review and approve Internal Control Review (ICR) report for FY 2016 that was prepared by Baker Tilly and submitted with the Capital Markets Authority, and authorize the internal auditor to follow-up and resolve observations;
- Review the Company's Capital Market Authority's inspection report and recommend mitigating its observations;
- Review internal auditing reports prepared in FY 2017 for all Company's departments and related observations, authorizing the Company's internal auditor and compliance officer to follow-up on mitigating them.

Risk Committee

This committee was formed on September 25th, 2016 and it's duration is related to the mandate of the current Board of Directors. It's members are Dr. Anwar Ali Al-Naqi, (Chairman), Mishaal Ahmed Al Jareki (Vice Chairman) and Abdul Razzaq Zaid Al Dhubayan. It held 4 meetings.

Tasks and achievements of the Committee during 2017

- Prepare and follow-up risk management strategies and policies. Additionally, evaluate systems and mechanisms for identification and measurement of different types of risks;
- Assist the Board of Directors in identifying and assessing key risks facing the Company to ensure it manages risks efficiently and effectively;
- Review and approve risk reports sent to the Capital Markets Authority prepared by the Risk Management Officer;
- Review the results of Capital Markets Authority's inspection of the Company and the procedures taken to correct the report observations. Moreover, to authorize

the Risk Management Officer to follow-up and resolve imbalances in various Company departments;

- Review imposed violations by the Capital Market Authority during the year, and identify the procedures for resolving the issue by delegating the Risk Management Officer and the Compliance Officer to follow-up.

Remuneration and Nominations Committee

This committee was formed on September 25th, 2016 and it's duration is related to the mandate of the current Board of Directors. It's members are Abdullah Hamad AlTerkait (Chairman), Abdul Razzaq Zaid Al Dhubayan (Vice Chairman) and Naser Bader Al Sharhan. It held 2 meetings.

Tasks and achievements of the Committee in 2017

- Prepare a clear remuneration policy for the Board of Directors and Executive Management;
- Identify skill requirements for Board membership and review of them annually;
- Review and approve the remuneration report to be handed to the Board of Directors and Executive Management during the year;
- Study and match requirements for independent Board Members;
- Nominate a Financial Manager of the Company in succession to the previous financial manager and complete registration procedures with the Capital Markets Authority before appointment.

Appropriations Committee

This committee was formed on September 25th, 2016 and it's duration is based on the decision of the current Board of Directors. It's members are Abdullah Abdul Razzaq Zaid Al Dhubayan (Chairman), Hassan Mahmoud Qaqish (Vice Chairman) and Ahmed Aref Afouf. It held 2 meetings.

Tasks and achievements of the Committee during 2017

- Recognize and approve appropriations to back standing receivable accounts and doubtful debts;
- Approve additional provision for legal action.

Executive Committee

This committee was formed on September 25th, 2016 and it's duration is based on the decision of the current Board of Directors. It's members are Fahad Abdul Rahman Al Mukhaizim (Chairman), Abdullah Hamad AlTerkait (Vice Chairman), Naser Bader Al Sharhan and Mishaal Ahmed Al Jareki.It did not hold any meetings.

Credit Committee

The Credit Committee is currently inactive due to Safat Investment Company does not practice financing. However, it was established to comply with Central Bank of Kuwait regulations, as the Company has this activity.

Summary of application requirements to enable Board Members to obtain accurate and timely information and data

The Company's Board of Directors has adopted the procedure guide to enable that members to obtain information in a timely and accurate manner in accordance with the relevant laws and regulations. The guide defines the mechanism for requesting and presenting information to the Board of Directors. It also has the procedures and obligations of Members to ensure that they maintain the confidentiality of the information that they obtain by virtue of their work.

Rule 3: Choosing qualified and competent individuals for the Board of Directors and Executive Management.

Brief about the application and requirements of forming Remuneration and Nomination Committee

The nomination mechanism inside the Company guarantees the continuity of choosing and attracting qualified individuals to join either the nomination to the Board of Directors or the Executive Management. The Board has formed this committee in compliance to Corporate Governance rules, where it has to include an independent member. The Board also approved a committee charter that stipulates the tasks and responsibilities of the committee which includes:

- Recommend the nomination and re-nominate Board Members and Executive Managers;
- Set clear policies for the Board and Executive Management's numerations;

- Attract interested applicants for executive positions on-need basis, additionally study and review these applications;
- Determine various levels of bonuses for employees;
- Outline the Board's executive, non-executive and independent members job description;
- Endorse and re-nominate members for elections for the General Assembly and ensure impartiality of independent Board Members;
- Specify evaluation mechanisms for the Board of Directors as a whole, individual Board Members and Executive Management;
- Setup indicators for evaluating the boards performance and revisiting those indicators annually;
- Review and suggest training programs and workshops for Board members;
- Review salaries and the Company's corporate hierarchy periodically;
- Prepare a detailed annual report about the numerations given to Board Members and Executive Managers, whether it's monetary, benefits or otherwise, to be submitted to the General Assembly for approval.

Report about renumerations given to all boards of directors and executive managers

A detailed report has been made regarding renumerations and benefits awarded to the Board of Directors and Executive Management of Safat Investment Company and its associated companies during the year 2017.

Rule 4: Ensuring the Integrity of Financial Statements

Signed undertaking from each Board of Directors and Executive Management to ensure the adequacy and integrity of prepared financial statements.

Brief about the Audit Committees application and requirements

The Audit committee's main objective is to supervise all audit related issues and to make sure of the integrity and adequacy of financial statements and internal control systems. The audit committee carries out the following tasks (Not inclusive):

- Review all interim and annual financial reports before presentation and submit recommendations to the Board;

- Recommend External Auditors to the Board;
- Study and review observations on the financial statements and request Executive Management to revise them if needed;
- Recommend Internal Auditors to the Board, and review and approve internal auditing schemes;
- Review internal auditing results and improvise to resolve issues;
- Review regulatory authorities' inspection results and take action to resolve issues;
- Review issues related to nominating External Auditors and submit recommendations to the Board;
- Recommend an Independent Auditor to evaluate and review internal auditing mechanisms and prepare an Internal Control Report.

During FY 2017 there were no conflicts between the Audit Committee and the Board's resolutions.

External Auditor's Independence and neutrality

The Ordinary General Assembly that took place on August 14th, 2017 agreed to hire External Auditors for FY 2018 which are Mr. Khaled Hassan Ibrahim Al-Ahmed of Al-Soor Certified Public Accountants, and Mr. Faisal Saqer Abdul Karim Al-Saqer BDO Al Nisf & Partners.

The Company's External Auditors are registered with the Capital Markets Authority and they are independent from corporate structure and its Board of Directors. The External Auditors are invited to attend the Ordinary General Assembly, where their report is orated to the shareholders. They're also allowed to discuss their opinion with the Audit Committee before submission of the interim and annual financial reports to the Board to take a decision on it's regard.

Rule 5: Establishing sound Risk Management and Control Systems

Requirements for establishing independent administration for risk management

The Company established a risk management department that works to protect the company from different possible risks and identifying acceptable risk trends and classes. It does that utilizing an array of internal control systems that are adequate for the Company and the nature of its activities. The individual in-charge of the department is experienced and approved by the Capital Markets Department and has structural independence in that he answers to the Board of Directors based on the established corporate hierarchy.

Requirements for forming the Risk Management Committee

The main role of the aforementioned committee is to supervise issues relating to risk management, and to contribute in creating policies and regulations for managing risk in sync with the Company's acceptable risk level. All that, and the committee must adhere to the following:

- Review the Company's risk related policies and procedures and advise the Board of Directors in that regard;
- Evaluate mechanisms and systems for identifying and measuring types of risk facing the Company;
- Ensure the independence of the risk management department's employees, and that they fully understand the risks facing the Company;
- Review risk related reports that are sent to the Capital Markets Authority regularly, and work towards providing crisis solutions and follow-up with the Risk Management Department to mitigate risk in these reports;
- Follow-up on the issues raised by the Audit Committee in relation to risk.

Control and monitoring mechanisms

Safat Investment Company created control mechanisms, procedures and effective tools to manage risk and monitoring, covering all Company activities. Also, the Company constantly develops reporting systems in the Company's department to mitigate risk through implementing the principle of double monitoring to ensure clear separation of authority and responsibilities, and dealing with conflict of interest. Moreover, the Company has a Monitoring and Internal Audit Department which the Board of Directors ensures their active role, supporting them to achieve the highest level of internal monitoring.

Additionally, the Company has a Compliance Department that has talented professionals to ensure compliance with all laws and regulations, as this department is considered one of the most important tools in control and internal monitoring with the

Company, working in cooperation with the Audit and Risk Management Departments to implement procedures for checking and double monitoring, while the Board of Directors actively supports it.

Requirements for establishing an Independent Internal Audit Department

Safat Investment Company established an independent internal audit committee that is completely technical by making it under the Audit Committee in the corporate hierarchy which in turn was established by the Board of Directors. The Internal Audit Department has many objectives such as monitoring, reviewing the performance of different departments and making sure correct utilization of mechanisms, procedures and internal policies, in addition to the ensuring the competence of internal monitoring mechanisms for each of the company's department and preparing a related report and presenting it to the Audit Committee. It also works on checking the observations of External Auditors regarding internal monitoring systems and ensures they're implemented.

Rule 6: Strengthening professional behavior and ethical values

Standards and determinants of professional conduct and ethical values

The Company's Board of Directors has set standards and determinants that establish ethical concepts and values in the Company in accordance with the requirements of all official bodies. The Executive Management seeks to implement the Company's objectives, standards and determinants and to include them in all business operations. In addition, a policy for reporting illegal practices has been prepared in case any illicit or unsafe behavior were observed. The policy also addressed other important aspects such as the relationship with shareholders, the information security policy, where all Board of Directors, Executive Management and staff must adhere to in all their tasks and business operations.

Policies and mechanisms for reducing conflict of interests

The Board of Directors approved a special policy for conflict of interests, with the aim of implementing suitable policies to find any crucial conflict of interests and dealing with them in an effective manner, and to confirm that the Board of Directors is dealing with these possible conflicts and that all decisions are taken based on what is beneficial for the Company. This policy is a crucial part of the Company's commitment to integrity and fairness in dealing with stakeholders. The policy also explains the different ways of dealing with cases of conflict of interest, and understanding of the topic, and the different parties who may have conflicts with the interest of the company. Also, the policy explains in detail the role of the Board of Directors, Executive Management, executive manner, Compliance Department, Internal auditing and General Assembly in terms of conflict of interest, along with the disclosure mechanism.

Rule 7: Accurate disclosure and transparency in a timely manner

Accurate and transparent disclosure mechanisms that define the different parties, aspects and characteristics of disclosure

The Company is characterized with openness, honesty and cooperation. In accordance with its established principles and in application of best practices of good governance and compliance with all legal requirements, the Board of Directors adopted a policy of disclosure and transparency, including definitions of certain important legal terms. In addition, the policy explains all the different general disclosure policies, rules, mechanisms and were added to the Company's website. The aim of this policy is to create general guidelines for operations to be more efficient and effective. The company has also prepared a special document which explains all reports and periodic reports of regulatory bodies.

Board of Directors and Executive Management's disclosure requirements

The Company has prepared a special record with all the disclosures of the Board of Directors, Executive Management and insiders, and disclosures regarding the group's ownership of shares listed on the Kuwait Stock Exchange. It also ensures the application of disclosure rules regarding interests and insiders.

Investor Relations Unit formation requirement

The Board of Directors of Safat Investment Company established a unit on March 29th, 2017 to regulate investor relations in compliance with provisions of corporate governance rules, as well as preparation of policies and procedures for the work of the unit. The aim of this unit is to regulate the mechanisms of dealing with investors and be responsible for providing the required data and information for investors and shareholders via usual disclosure channels.

Information technology infrastructure development

Safat Investment Company uses information technology to enhance disclosure procedures, where it has improved its website lately to comply with the rules of governance and disclosure. The company is currently working on posting all its disclosure information on that website as soon as they are issued for all interested parties to view them. The Compliance Department also relies on the electronic system to determine interests and their changes.

Rule 8: Preserving shareholders' equity

Requirements for identifying and preserving shareholders' equity

Safat Investment Company guarantees the equity of shareholders in accordance with commercial law issued by the Ministry of Commerce and Industry, the rules of governance issued by the Capital Markets Authority and all related resolutions and instructions. The Company has also prepared and adopted a policy to protect shareholders' rights vis-à-vis the Board of Directors in order fo shareholders to have the following rights:

- Record contributed ownership amount in the Company's records;
- Managing shares via ownership registration and/or transfer;
- Receive allocated share dividend;
- Obtain share of asset value in case of liquidation;
- Access data and information about the Company's activities and investment strategies regularly and easily;
- Participate in General Assembly meetings and vote on its decisions;
- Elect Board Members;
- Monitor the company's performance generally, and the Board of Directors in particular;
- Question the Board of Directors and Executive Management and take legal recourse if failed to perform their assigned functions.

Creation of a registrar at the clearing house

A shareholders' registrar at Kuwait Clearing Company is created with their information and ownership as per Corporate Governance requirement. The Investor Relations Officer maintains and updates a copy of the registrar and makes it available to all shareholders in adequate time and in accordance with the law, without any fee requirements.

Encourage stakeholders to participate and vote in private meetings of the Company's Assemblies

The Company encourages proactive participation of its shareholders in the meetings of the General Assembly and discuss the topics listed on the Assembly's Agenda. The shareholders also have the right to vote on the decisions of the General Assembly on behalf in person or on their behalf, and provides information related to the voting rights to all shareholders and potential investors

The Company has invited the shareholders in 2017 to attend the Ordinary General Assembly meeting and included the Business Agenda. There were two daily announcements in the daily newspapers of the State of Kuwait.

Rule 9: Recognizing the role of stakeholders

Rules and policies that guarantee the protection and recognition the rights of stakeholders

The Company continuously strives to respect and preserve the rights of stakeholders in its internal and external operations, utilizing an adequate approach that protects their rights by following the laws and regulations regarding that issue. It also honors its contractual obligations with other parties and commits to its obligations and duties that stem from these contracts and agreements.

Being aware of the stakeholders' interests, the Company has put in place a suitable mechanism to facilitate the communication of wrongful practices they are subjected to, through the preparation and adoption of a policy to protect the rights of stakeholders.

Encourage stakeholder participation in various Company activities

The Company provides stakeholders with access to information and data relevant to their activities through the Investor Relations Unit, Customer Service Department and Complaints Unit, as well as through the Company's website and ongoing disclosures, and through the development of performance methods and services for stakeholders. It has also developed appropriate policies to enable stakeholders to report to the Board of Directors any improper practices they are exposed to by the Company, and to provide appropriate protection to reporting parties.

Rule 10: Strengthening and improving performance

Mechanisms that enable Members of the Board of Directors and Executive Management to receive training sessions and programs on a regular basis

Safat Investment Company has continuously worked on preparing and improving a plan to conduct training sessions and programs for the Board of Directors and Executive Management to ensure that they gain a proper understanding of the Company's different activities and policies, along with their responsibilities. The plan also includes financial and operational aspects of the company's activities, legal and regulatory obligations, duties and powers, ways of combating money laundering and terrorist financing, the Company's strategy and plan of action, the role of different Board of Directors committees and the laws regulating activities of the Company and its regulatory bodies.

Assessing the performance of the Board of Directors, and the performance of individual Board Members and Executive Management

Policies and systems were developed by the Company to measure and evaluate the performance of each member of the Board of Directors and Executive Management on a regular basis and has developed a set of performance measurement indicators in relation to the achievement of the company's strategic objectives, risk management quality and adequacy of internal control systems. This also includes assessing weaknesses and introducing proposal to deal with them in accordance with the company's interest.

Board of Directors' efforts to create corporate values for the Company's employees

The Board of Directors of Safat Investment Company have worked to create values on the short, medium and long run by devising the mechanisms and procedures that work towards achieving the Company's strategic objectives and improving performance rates. This took place in addition to developing the integrated reporting systems to create such corporate values for the it's employees.

Rule 11: Focusing on the importance of social responsibility

A policy that ensures a balance between the company's and societal goals

A policy was developed by the Company to manage its social responsibility, which enables the company to successfully achieve its objectives by acting ethically and contributing to the sustainable development of society in general and its company's employees particularly. This ultimately helps in improving the living conditions of the workforce and their families, society, and reduces levels of unemployment in society, optimizing the use of available resources, providing them with jobs, and supporting and encouraging national labor.

Programs and Mechanisms to highlight the Company's efforts in the social work field

Safat Investment Company has prepared policies to ensure the disclosure of its social responsibility objectives to its employees. Awareness and education programs are regularly conducted to guarantee that they are aware of the social responsibility objectives of the Company and continuously contribute in improving related standards and elevate its corporate level. Employees contribute to the social responsibility program by participating in various community activities conducted by the Company.

Chairman of the Board of Directors
Abdullah Hamad AlTerkait

Audit Committee Report FY 2017

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

Internal Control Systems

The Audit Committee operates using its Board of Directors' approved charter to ensure that the Internal Audit Unit and the rest of the Company's departments comply with all policies and procedures of internal control that cover various company activities, defining the company's control strategy and the roles and duties of the Company's employees.

In 2017, the Audit Committee held regular meetings to manage and measure efficiency of the internal control systems where the external auditors and the internal auditor attended. The committee highlights for the year consist of:

- Review interim and annual financial statements and external auditors report before submission to the Board of Directors for final approval, to ensure the adequacy of the Company's financial statements and the integrity of the external auditor which his opinion impartial and attached to the Company's annual report;
- Discuss and study the observations submitted in FY 2016's external auditors report;
- Approve internal auditing schemes for different company departments;
- Recommend hiring new external auditors for the Company in compliance with article 3-4-6 of Module 5 – Securities Activities and Registered Persons which states that each registered auditor shall not review or audit for any client for a period exceeding four consecutive financial years unless the Client is under liquidation. The term shall be calculated as of the date of registration in the Auditors' register with the Capital Markets Authority;
- Review and approve Internal Control Review (ICR) report for FY 2016 that was prepared by Baker Tilly and submitted with the Capital Markets Authority, and authorize the internal auditor to follow-up and resolve observations;
- Review the Company's Capital Market Authority's inspection report and recommend mitigating its observations;
- Review internal auditing reports prepared in FY 2017 for all Company's departments and related observations, authorizing the Company's internal auditor and compliance officer to follow-up on mitigating them.

Integrity of Financial Reporting

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

Regulatory Compliance

In accordance with the Executive Regulations of the Law 7/2010 and amendments thereto issued by Capital Markets Authority, the Audit Committee had taken the necessary actions to implement the new instructions of corporate governance. Such actions included the existing audit procedures, preparation of the Committee's minutes, resolutions and agenda. Also, the committee confirms that the Board of Directors and Executive Management must submit clear declarations in writing regarding the integrity the Company's annual financial statements and the other reports regarding the Company's activities. They also undertake and declare that the aforementioned report covers all of the Company's financial aspects and operating results, and that such reports are prepared in accordance with the International Financial Reporting Standards (IFRS).

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

Chairman of Audit Committee
Fahad Abdul Rahman Al Mukhaizim

Board of Directors' Undertaking

We, the chairman and members of the Board of Directors of Al-Safat Investment Company KSC, hereby assure the accuracy and integrity of the financial statements as of 31 December 2017 except omission and error, and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait according to such information and reports as have been received by us from the Executive management, auditors and that due care has been made to verify the integrity and accuracy of those reports.

Chairman
Abdullah Hamad AlTerkait

Vice-Chairman
Fahad Abdul Rahman
Al Mukhaizim

Board Member
Abdul Muhsen Suliman
Al Meshan

Board Member
Naser Bader
Al Sharhan

Board Member
Dr. Anwar Ali
Al Naqi,

Board Member
Mishaal Ahmed
Al Jareki

Board Member
Abdul Razzaq Zaid Al
Dhubayan

Executive Management's Undertaking

To Chairman and Members of the Board of Directors,

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwait Capital Markets Authority, we assure that the consolidated financial statements of Al-Safat Investment Company KSC, the parent company and its subsidiary companies for the financial year ended 31 December 2017, are presented in a sound and fair manner except omission and error, that they show all the Financial aspects of the company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.

Chief Executive Officer	Executive Vice President	Acting Finance Manager
Abdul Muhsen Suliman Al Meshan	Ahmed Fathy Abouzeid	Herald Leo Fernandes

Shariah Audit Report FY 2017

MANDR 000170

Date: 21/20/2018

The Sharia Report of AL-SAFAT INVESTMENT CO.
Fatwa and Shariah Supervisory Board
For the period from 01/01/2017 to 31/12/2017

To: The Shareholders of Al-Safat Investment Company.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2017 to 31/12/2017. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

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

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

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2017 to 31/12/2017. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

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

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

Peace, mercy and blessings of Allah be upon you.

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

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

شركة المشورة والراية للاستشارات المالية الإسلامية ش.م.ك (مقفلة) - س.ت : 330309 رأس المال المدفوع 2.000.000 د.ك
Tel: +965 22960555 - Fax: +965 22960556 - Al Mirqab - Al Sour Street - Jassem Al Asfour Tower - 7th Floor. info@mandr.com.kw www.mandr.com.kw

Shariah External Audit Report FY 2017

البيت التدقيق الشرعي

التاريخ: 2018/03/01

التقرير النهائي للتدقيق الشرعي الخارجي
للفترة المالية من (2017/01/01 – 2017/12/31م)

إلى الجمعية العمومية : شركة الصفاة للاستثمار

السلام عليكم ورحمة الله وبركاته...

نطاق العمل:

وفقاً إلى عقد الارتباط الموقع معكم، فإن نطاق العمل يتحدد في التأكد من مدى التزام شركة الصفاة للاستثمار في تنفيذ العقود والمعاملات طبقاً لقرارات الهيئة الشرعية كما تم بيانها في القرارات الآراء والإرشادات.

مسؤولية الشركة:

تقع مسئوولية الالتزام بتنفيذ العقود والمعاملات طبقاً لأحكام الشريعة الإسلامية كما تم بيانها من قبل الهيئة الشرعية للشركة على الإدارة التنفيذية.

مسؤولية شركة التدقيق الشرعي الخارجي عن البيانات المالية:

إن مسؤوليتنا تنحصر في إبداء رأي مستقل في مدى مطابقة معاملات الشركة وأنشطتها لقرارات الهيئة الشرعية للشركة بعد الفحص والإطلاع على العقود والعمليات والتنسيق مع الجهات المسؤولة عن إجراء العمليات بجميع طرق التواصل من الزيارات الميدانية والمراسلات وغيرها وفق الجدول المعد لذلك .

لقد قمنا بالإطلاع على تقرير هيئة الرقابة الشرعية والمدقق الشرعي الداخلي، كما قمنا بالإطلاع على جميع ما يلزم من أجل الحصول على جميع المعلومات والتفسيرات والإقرارات الزيارات التدقيقية التي نعتبرها ضرورية والتي كانت على النحو التالي : تمت الزيارة السنوية للصندوق بتاريخ 2018/03/01 وتمت مناقشة بند الاستثمارات المتاحة للبيع والودائع لأجل والنقد لدى الشركة وبند البنوك الدائنة وكانت النتائج الزيارة أن زودتنا بأدلة تكفي لإعطاء تأكيد معقول بمدى التزام معاملات الشركة وأنشطتها بقرارات الهيئة الشرعية للشركة، وتنفيذها للعقود والمعاملات المعتمدة من الهيئة ونعتقد بأن أعمال التدقيق التي قمنا بها توفر أساسا مناسباً لإبداء رأينا.

رأينا:

إن جميع العقود والعمليات التي تم فحصها والإطلاع عليها والقواعد المرجعية لتلك العقود والعمليات متوافقة مع قرارات الهيئة الشرعية للشركة ، ولم يتبين لنا أية مخالفات شرعية وفق القواعد المرجعية من قبل الهيئة الشرعية للشركة .

أ.ضاري ليث العتيقي
رئيس القطاع الشرعي

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State of Kuwait

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Consolidated Financial Statements
FY 2017

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Independent auditors' report

The Shareholders of
Al Safat Investment Company K.S.C.(Closed)
State of Kuwait

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) ("the Parent Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as applied in 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) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with the (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion mentioned above, we draw attention to note 34 which states that the Group has recorded past due wakalas amounted to KD 20,999,424 as at 31 December 2017 (2016: KD 21,322,928).

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

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

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

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

Auditors' 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 auditors' 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.

Independent auditors' report (continued)

The Shareholders of
Al Safat Investment Company K.S.C.(Closed)
State of Kuwait

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, and its executive regulations, as amended, and by the Parent 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, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017, that might have had a material effect on the business of the Parent Company or on its financial position.

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

Faisal Saqer Al Saqer
Licence No. 172-A
BDO Al Nisf & Partners

Khaled H. AL-Ahmad- CPA
License No. 173 – "A"
AL-Soor Certified Public Accountants
GGI Independent Member-Switzerland

Kuwait: 21 February 2018

Consolidated statement of financial position
At 31 December 2017

	Notes	2017	2016
Assets		KD	KD
Property, plant and equipment	4	6,615,355	6,031,604
Right of use property	5	18,962,370	11,612,034
Goodwill	6	1,550,265	1,550,265
Intangible assets		14,665	-
Investment in associates	7	1,229,514	5,968,042
Available for sale investments	8	14,379,149	20,910,120
Inventory		886,556	85,545
Accounts receivable and other assets	9	3,157,001	2,237,896
Due from related parties	10	573,893	307,897
Wakala receivables and Islamic finance	11	-	201,797
Investments at fair value through statement of profit or loss	12	3,179,992	2,072,879
Term deposits	13	235,000	-
Cash and cash equivalent	14	4,910,945	8,933,062
		55,694,705	59,911,141
Assets held for sale and assets related to discontinued operation	15	1,285,490	276,861
Total assets		56,980,195	60,188,002
Equity and liabilities			
Equity			
Share capital	16	25,693,940	25,693,940
Share premium	17	259,677	259,677
Statutory reserve	18	388,834	284,800
Voluntary reserve	19	388,834	284,800
Treasury shares	20	(307,393)	(307,393)
Treasury shares reserve		615,002	615,002
Fair value reserve		(6,585,690)	5,362,835
Foreign currency translation reserve		(486,159)	(467,827)
Retained earnings		2,969,835	2,149,778
Equity attributable to owners of the Parent Company		22,936,880	33,875,612
Non-controlling interests		8,640,138	2,529,199
Total equity		31,577,018	36,404,811
Liabilities			
Provision for staff indemnity		866,039	509,159
Wakala investment	21	20,999,424	21,322,928
Accounts payable and other liabilities	22	2,903,269	1,935,577
Due to related parties	10	1,000	15,527
Notes payable		7,379	-
Due to banks	14	54,981	-
		24,832,092	23,783,191
Liabilities related to assets held for sale	15	571,085	-
Total Liabilities		25,403,177	23,783,191
Total equity and liabilities		56,980,195	60,188,002

Abdullah Hamed Al-Terkait
Chairman

Fahad Abdulrahman Al-Mukhaizim
Vice Chairman

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
For the year ended 31 December 2017

	Notes	2017	2016
		KD	KD
Investment Activities			
Income from Islamic deposits		117,259	127,788
Dividend income		650,917	598,968
Income from portfolio and asset management		48,043	375,389
Realized gain / (loss) on sale of investment at fair value through statement of profit or loss		17,308	(32,871)
Unrealized loss on investment at fair value through statement of profit or loss		(493,907)	(58,416)
Realized loss on sale of available for sale investments		-	(173,005)
Gain on bargain purchase of subsidiary	3.2	2,784,366	1,796,342
Gain / (loss) on sale of property and equipment		3,843	(45,948)
Group's share of results of associates	7	(375,932)	(100,279)
(Loss) / gain on sale of assets held for sale	15	(9,142)	160,333
Net rental gain from right of use property	23	12,428	61,967
Fee income		35,240	173,121
(Provisions) / Reversal of provisions	24	(173,481)	1,356,514
Impairment losses	25	(346,727)	(52,687)
Gain / (loss) on foreign currency exchange		294,605	(1,956,349)
Other income		97,307	49,786
Total profit from investment activities		2,662,127	2,280,653
Trading Activities			
Revenue from trading activities		2,475,972	2,361,436
Cost of revenue from trading activities		(2,118,206)	(1,793,372)
Total profits from trading activities		357,766	568,064
		3,019,893	2,848,717
Expenses			
General and administrative expenses	26	(2,280,190)	(1,884,679)
Selling and distribution expenses		(125,348)	-
Profit for the year before Kuwait Foundation for the Advancement of Sciences (“KFAS”), Zakat and Board of Directors’ remuneration		614,355	964,038
KFAS		(5,110)	(8,676)
Zakat		(7,100)	-
Board of Directors’ remuneration	30	-	(42,000)
Profit for the year		602,145	913,362
Attributable to:			
Owners of the parent		1,028,125	844,357
Non-controlling interests		(425,980)	69,005
		602,145	913,362
Earnings per share (Basic and diluted) attributable to owners of the Parent Company (fils)	27	4.01	3.29

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	2017	2016
		KD	KD
Profit for the year		602,145	913,362
Other comprehensive income items:			
Items that may be reclassified subsequently to the consolidated statement of profit or loss			
Net unrealized (loss) / gain on available for sale investments		(12,275,043)	287,689
Transfer to consolidated statement of profit or loss on sale of available for sale investments		-	173,005
Fair value reserve of an associate		(19,859)	3,225
Impairment of available for sale investments	25	346,727	29,189
Exchange differences on translating foreign currency		(11,825)	(631,508)
Exchange differences on translating foreign currency of associate		(350)	4,372
Other comprehensive loss		(11,960,350)	(134,028)
Total comprehensive (loss) / income for the year		(11,358,205)	779,334
Attributable to:			
Owners of the Parent Company		(10,938,732)	963,180
Non-controlling interests		(419,473)	(183,846)
		(11,358,205)	779,334

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2015	25,693,940	259,677	195,297	195,297	(259,677)	615,002	4,865,355	(89,170)	1,484,427	32,960,148	812,216	33,772,364
Profit for the year	-	-	-	-	-	-	-	-	844,357	844,357	69,005	913,362
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	497,480	(378,657)	-	118,823	(252,851)	(134,028)
Total comprehensive income / (loss) for the year	-	-	-	-	-	-	497,480	(378,657)	844,357	963,180	(183,846)	779,334
Addition of non-controlling interest through business combination	-	-	-	-	-	-	-	-	-	-	2,023,634	2,023,634
Purchase of treasury shares of subsidiary	-	-	-	-	(47,716)	-	-	-	-	(47,716)	-	(47,716)
Transferred to reserves	-	-	89,503	89,503	-	-	-	-	(179,006)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(122,805)	(122,805)
Balance at 31 December 2016	25,693,940	259,677	284,800	284,800	(307,393)	615,002	5,362,835	(467,827)	2,149,778	33,875,612	2,529,199	36,404,811
Profit for the year	-	-	-	-	-	-	-	-	1,028,125	1,028,125	(425,980)	602,145
Other comprehensive (loss) / income for the year	-	-	-	-	-	-	(11,948,525)	(18,332)	-	(11,966,857)	6,507	(11,960,350)
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	(11,948,525)	(18,332)	1,028,125	(10,938,732)	(419,473)	(11,358,205)
Addition of non-controlling interest through business combination (note 3.2)	-	-	-	-	-	-	-	-	-	-	6,575,870	6,575,870
Transferred to reserves	-	-	104,034	104,034	-	-	-	-	(208,068)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(45,458)	(45,458)
Balance at 31 December 2017	25,693,940	259,677	388,834	388,834	(307,393)	615,002	(6585,690)	(486,159)	2,969,835	22,936,880	8,640,138	31,577,018

Consolidated statement of cash flows
For the year ended 31 December 2017

	Notes	2017	2016
		KD	KD
Cash flows from operating activities			
Profit for the year		602,145	913,362
Adjustments for:			
Depreciation	4	336,327	182,294
Amortisation of right of use property	5	859,455	861,782
Group's share of results of associates	7	375,932	100,279
Income from Islamic deposits		(117,259)	(127,788)
Dividend Income		(650,917)	(598,968)
Realized loss on sale of available for sale investments		-	173,005
Realized (gain) / loss on investment at fair value through statement of profit or loss		(17,308)	32,871
Unrealized loss on investments at fair value through statement of profit or loss		493,907	58,416
Gain on bargain purchase of subsidiary	3.2	(2,784,366)	(1,796,342)
Loss / (gain) on sale of assets held for sale		9,142	(160,333)
Provisions / (reversal of provisions)	24	173,481	(1,356,514)
Impairment losses	25	346,727	52,687
Provision for staff indemnity		183,781	95,094
(Gain) / loss on sale of property and equipment		(3,843)	45,948
Amortization of intangible assets		933	-
Currency exchange (gain) / loss on wakala investment		(323,504)	180,581
		(515,367)	(1,343,626)
Changes in operating assets and liabilities			
Investments at fair value through statement of profit or loss		(432,871)	3,139,124
Accounts receivable and other assets		(8,321)	442,391
Inventory		163,286	(18,238)
Wakala receivables and Islamic finance		493,750	556,000
Due from related parties		269,906	(293,621)
Due to related party		(15,652)	15,527
Accounts payable and other liabilities		236,339	(982,432)
Cash generated from operations		191,070	1,515,125
Staff indemnity paid		(70,558)	(38,914)
Net cash from operating activities		120,512	1,476,211
Cash flows from investing activities			
Net (purchase) / proceeds from disposal of available for sale investments		(1,507,200)	3,192,909
Net proceed from sale of asset held for sale		-	960,333
Purchase of right of use	5	(1,900,000)	-
Purchase of property, plant, and equipment	4	(136,510)	(102,749)
Proceeds from sale of property, plant and equipment		7,179	123,712
Purchase of intangible assets		(5,938)	-
Purchase of subsidiary	3.2	(1,548,572)	(877,050)
Term deposits	13	(235,000)	-
Cash from purchase of a subsidiary	3.2	855,057	6,564
Dividend paid to non-controlling interests		(45,458)	(122,805)
Income received from Islamic deposits		117,259	127,788
Dividend income received		194,194	157,597
Net cash (used in) / from investing activities		(4,204,989)	3,466,299
Cash flows from financing activities			
Treasury shares		-	(47,716)
Notes payable		7,379	-
Net cash from / (used in) financing activities		7,379	(47,716)
(Decrease) / increase in cash and cash equivalent		(4,077,098)	4,894,794
Cash and cash equivalent at beginning of the year		8,933,062	4,038,268
Cash and cash equivalent at end of the year	14	4,855,964	8,933,062

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2017

1. General information

Al Safat Investment Company K.S.C. (Closed) ("the parent company") incorporated on 15 September 1983. The parent company shares was listed on the Kuwait Stock Exchange on 21 November 2005 and is governed under the supervision of the Capital Market Authority and Central Bank of Kuwait. The company has been cancelled from trading on the Kuwait Stock Exchange on 13 March 2013.

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

The purposes which the company was incorporated and its activities are as follows:

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

In all cases, the company is required to conduct all its activities in accordance with Islamic Sharia Laws. The company is not allowed, under any circumstances, to conduct any of its activities mentioned above in a way that exposes the company, direct or indirect, to conduct its activities contrary to Islamic Sharia.

The address of the parent company’s registered office is Al-Safat Group Headquarters, Hawalli, Beirut Street, Opposite to Al-Qadessya Club – Floor 14, P.O. Box 20133, Al Safat 13062, State of Kuwait.

The consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) and its subsidiaries (the group) for the year ended 31 December 2017 were authorized for issue by the parent company’s board of directors on 21 February 2018 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the parent company have the power to amend these consolidated financial statements at the Annual General Assembly.

Notes to the consolidated financial statements
For the year ended 31 December 2017

2. Application of New and Revised International Financial Reporting Standards (IFRSs)

a) New standards, interpretations and amendments effective from 1 January 2017

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

Amendment to IAS 7 – Disclosure Initiative
The amendment to this standard which is effective prospectively for annual periods beginning on or after 1 January 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes, early application of this amendment is permitted.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses
The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements to IFRS – 2014 – 2016 Cycle

Amendments to IFRS 12 – Disclosure of interests in other entities
The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures (or included in a disposal group) that are classified as held for sale.

These amendments do not have any impact on the Group's consolidated financial statements.

b) Standards and interpretations issued but not effective

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

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

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

IFRS 15 - Revenue from contracts with customers
The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:
- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

2. Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

b) Standards and interpretations issued but not effective (continued)

IFRS 16 - Leases
This standard will be effective for annual periods beginning on or after 1 January 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

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

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
This standard will be effective for annual periods beginning on or after 1 January 2018, the amendments address three main areas:
- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

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

Amendments to IAS 40 – Transfers of Investment Property
The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The amendments clarify that a transfer to / from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

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

Annual Improvements to IFRS – 2014 – 2016 Cycle

These annual improvements are effective for annual periods beginning on or after 1 January 2018 and are not expected to have a material impact on the Group. They include:

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.

IAS 28 – Investments in Associates and Joint Ventures

The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at Fair Value through Profit or Loss (FVTPL) is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

The amendments apply retrospectively with earlier application permitted.

Notes to the consolidated financial statements
For the year ended 31 December 2017

2. Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

b) Standards and interpretations issued but not effective (continued)

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

3. Significant accounting policies

3.1 Basis of preparation and compliance statement

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are applied on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

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

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

3.2 Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2017.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present:
- power over the investee;
- exposure to variable returns from the investee; and
- the ability of the investor to use its power to affect those variable returns.

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

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:
- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Parent Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

3. Significant accounting policies (continued)

3.2 Basis of consolidation (continued)

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

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

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

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

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

The consolidated financial statements include the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held		Net asset value	
			31 December		31 December	
			2017	2016	2017	2016
					KD	KD
Al Safat Holding Company K.S.C.(Closed)	Business management	Kuwait	100%	100%	10,766,078	9,086,226
Safat House for General Trading Company W.L.L.	General Trading	Kuwait	80%	80%	82,108	83,708
Al Safat for Consultancy K.S.C. (Closed)	Consultancy	Kuwait	96%	96%	113,131	177,384
Dar Al Safat General Trading Company W.L.L.	General Trading	Kuwait	100%	100%	212,332	252,562
The Roots Brokerage – Egypt	Services	Egypt	60%	60%	249,229	282,380

During the year, the Group received dividends in the amount of KD 161,937 from Al-Assriya Printing Press Publishing and Distribution Company W.L.L. (indirect subsidiary company) and The Roots Brokerage – Egypt.

During the year, one of group's subsidiaries (Safat Holding Company K.S.C. (Closed)) increased its share in its subsidiary company (Al-Ezdehar Real Estate Tourism Company K.S.C. (Closed)) from 56.912% to 77.468%, as a result of acquisition of subsidiary company (see below) which resulted in decrease in non-controlling interest amounting to KD 917,021

3. Significant accounting policies (continued)

3.2 Basis of consolidation (continued)

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

Non-controlling interests are immaterial to the Group's subsidiaries except Safat Industries Holding Company, a subsidiary of Safat Holding Company, which was acquired on 1 July 2017 as described in the paragraph below.

On 1 July 2017, Al Safat Holding Company K.S.C. (Closed) (100% subsidiary) acquired 38.44% of Safat Industries Holding Company K.S.C. (Closed) making the total shareholding of the company at 63.79% which resulted in the reclassification from investments in associate to consolidated subsidiary. During the year, the Group carried out a Purchase Price Allocation exercise for the acquisition of shares in Safat Industries Holding Company K.S.C. (Holding) (indirect subsidiary company) that resulted in gain on bargain purchase in the amount of KD 2,784,366 which is included in the consolidated statement of profit or loss.

The following is a summary of the financial information of the subsidiary as at 1 July 2017:

	Carrying values	**Fair values**
	KD	KD
Assets		
Property, plant and equipment (notes 4)	388,311	825,933
Goodwill	1,863,251	-
Intangible assets	9,660	9,660
Right of use (note 5)	-	6,309,791
Investment in associate	2,474,102	2,474,102
Available for sale investment	1,098,873	1,098,873
Inventory	1,101,297	1,101,297
Debtors and debit balances	651,422	651,422
Due from related party	535,902	535,902
Investments at fair value through statement of profit or loss	992,148	992,148
Cash and cash equivalents	908,755	908,755
Asset held for sale and assets related to discontinued operation	129,518	129,518
Liabilities		
Provision for staff indemnity	(243,657)	(243,657)
Creditors and credit balances	(581,021)	(581,021)
Due to related parties	(1,125)	(1,125)
Due to banks	(53,698)	(53,698)
Liability related to asset held for sale	(566,583)	(566,583)
	8,707,155	13,591,317
Less: Non-controlling interest	(1,186,550)	(7,492,891)
Net identifiable assets	7,520,605	6,098,426
Consideration exchanged		
Transferred from associate company		(1,765,488)
Cash		(1,548,572)
Total consideration exchanged		(3,314,060)
Gain on bargain purchased		2,784,366
Cash and cash equivalent of acquisition of indirect subsidiary		
Cash and bank balances	908,755	-
Due to bank	(53,698)	-
	855,057	-

All the subsidiaries financial statements (except Al Safat for Consultancy K.S.C. (Closed) and Dar Al Safat General Trading Company W.L.L.) were consolidated based on management accounts prepared by the parent company for the year ended 31 December 2017, since the dates of financial statements of some companies are different from that of the consolidated financial statements of the Group.

3. Significant accounting policies (continued)

3.3 Business combinations

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

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

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

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

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

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

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

3.4 Property, plant and equipment

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

3.5 Rights of use of property

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

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

The right of use is considered unlimited due to prevailing market norms that support its renewal on an ongoing basis and accordingly, its cost is not amortized.

The useful life of the right of use is reviewed to ensure that there are no events or circumstances that determine its useful life. If such events or circumstances are established, the carrying amount of the right of use is amortized from the date of the events and the circumstances that led to the determination of its useful life.

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

3.6 Goodwill

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

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

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

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

3.7 Intangible assets

Intangible assets with a finite useful life that are separately acquired and acquired are stated at cost less any accumulated impairment losses or impairment losses, if any. Amortization is calculated on a straight-line basis over the expected useful life.

The useful life and amortization methods are reviewed at the end of each financial year. The change in estimates is accounted for from the beginning of the financial year in which the change occurs.

Intangible assets with indefinite useful lives that are acquired separately are stated at cost less any impairment losses, if any.

Intangible assets are written off on disposal or when there is no future benefit from the use. The gain or loss on sale is measured as the difference between net sales proceeds and the carrying amount of the asset sold and subsequently recognized in the statement of comprehensive income.

3. Significant accounting policies (continued)

3.8 Investment in associate

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

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

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

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

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

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

3.9 Impairment of tangible and intangible assets

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

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

3.10 Financial assets

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

Financial assets are classified into the following specified categories: "available for sale investments", "debtors and other debit balances", "due from related parties", "wakala receivables and Islamic finance", "investment at fair value through profit and loss", "Term deposits" and "cash and cash equivalent". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective profit rate method

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

Available for sale investments

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

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

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

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

Receivables

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

Wakala receivables

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

3.10 Financial assets (continued)

Investments at fair value through statement of profit or loss ("FVTPL")

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

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

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

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

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

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

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

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 31 (c).

Cash and cash equivalents

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.
For financial assets classified as available for sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

3.10 Financial assets (continued)

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

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

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

Any increase in fair value subsequent to an impairment loss is recognised directly in consolidated statement of profit or loss and other comprehensive income.

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

3.11 Financial liabilities

The group's financial liabilities include wakala investments, accounts payables and other liabilities, notes payable, and due to banks and due to related parties.

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

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

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

Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost any difference between the proceeds (net of transaction costs); and the recoverable amount is recognized in the consolidated statement of income over the term of the borrowings using the effective yield method.

Offset
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal rights to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.12 Inventories

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

3.13 Assets held for sale

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

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

3.14 Related parties

Related parties are senior shareholders of the Group, directors, key management personnel, their immediate family members and companies controlled or controlled by the parent company. In the normal course of business and with the approval of the Group's management, transactions were made with those related parties.

3.15 Treasury shares

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

3.16 Provisions

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

3.17 Provision for staff indemnity

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

3.18 Foreign currency translation

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

Transactions and balances

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

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

3.19 Revenue recognition
- Revenue is measured at the fair value of the consideration received or receivable, and is reduced by the estimated amounts of returns from customers, discounts and other similar deductions.
- Income from Islamic deposits is recognised based on estimation of expected income and it is distributed on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Portfolio management fees and commission income is recognised when earned in accordance with related contract terms.
- Fee income is recognised when earned in accordance with related contract terms.

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

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

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

3.23 Share of Kuwait Foundation for the Advancement of Science and Zakat
Kuwait Foundation for Practical Advancement and Zakat The fees / taxes imposed on the parent company are fixed at profit for the year less deductible deductions in accordance with the applicable financial laws in this regard in the State of Kuwait. In accordance with the current tax / tax laws, the cumulative loss is not permitted and there are no material differences between the tax / liability bases of the assets and liabilities and their carrying amounts for the purposes of the financial statements.

Shares	Tax / ratio
1% of net profit less deductible deductions	Kuwait Foundation for Advancement of Science
1% of net profit less deductible deductions	Zakat

3.24 Segment information
The segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments used by the Group's management to allocate and assesses performance are consistent with the internal report provided to the Chief Operating Decision Maker. The operating segment exhibiting similar economic characteristics product and services, class of customers where appropriate are aggregated and reported as reportable segments.

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

3. Significant accounting policies (continued)

3.26 Significant accounting judgements and estimation uncertainty

Accounting judgements

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

Impairment of investments

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

Classification of investments

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

Classification of investments as investment at fair value through statement of profit or loss depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as at fair value through statement of profit or loss. All other investments are classified as available for sale or as held to maturity.

The useful life of tangible assets

The Group retains the estimated useful life at which tangible assets are depreciated. The Group's management is satisfied that the estimated useful lives of these assets are appropriate.

Impairment of associates

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset or cash generating unit and also choose an appropriate discount rate in order to calculate the present value of the cash flows.

Impairment of inventory

The Group reviews receivables and other assets on a periodic basis to assess any indicators of impairment and whether the provision for impairment should be recorded in the consolidated statement of income. Such estimates are necessary on the basis of several factors that require different degrees of uncertainty and therefore the actual results may differ from the estimates resulting in changes to those provisions.

Impairment of debtors and other receivables

Inventories are stated at the lower of cost and net realizable value. When the goods become obsolete or obsolete, their recoverable amount is estimated. For large amounts, estimation is made individually. Amounts that are not considered to be significant are assessed collectively and are allocated based on the type of inventory and the length of time outstanding according to historical selling rates.

Estimation uncertainty

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

Valuation of unquoted equity investments

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

4. Property, plant and equipment

	Freehold land	Buildings on freehold land	Buildings on leased land	Buildings improvements	Machinery and equipment	Furniture, fixtures and computers	Vehicle	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
Balance at 1 January 2017	1,595,698	2,668,033	96,804	192,437	2,675,261	1,413,609	103,391	8,745,233
Additions	-	-	37,636	1,449	55,961	25,814	15,650	136,510
Acquisition through business combination (note 3.2)	-	-	1,897,328	-	2,840,399	409,124	93,802	5,240,653
Disposals	-	-	-	-	-	-	(19,650)	(19,650)
Foreign exchange differences	-	(41,756)	-	-	(1,021)	(8,720)	-	(51,497)
Balance at 31 December 2017	1,595,698	2,626,277	2,031,768	193,886	5,570,600	1,839,827	193,193	14,051,249
Accumulated depreciation and impairment								
Balance at 1 January 2017	-	392,078	72,571	143,895	971,692	1,084,754	48,639	2,713,629
Annual depreciation	-	52,759	32,171	10,143	146,208	74,721	20,325	336,327
Addition through Purchase Price Allocation (note 3.2)	-	-	1,367,251	-	2,575,195	403,689	68,585	4,414,720
Disposals	-	-	-	-	-	-	(16,314)	(16,314)
Foreign exchange differences	-	(6,396)	-	-	(620)	(5,452)	-	(12,468)
Balance at 31 December 2017	-	438,441	1,471,993	154,038	3,692,475	1,557,712	121,235	7,435,894
Net book value								
31 December 2017	1,595,698	2,187,836	559,775	39,848	1,878,125	282,115	71,958	6,615,355
31 December 2016	1,595,698	2,275,955	24,233	48,542	1,703,569	328,855	54,752	6,031,604
Depreciation rate (year)		5	40	10	2 - 40	3 - 10	5	

Buildings are constructed on a leased land from Government.

Depreciation expenses have been charged as follows:

	2017	2016
	KD	KD
General and administrative expenses	166,037	72,570
Cost of revenue	170,290	109,724
	336,327	182,294

4. Property, plant and equipment (continued)

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

Notes to the consolidated financial statements
For the year ended 31 December 2017

5. Right of use property

	2017	2016
	KD	KD
Cost		
Balance at 31 December	16,761,575	16,761,575
Addition through purchases	1,900,000	-
Additions through business combinations (note 3.2)	6,309,791	-
	24,971,366	16,761,575
Accumulated amortization		
Balance at 31 December	5,149,541	4,287,759
Annual amortization	859,455	861,782
	6,008,996	5,149,541
Net book value		
31 December	18,962,370	11,612,034

Right of use property as at 31 December 2017 includes payment made and expenses incurred on a Build, Operate and Transfer ("B.O.T.") project awarded to the group during the year 2005. The group's B.O.T. project is constructed on land leased from a third party for a period of twenty years under a renewable usufruct agreement (see note 23).

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

6. Goodwill

Goodwill resulted from acquisition of the following company:

	2017	2016
	KD	KD
Al-Assriya Printing Press Publishing and Distribution Company W.L.L. (indirect subsidiary)	1,550,265	1,550,265
	1,500,265	1,550,265

The management of the Group performed assessment of goodwill to determine whether there is impairment in value or not based on internal valuation report.

7. Investment in associates

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

Associate company name	Place of incorporation	Ownership interest and voting rights		Carrying value		Activities
		2017	2016	2017	2016	
		(%)	(%)	KD	KD	
Kuwait Medical Center Holding Company K.S.C. (Closed)	Kuwait	-	13.72	-	3,825,702	Business Management
Dana Al-Safat Real Estate Company K.S.C. (Closed)	Kuwait	24.09	24.09	1	1	Real Estate
Al-Safat Media for Advertising & Publicity K.S.C. (Closed)	Kuwait	27.00	27.00	1	1	Advertising and Promotion
Asia Holding Company K.S.C. (Holding)	Kuwait	21.7	-	1,229,512	-	Business Management
Safat Industries Holding Company K.S.C. (Holding)	Kuwait	-	25.35	-	2,142,338	Business Management
				1,229,514	5,968,042	

All above associates are measured using equity method.

During the year, the Group purchased additional 38.44% shares of Safat Industries Holding Company K.S.C. (Closed) making the total shareholding of the Group at 63.79% which required the reclassification from investments in associate to consolidated subsidiary (note 3.2). As a result of this transaction Asia Holding Company K.S.C. (Holding) has been recorded as investment in associate.

7. Investment in associates (continued)

During the year, the Group lost significant influence over Kuwait Medical Center Holding Company K.S.C. (Holding). As a result, the Group reclassified the investment in that company to available-for-sale investments.

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

All financial information from associates are based on financial statements as at 31 December 2017.

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

	2017
	KD
Financial position of Asia Holding:	
Total assets	6,838,680
Total liabilities	(31,176)
Net assets	6,807,504
Group’s share of net assets of associates	1,229,512
Share of revenues and results in the associate:	
Revenues	10,450
Net loss	(1,487,348)
Other comprehensive loss for the year	(93,132)
Group’s share of results of associates	(375,932)

The remaining associates are not material to the Group.

8. Available for sale investments

	2017	2016
	KD	KD
Quoted Local securities	2,286,929	1,412,494
Quoted Foreign securities	6,423,995	-
Unquoted Local securities	5,398,152	1,158,155
Unquoted Foreign securities	270,073	18,339,471
	14,379,149	20,910,120

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

The quoted and unquoted securities include investments with related parties in the amount of KD 2,285,326 (2016: KD 1,406,653) and KD 4,260,548 (2016: KD 493,476) (note 10).

As at 31 December 2017, the management carried out a review of the carrying value of its quoted and unquoted available for sale investments and determined that an impairment loss has occurred on these assets and as a consequence recognized this in the consolidated statement of profit or loss from the other comprehensive income amounting to KD 346,727 (2016: KD 29,189) (note 25).

Quoted foreign securities represent shares in Al Qudra Holding Company in the amount of KD 6,423,995 (2016: KD 18,080,277). Al Qudra Holding shares were listed in Abu Dhabi securities market, the second market, in United Arab Emirates on 4 December 2017. The Group management has engaged an independent valuer to determine whether there is impairment in value or not. This valuation has resulted that fair value is greater than market value. As a result, impairment loss has not been recognized.

Available for sale investments with a fair value of KD 4,302,409 as at 31 December 2017 (2016: KD 12,109,091) are pledged against wakala investment (note 21).

9. Accounts receivable and other assets

	2017	2016
	KD	KD
Refundable deposits	17,405	48,569
Prepaid expenses	287,207	107,723
Project advance	450,265	450,265
Provision for project advance	(450,265)	(450,265)
Accrued income and dividend	1,292,837	934,735
Other receivables	9,097,782	8,242,134
Provision for other receivables and accrued income	(7,538,230)	(7,095,265)
	3,157,001	2,237,896

Accrued income and dividend include income from pledge against wakala investment amounting to KD 1,110,136 as at 31 December 2017 (2016: KD 819,385).

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

	2017	2016
	KD	KD
Opening balance	7,095,265	6,979,893
Chargeed for the year (note 24)	196,434	219,370
Additions through business combination	929,897	-
Provision written off	(683,366)	(103,998)
Ending balance	7,538,230	7,095,265

10. Related parties transactions

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

Balances and transactions between the Parent Company and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note. The related parties balances and transactions included in the consolidated financial statements are as follows:

	2017	2016
	KD	KD
Transactions during the year		
Key management personnel's salaries and benefits	138,669	103,870
Associate companies – Management fees	3,970	3,877
Other related parties – Management fees	8,608	30,205
Committees bonus	-	100,000
	151,247	237,952
Due from :		
Other related parties	579,122	351,959
Less: provision for associates and other related parties	(5,229)	(44,062)
	573,893	307,897
Available for sale investments (note 8)	6,545,874	1,900,129
Investments at fair value through statement of profit or loss (note 12)	1,628,139	1,564,555
Due to:		
Other related parties	1,000	15,527

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

Off-financial position:		
Managed portfolios	10,113,219	15,552,631

11. Wakala receivables and Islamic finance

	2017	2016
	KD	KD
Wakala receivable	1,167,500	1,167,500
Proceeds during the year	(493,750)	-
Less: provision for doubtful wakala receivables (see below)	(673,750)	(965,703)
	-	201,797

During the year, the parent company received a certified cheque in the amount of KD 493,750 as an adjustment to the wakala receivable. The management has approved the settlement and a reversal of provision for doubtful wakala amounting to KD 291,953 (2016: KD 248,929) has been recorded (note 24).

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

	2017	2016
	KD	KD
Financial assets		
Quoted investments		
Financial services sector	271,873	114,800
Banks sector	-	155,400
Real estate sector	347,699	2,985
Industrial sector	873,263	998,773
Services sector	189,397	-
Food sector	273,090	343,359
Oil and gas sector	150,339	143,355
Communication sector	-	32,400
Technology sector	89,105	138,082
	2,194,766	1,929,154
Managed funds	839,597	-
Managed portfolio	145,629	143,725
	3,179,992	2,072,879

Quoted investments and managed funds include investments with related parties in the amount of KD 1,628,139 (2016: KD 1,564,555) (note 10).

13. Term deposits

	2017	2016
	KD	KD
Term Deposits	235,000	-

The effective yield rate of term deposits at the reporting date is 1.38% per annum.

14. Cash and cash equivalent

	2017	2016
	KD	KD
Cash on hand	14,591	23,932
Cash at bank	3,616,789	7,849,336
Short term Islamic deposit	1,279,565	1,059,794
	4,910,945	8,933,062
Less: Due to bank	(54,981)	-
Cash and cash equivalent for consolidated statement of cash flow	4,855,964	8,933,062

The effective yield rate of the short term Islamic deposit is 9% (2016: 5% to 9%) per annum.

Notes to the consolidated financial statements
For the year ended 31 December 2017

15. Assets held for sale

a) The Group decided on 15 May 2017 to dispose of Safat Holding Company Bahrain B.S.C (Closed) a subsidiary of Safat Holding Company (subsidiary company). Negotiations were made with non-related party to purchase this activity. Assets and liabilities related to the subsidiary that are expected to be sold within 12 months were classified as assets and liabilities subject to disposal as discontinued operations, and were presented separately in the consolidated statement of financial position. The final contracts related to selling 100% holding in Safat Holding Company Bahrain B.S.C. (Closed) at BD 1,100,000 equivalent to KD 882,799 were signed.

	KD
Assets	
Investment in an associate	885,581
Cash and cash equivalent	3,546
Assets held for sale	889,127
Liabilities	
Creditors and other credit balances	4,502
Liabilities related to assets held for sale	4,502
Net assets held for sale	884,625

The summary of the results of operations relating to discontinued operations is as follows:

	2017	2016
	KD	KD
General and administrative expenses	(565)	-
Other income	1,439	-
Net profit of discontinued operations	874	-

b) During the prior year, the Board of Directors of one of the subsidiaries decided to sell and terminate operations at Gulf Powder Coating Manufacturing Co. W.L.L. (an indirect subsidiary). As a result, the assets relating to this Company were classified as held for sale and discontinued operations. Due to the immateriality of the amounts included in these transactions, the Group has not provided the required disclosures in accordance with IFRS 5, but some information has been provided as follows:

The principal assets and liabilities of Gulf Powder Coating Manufacturing Co. W.L.L classified as held for sale are as follows:

	KD
Assets	
Inventory	91,879
Debtors and debit balances	37,629
Cash and cash equivalent	10
Assets held for sale	129,518
Liabilities	
Creditors and other credit balances	346,187
Due to related parties	217,808
Indemnity	2,588
Liabilities related to assets held for sale	566,583
Net Liabilities held for sale	(437,065)

c) The Group's interest in Dar Al Huda is based on audited financial statements as at 31 December 2017. The liquidation of Dar Al Huda Holding Company KSC (Closed) has not been completed until the date of preparation of the consolidated financial statements.

	2017	2016
	KD	KD
Dar Al Huda Holding Company K.S.C. (Closed) (Under Liquidation)	266,845	276,861

During the year, the Company realized a loss of KD 10,016 (2016: KD Nil).

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

16. Share capital

	2017 KD	2016 KD
The authorised, issued and fully paid up share capital comprise of: 256,939,400 (2015 : 256,939,400) shares at a nominal value of 100 fils each and all in cash	25,693,940	25,693,940

17. Share premium

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

18. Statutory reserve

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

19. Voluntary reserve

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

20. Treasury shares

	2017	2016
Number of shares (No's)	803,011	803,011
Percentage of issued shares (%)	0.31	0.31
Cost (KD)	307,393	307,393

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

21. Wakala investment

The balance wakala investment – Qatar National Bank in the amount of KD 20,999,424 (2016: KD 21,322,928) represents net amount recorded in Group's books. Based on independent legal council's opinion, the Group stopped on 1 January 2012 recording contracted costs accrued and recorded in the books during prior years. The Group also deducted the contracted cost already paid for wakala investment contract from the principal of the wakala. A legal case has been filed by the Qatar National Bank against the group to recover the due amounts.

On 27 January 2016, an appeals court judgement No. 2701 / 2013 commercial / 12 was issued which obligates the Group to pay amount of 360 Million Qatari Riyals or its equivalent in KD 29,843,424 and accrued interest at the rate 12% per annum from 1 June 2010 till full payment.

Based on independent legal councils' opinion, the Group management did not record the financial effect of this judgement in its consolidated financial statements in the amount of KD 36,021,957 as at balance sheet date. This is based on Group having reasons likely to be accepted by the court upon appeal to supreme court, which is already filed. It is also likely that the supreme court will accept reasons provided for the cancellation of accrued interest, which will reduce obligation significantly, if not eliminate altogether, and adjudicate the return of principal only (shares of Al Qudra Holding Company). The financial effect of this judgement is to increase accumulated losses as at 31 December 2017 by KD 36,021,957 and increase wakala payables by same amount as at that date.

The effect of this judgement is recorded as part of contingent liabilities of the Group (note 29). The consolidated financial statements of the Group do not include any effect relating to settlement of contingent liabilities previously stated above.

On 6 April 2016, the court ordered to temporarily halt (stop) implementation of the appealed judgement until decision on appeal. The appeal against the case is still pending before the Court of Cassation, which was not resolved until the date of issuing the consolidated financial statements

Wakala investment is secured by the parent company's investments in available for sale investments with a carrying value of KD 4,302,409 (2016: KD 12,109,091) (note 8).

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22. Accounts payable and other liabilities

	2017	2016
	KD	KD
Trade payables	2,202,007	916,566
Provision for legal cases (note 24)	132,000	466,544
Accrued expenses	264,161	147,233
Provision for leave	165,199	143,987
Dividend payable	36,432	6,707
KFAS	5,983	8,676
Zakat	33,671	103,996
Board of Directors' remuneration	-	42,000
Others	63,816	99,868
	2,903,269	1,935,577

23. Net rental gain from right of use property

	2017	2016
	KD	KD
Rental income from right of use property	1,273,330	1,283,564
Amortisation of right of use property	(812,585)	(814,812)
Right of use property expenses	(448,317)	(406,785)
	12,428	61,967

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

24. (Provisions) / reversal of provisions

	2017	2016
	KD	KD
Provision for receivables and other assets (note 9)	(196,434)	(219,370)
Reversal of provision for associates and related parties	-	14,276
Reversal of provision of wakala receivable and Islamic finance (note 11)	291,953	248,929
Provision for legal cases (note 22)	(132,000)	(216,544)
Reversal of provision for Bank guarantee on behalf of associate	-	1,470,000
Reversal of provision of indemnity	-	59,223
Provision for slow moving inventory	(137,000)	-
	(173,481)	1,356,514

25. Impairment losses

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

	2017	2016
	KD	KD
Other debit balances	-	23,498
Available for sale investments (note 8)	346,727	29,189
	346,727	52,687

26. General and administrative expenses

	2017	2016
	KD	KD
Staff costs	1,583,872	1,142,868
Legal and professional fees	116,195	222,200
Rent	7,853	24,914
Depreciation and amortisation	212,907	119,540
Committees bonus	-	100,000
Others	359,363	275,157
	2,280,190	1,884,679

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

Basic and diluted earnings per share is computed by dividing profit attributable to owners of the parent company by the weighted average number of shares outstanding during the year, less treasury shares.

The Parent Company had no outstanding dilutive potential shares.

	2017	2016
Profit for the year attributable to owners of the parent company (KD)	1,028,125	844,357
Weighted average number of shares less treasury shares (shares)	256,136,389	256,136,389
Earnings per share (Basic and diluted) (fils)	4.01	3.29

28. Fiduciary assets

Third party funds managed by the parent company and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the group's assets or liabilities and accordingly are not included in these consolidated financial statements. Total fiduciary assets as at the financial position date amounted to KD 19,305,529 as at 31 December 2017 (2016: KD 46,494,716).

29. Commitments and contingencies

	2017	2016
	KD	KD
Contracted cost for past due wakalas as at 31 December (note 21)	36,021,957	32,940,507
Letter of guarantees and letter of credits	210,596	-
	36,232,553	32,940,507

Operating lease commitments

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

	2017	2016
	KD	KD
Not less than one year	360,000	360,000
Later than one year but not less than five years	1,440,000	1,440,000
More than five years but not less than twenty years	3,000,000	3,360,000

30. Annual general assembly

The annual general assembly meeting of shareholders held on 14 August 2017 approved the consolidated financial statements for the year ended 31 December 2016. It also approved non-distribution of dividend for the years then ended. Also, shareholders approved remuneration of Parent Company's Board of Directors' for KD 42,000 for the year ended 31 December 2016.

31. Capital management and financial risks

a. Capital risk management

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

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Notes to the consolidated financial statements
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31. Capital management and financial risks (continued)

a. Capital risk management (continued)

Gearing ratio:

The gearing ratio at year end as follows:

	2017	2016
	KD	KD
Wakala investment	20,999,424	21,322,928
Notes payable	7,379	-
Due to banks	54,981	-
Term deposits	(235,000)	-
Cash and cash equivalents	(4,910,945)	(8,933,062)
Net debt	15,915,839	12,389,866
Total equity	31,577,018	36,404,811
Net debt to equity ratio	%50	34%

b. Financial risks

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk are monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.

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

Market risk

(i) Foreign currency risk

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

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

	2017 Equivalent	2016 Equivalent
	KD	KD
US Dollars	1,803,000	2,832,137
Qatari Riyal	(20,999,424)	(21,322,928)
UAE Dirhams	7,682,394	18,967,002
Egyptian Pound	1,801,053	1,654,137
Lebanese Lira	4,091,560	4,206,322
Saudi Riyal	839,597	-
Bahraini Dinar	884,624	-
Net assets denominated in foreign currency	(3,897,196)	6,336,670

The table below analyze the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December 2017 and 2016, with all other variables held constant on the consolidated statement of profit or loss and equity. A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

31. Capital management and financial risks (continued)

(b) Financial risks (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Currency	Change in currency rate in	2017 Effect on profit	2017 Effect on equity	2016 Effect on profit	2016 Effect on equity
	%	KD	KD	KD	KD
USD	±5	83,321	6,829	134,837	6,707
QAR	±5	(1,049,971)	-	(1,066,146)	-
AED	±5	62,920	321,200	44,336	904,014
EGP	±5	71,128	18,925	62,473	20,234
Lebanese Lira	±5	204,578	-	210,316	-
Saudi Riyal	±5	41,980	-	-	-
Bahraini dinar	±5	-	44,231	-	-

(ii) Equity price risk

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

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

	Change in equity price 2017	Effect on profit 2017	Effect on equity 2017	Change in equity price 2016	Effect on profit 2016	Effect on equity 2016
	KD	KD	KD	KD	KD	KD
Kuwait	+5%	178,495	384,254	+5%	402,523	128,532
Middle East	+5%	41,980	334,703	+5%	-	916,974

(iii) Interest rate risk

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

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

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in profit rates of the Group borrowings +1% and –1% (2016: +1% and –1%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition and rates.

	2017 +1%	2016 +1%
	KD	KD
Result for the year	195,472	202,631

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

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31. Capital management and financial risks (continued)

(iii) Interest rate risk (continued)

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. The group's main liquidity risk is from wakala payables and to limit this risk, management has rescheduled the majority of its wakala payables and is confident that they will be able to subsequently renew the due dates again. Management manages assets with liquidity in mind, and monitors liquidity on a daily basis. For liquidity profile of financial assets and liabilities as at 31 December (note 33).

c. Fair value of financial instruments

i) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows:

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

ii) Fair value measurements recognised in the consolidated statement of financial position

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

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

31 December 2017	**Level 1**	**Level 3**	**Total**
	KD	KD	KD
Investments at fair value through statement of profit or loss			
Quoted equities	2,340,395	-	2,340,395
Unquoted equities	-	839,597	839,597
Available-for-sale investments			
Quoted local / foreign equities	8,710,924	-	8,710,924
Unquoted local / foreign equities	-	5,668,225	5,668,225
Total	11,051,319	6,507,822	17,559,141

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

31. Capital management and financial risks (continued)

c. *Fair value of financial instruments (continued)*

ii) Fair value measurements recognised in the consolidated statement of financial position (continued)

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

31 December 2017	**Investment at fair value through profit or loss**	**Available for sale Investments**
	KD	KD
Beginning balance	-	19,497,626
Transfer to level 1	-	(18,080,281)
Transfer to associate	-	3,443,839
Total gains or losses		
Addition through business combination	992,148	1,098,873
In other comprehensive income	-	(291,832)
In profit or loss	(152,551)	-
Closing balance	839,597	5,668,225

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

32. Segment information

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

a) Reportable segments

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

b) Geographical areas

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

31 December 2017

	Kuwait	**Others**	**Total**
	KD	KD	KD
Net revenue	2,406,504	613,389	3,019,893
Segment results	592,528	9,617	602,145
Segment assets	39,789,887	17,190,308	56,980,195
Segment liabilities	4,221,991	21,181,186	25,403,177

31 December 2016

	Kuwait	**Others**	**Total**
	KD	KD	KD
Net revenue	2,241,135	607,582	2,848,717
Segment results	661,160	252,202	913,362
Segment assets	29,627,892	30,560,110	60,188,002
Segment liabilities	2,303,892	21,479,299	23,783,191

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

33. Maturity analysis of assets and liabilities

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

At 31 December 2017

	Past due but not paid KD	Up to 1 year KD	Over 1 year KD	Total KD
Assets				
Available for sale investments	-	8,710,924	5,668,225	14,379,149
Accounts receivable and other assets (except prepaid expenses)	-	2,869,795	-	2,869,795
Due from related parties	-	573,893	-	573,893
Investments at fair value through statement of profit or loss	-	3,179,992	-	3,179,992
Term deposits	-	235,000	-	235,000
Cash and cash equivalent	-	4,910,945	-	4,910,945
Assets held for sale	-	1,285,490	-	1,285,490
Total assets	-	21,766,039	5,668,225	27,434,264
Liabilities				
Provision for staff indemnity	-	-	866,039	866,039
Wakala investment	20,999,424	-	-	20,999,424
Accounts payable and other liabilities	-	2,903,269	-	2,903,269
Due to related party	-	1,000	-	1,000
Notes payable	-	7,379	-	7,379
Due to bank	-	54,981	-	54,981
Total liabilities	20,999,424	2,966,629	866,039	24,832,092

At 31 December 2016

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

34. Past due wakala payable

As at 31 December 2017, the Group had past due wakalas in the amount of KD 20,999,424 (2016: KD 21,322,928) representing the amount recorded in Group's books with respect to appeals court judgement No. 2013/2701 commercial / 12 (note 21).

The management of the parent company has a restructuring plan, where they are discussing a variety of options for the purpose of settling the debts through swap of certain assets and/or restructuring the wakalas from medium to long term.