

**SECURITIES GROUP COMPANY K.S.C. (PUBLIC)  
AND SUBSIDIARIES (THE GROUP)  
STATE OF KUWAIT**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016  
WITH  
INDEPENDENT AUDITORS' REPORT**

SECURITIES GROUP COMPANY K.S.C. (PUBLIC)  
AND SUBSIDIARIES (THE GROUP)  
STATE OF KUWAIT

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FOR THE YEAR ENDED MARCH 31, 2016  
WITH  
INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITORS' REPORT

The Shareholders  
Securities Group Company K.S.C. (Public) and Subsidiaries  
State of Kuwait

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Securities Group Company K.S.C. (Public) (the Parent Company) and subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2016, and the related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the fiscal year then ended and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

### Auditors' responsibility

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

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

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

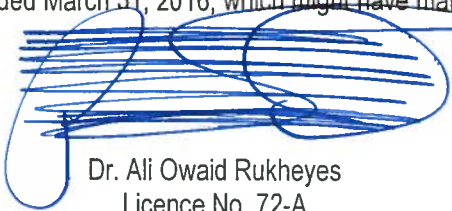
### Opinion

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

**Report on other legal and regulatory requirements**

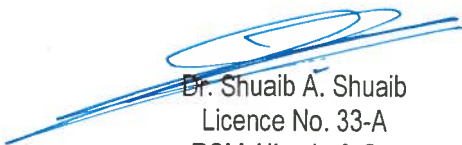
Also in our opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 1 of 2016, the Executive Regulations of Law No. 25 of 2012, the Parent Company's Memorandum of Incorporation and Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the fiscal year ended March 31, 2016 of the Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012, or of the Parent Company's Memorandum of Incorporation and Articles of Association which might have materially affected the Group's financial position or results of its operations.

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, Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the fiscal year ended March 31, 2016, which might have materially affected on the Group's financial position or results of its operation.



Dr. Ali Owaid Rukheyes  
Licence No. 72-A

Member of Nexia International – (England)  
ALWaha Auditing Office



Dr. Shuaib A. Shuaib  
Licence No. 33-A  
RSM Albazie & Co.


State of Kuwait  
June 1, 2016

SECURITIES GROUP COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES (THE GROUP)  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2016  
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2016	2015
Cash on hand and at banks		8,858,705	8,782,588
Financial assets at fair value through profit or loss	3	58,589	61,830
Accounts receivable and other debit balances	4	1,383,370	6,916,912
Loans granted to others	5	231,789	512,372
Financial assets available for sale	6	38,243,914	46,055,047
Investment in associates	7	28,003,585	30,713,688
Investment in unconsolidated subsidiaries	8	907,862	1,067,862
Investment held to maturity	9	3,000,000	3,000,000
Investment properties	10	35,662,852	29,682,426
<b>Total assets</b>		<u>116,350,666</u>	<u>126,792,725</u>
 <u>LIABILITIES AND EQUITY</u> 			
<b>Liabilities:</b>			
Loans	11	64,576,200	68,185,000
Accounts payable and other credit balances	12	3,962,833	4,107,808
<b>Total liabilities</b>		<u>68,539,033</u>	<u>72,292,808</u>
<b>Equity:</b>			
Capital	13	25,528,372	25,528,372
Treasury shares	14	(260,776)	(87,765)
Share premium		3,046,592	3,046,592
Statutory reserve	15	12,764,186	12,764,186
Voluntary reserve	16	4,405,892	4,405,892
Foreign currency translation adjustments		568,983	499,110
Cumulative changes in fair value		(1,022,220)	(11,668,683)
Retained earnings		2,715,513	19,946,542
Equity attributable to the shareholders of Parent Company		47,746,542	54,434,246
Non-controlling interests		65,091	65,671
<b>Total equity</b>		<u>47,811,633</u>	<u>54,499,917</u>
<b>Total liabilities and equity</b>		<u>116,350,666</u>	<u>126,792,725</u>
Memorandum accounts off the consolidated statement of financial position	22	1,607,625,467	1,713,440,392

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements.

\_\_\_\_\_  
Khaled S. Al - Ali  
Chairman

  
\_\_\_\_\_  
Ali Y. Al - Awadi  
Vice Chairman and CEO

SECURITIES GROUP COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES (THE GROUP)  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED MARCH 31, 2016  
(All amounts are in Kuwaiti Dinars)

	Note	2016	2015
<b>Revenues:</b>			
Net investment income	17	427,258	1,891,626
Fees and commission income	18	1,985,410	2,587,163
Interest income		180,922	177,552
Rental income		1,236,666	1,140,566
Group's share of results from associates	7	4,143,680	1,315,880
Gain on sale of investment property		37,975	16,655
Other income		292,495	228,475
Foreign exchange gain		377,954	360,296
		<u>8,682,360</u>	<u>7,718,213</u>
<b>Expenses and other charges:</b>			
General and administrative expenses	19	(1,620,666)	(1,724,498)
Finance charges		(1,533,463)	(1,513,595)
Impairment loss on financial assets available for sale	6	(15,994,033)	(482,085)
Impairment loss on investment in an associate	7	(4,044,177)	-
Provision for doubtful debts		(172,306)	-
		<u>(23,364,645)</u>	<u>(3,720,178)</u>
(Loss) profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration		(14,682,285)	3,998,035
Contribution to KFAS		-	(26,975)
Zakat		-	(21,413)
Board of Directors' remuneration	20	-	(50,000)
<b>Net (loss) profit for the year</b>		<u>(14,682,285)</u>	<u>3,899,647</u>
Attributable to:			
Shareholders of the Parent Company		(14,681,705)	3,900,209
Non-controlling interests		(580)	(562)
<b>Net (loss) profit for the year</b>		<u>(14,682,285)</u>	<u>3,899,647</u>
		<u>Fils</u>	<u>Fils</u>
(Loss) earnings per share attributable to shareholders of the Parent Company	21	<u>(57.67)</u>	<u>15.30</u>

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements.

SECURITIES GROUP COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES (THE GROUP)  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED MARCH 31, 2016  
(All amounts are in Kuwaiti Dinars)

	2016	2015
Net (loss) profit for the year	<u>(14,682,285)</u>	<u>3,899,647</u>
<b>Other comprehensive income (loss):</b>		
<u>Items that may be reclassified subsequently to profit or loss</u>		
Related to financial assets available for sale:		
Changes in fair value of financial assets available for sale	(535,648)	(3,086,151)
Reversal due to sale of financial assets available for sale	1,022,472	(113,683)
Reversal due to impairment of financial assets available for sale	<u>10,160,253</u>	<u>-</u>
	<u>10,647,077</u>	<u>(3,199,834)</u>
Share of other comprehensive income of associates	2,296	4,550
Exchange differences on translating foreign operations	66,963	410,845
<b>Other comprehensive income (loss) for the year</b>	<u>10,716,336</u>	<u>(2,784,439)</u>
<b>Total comprehensive (loss) income for the year</b>	<u><u>(3,965,949)</u></u>	<u><u>1,115,208</u></u>
Attributable to:		
Shareholders of the Parent Company	(3,965,369)	1,115,770
Non-controlling interests	<u>(580)</u>	<u>(562)</u>
	<u><u>(3,965,949)</u></u>	<u><u>1,115,208</u></u>

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements.

**SECURITIES GROUP COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES (THE GROUP)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2016**  
 (All amounts are in Kuwaiti Dinars)

	Equity attributable to the Shareholders of the Parent Company										
	Capital	Treasury shares	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation adjustments	Cumulative changes in fair value	Retained earnings	Sub-total	Non-controlling interests	Total
Balance as at March 31, 2014 (as previously reported)	25,528,372	(87,765)	3,046,592	12,764,186	4,405,892	83,715	(8,371,934)	22,607,922	59,976,980	66,233	60,043,213
Adjustment on correction of errors (Note 23)	-	-	-	-	-	-	(96,915)	(4,012,265)	(4,109,180)	-	(4,109,180)
Balance as at March 31, 2014 (Restated)	25,528,372	(87,765)	3,046,592	12,764,186	4,405,892	83,715	(8,468,849)	18,595,657	55,867,800	66,233	55,934,033
Total comprehensive income (loss) for the year	-	-	-	-	-	415,395	(3,199,834)	3,900,209	1,115,770	(562)	1,115,208
Cash dividends (Note 20)	-	-	-	-	-	-	-	(2,549,324)	(2,549,324)	-	(2,549,324)
Balance as at March 31, 2015	25,528,372	(87,765)	3,046,592	12,764,186	4,405,892	499,110	(11,668,683)	19,946,542	54,434,246	65,671	54,499,917
Purchase of treasury shares	-	(173,011)	-	-	-	-	-	-	(173,011)	-	(173,011)
Total comprehensive income (loss) for the year	-	-	-	-	-	69,873	10,646,463	(14,681,705)	(3,965,369)	(580)	(3,965,949)
Cash dividends (Note 20)	-	-	-	-	-	-	-	(2,549,324)	(2,549,324)	-	(2,549,324)
<b>Balance as at March 31, 2016</b>	<b>25,528,372</b>	<b>(260,776)</b>	<b>3,046,592</b>	<b>12,764,186</b>	<b>4,405,892</b>	<b>568,983</b>	<b>(1,022,220)</b>	<b>2,715,513</b>	<b>47,746,542</b>	<b>65,091</b>	<b>47,811,633</b>

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements.



SECURITIES GROUP COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES (THE GROUP)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2016  
(All amounts are in Kuwaiti Dinars)

	2016	2015
<b>Cash flow from operating activities:</b>		
(Loss) profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration	(14,682,285)	3,998,035
Adjustments for:		
Net investment income	(427,258)	(1,891,626)
Interest income	(180,922)	(177,552)
Group's share of results from associates	(4,143,680)	(1,315,880)
Gain on sale of investment property	(37,975)	(16,655)
Gain from sale of investment in unconsolidated subsidiaries	(6,429)	-
Provision for loans granted to others no longer required	(2,834)	-
Foreign exchange gain	(377,954)	(360,296)
Finance charges	1,533,463	1,513,595
Impairment loss on financial assets available for sale	15,994,033	482,085
Impairment loss on investment in an associate	4,044,177	-
Provision for doubtful debts	172,306	-
	<u>1,884,642</u>	<u>2,231,706</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	418,194	13,762,445
Loans granted to others	283,417	-
Accounts payable and other credit balances	(148,927)	(213,683)
Net cash generated from operating activities	<u>2,437,326</u>	<u>15,780,468</u>
<b>Cash flow from investing activities:</b>		
Purchase of financial assets available for sale	(2,801,553)	(828,835)
Proceeds from sale of financial assets available for sale	3,902,114	1,610,768
Paid for investment in an associate	-	(5,679,377)
Proceeds from capital reduction of investment in an associate	2,508,147	-
Proceeds from sale of investment in unconsolidated subsidiaries	166,429	-
Paid for investment properties	(672,316)	(16,559,165)
Proceeds from sale of investment properties	186,095	570,000
Interest received	136,672	133,302
Dividends received	2,109,375	1,877,614
Net cash generated from (used in) investing activities	<u>5,534,963</u>	<u>(18,875,693)</u>
<b>Cash flows from financing activities:</b>		
Loans	(3,608,800)	9,035,000
Cash dividends paid	(2,580,898)	(2,530,915)
Finance charges paid	(1,533,463)	(1,513,595)
Paid for purchase of treasury shares	(173,011)	-
Net cash (used in) generated from financing activities	<u>(7,896,172)</u>	<u>4,990,490</u>
Net increase in cash on hand and at banks	76,117	1,895,265
Cash on hand and at banks at the beginning of the year	8,782,588	6,887,323
Cash on hand and at banks at the end of the year	<u>8,858,705</u>	<u>8,782,588</u>

The accompanying notes (1) to (29) form an integral part of the consolidated financial statements.

SECURITIES GROUP COMPANY K.S.C. (PUBLIC) AND SUBSIDIARIES (THE GROUP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

(All amounts are in Kuwaiti Dinars)

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1. Incorporation and principal activities

Securities Group Company K.S.C. (Public) (the Parent Company) is a Kuwaiti Public Shareholding Company incorporated by agreement no. 786 / Vol. 2 dated October 24, 1981 and the latest amendment on July 22, 2015. The Parent Company is listed in the Kuwait Stock Exchange. The Parent Company's registered office is P.O. Box 26953, Safat 13130, State of Kuwait.

The principal activities of the Parent Company include:

- Trading in securities listed in Kuwait and the GCC
- Acting as custodian and managers of funds
- Conducting research and studies
- Providing financial and investment services
- Obtaining loans from the financial market, granting to others and acting as an intermediary in the lending and borrowing process
- Establishing and managing real estate portfolios for its clients inside and outside Kuwait and
- Investment in real estate.

The Parent Company is under the supervision of the Capital Markets Authority according to Law No. 7/2010 for investment companies.

The new Companies Law No. 1 of 2016 was issued on January 24, 2016 and was published in the Official Gazette on February 1, 2016, which replaced the Companies Law No 25 of 2012 and its amendments. According to Article No. 5, the new Law will be effective from November 26, 2012 and the executive regulations of Law No. 25 of 2012 will continue until a new set of executive regulations are issued. The adoption of the new Companies Law is not expected to have any effect on the reporting entity.

The consolidated financial statements were authorized for issue by the Board of Directors on June 1, 2016. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990 except for IAS 39 requirements for collective provision which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision. Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company and are prepared under the historical cost convention, except that financial assets at fair value through profit or loss and certain financial assets available for sale are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(t).

#### Standards issued and effective

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 amended International Financial Reporting Standards as of January 1, 2015:

#### Amendments to IFRS 8 - Operating Segments

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

#### Amendments to IAS 24 - Related Party Disclosures

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

#### Amendments to IFRS 13 - Fair Value Measurement

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that the portfolio exception in IFRS 13 applies to all contracts within the scope of IAS 39 regardless of whether they meet the definitions of financial assets or financial liabilities.

#### Amendments to IAS 40 - Investment Property

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarifies that IFRS 3, and not the description of ancillary services in IAS 40 (which differentiates between investment property and owner-occupied property (i.e., property, plant and equipment)), is used to determine if the transaction is the purchase of an asset or a business combination.

The above mentioned amendments did not have any material impact on the consolidated financial statements.

#### Standards 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 January 1, 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.

#### IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 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

Amendments to IAS 27 – Equity method in separate financial statements

The amendment, effective for annual periods beginning on or after January 1, 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted.

Amendments to IAS 1 – Disclosure Initiative

The amendments to this standard which are effective for annual periods beginning on or after January 1, 2016 clarify some judgments used in the presentation of financial reports. The amendments make changes about:

- Materiality, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes, where they add additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes.

Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception

The amendments to these standards which are effective for annual periods beginning on or after January 1, 2016 confirm that the exemption from preparing consolidated financial statements under IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. However, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose are to provide services and activities that are related to the investment activities of the investment entity parent. All other subsidiaries of an investment entity should be measured at fair value.

Consequential amendments have been made to IAS 28 to confirm that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity, even if the investment entity parent measures all its subsidiaries at fair value. IAS 28 has been also amended to permit an entity to retain the fair value measurement applied by an associate or joint venture that is an investment entity to its interests in subsidiaries rather than applying uniform accounting policies.

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities.

Amendments to IFRS 7 – Financial Instruments: Disclosures

The amendments to this standard are effective for annual periods beginning on or after January 1, 2016. They clarify that for servicing agreements, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context, and adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. Another amendment to IFRS 7 clarifies that the additional disclosure required by the amendments to IFRS 7 is not specifically required for all interim periods, unless required by IAS 34.

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9 and IFRS 15 while the amendments to other standards are not expected to have a material impact on the consolidated financial statements.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

<u>Name of the subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Percentage of holding</u>	
			<u>2016</u>	<u>2015</u>
Al Anoud Al Thahabiya Company W.L.L.	Kingdom of Saudi Arabia	Real Estate	100%	100%
North African Investment Company Limited	Cayman Islands	Investment	100%	100%
First Securities Group For Credit Fund Company W.L.L.	Kuwait	Factoring	99%	99%
Securities Group Morocco SARL AU	Morocco	Industrial	100%	100%
Al-Ataya International Foods Company K.S.C. (Closed)	Kuwait	Food	75%	75%

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination. Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial instruments

The Group classifies its financial instruments as "financial assets" and "financial Liabilities". Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, financial assets at fair value through profit or loss, receivables, loans granted to others, financial assets available for sale, loans and payables.

Financial assets

i) Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

ii) Financial investments

Initial recognition and measurement

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, investments held to maturity and financial assets available for sale. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial assets is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(c) Investments held-to-maturity

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of financial assets are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss and financial assets available for sale are subsequently carried at fair value. The fair values of quoted financial assets are based on current bid prices. If the market for a financial assets is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from financial assets at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where financial assets available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When a financial asset available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial assets have expired; or the Group has transferred its rights to receive cash flows from the financial assets and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset investment. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

Financial liabilities

i) Accounts payable

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

ii) 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 redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.



Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

d) Associates

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in 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. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining financial assets at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

e) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are re-measured at cost including purchase price and transactions costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings for 20 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

f) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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.

Recoverable amount is the higher of the 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

h) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employee contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

i) Share capital

Ordinary shares are classified as equity.

j) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. 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 shareholders' 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, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve 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.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

k) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

l) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of investments and services rendered in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale and services rendered have been resolved.

i) Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

ii) Dividend income

Dividend income is recognized when the right to receive payment is established.

iii) Interest income

Interest income is recognized using the effective interest method.

iv) Management fees

Management fees are recognized on a cash basis.

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v) Fees and commission income

Fees, commission and consultancy revenue is recognized at the time the related services are provided.

vi) Rental income

Rental income is recognized, when earned, on a time apportionment basis.

vii) Other income and expenses

Other income and expenses are recognized on accrual basis.

m) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that 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 consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as financial assets available for sale are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

o) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting accumulated losses, its share of income from Kuwaiti shareholding subsidiaries, associates and transfer to statutory reserve. No KFAS has been provided for since there was no eligible profit on which KFAS could be calculated.

p) National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of profit from associates and un-consolidated subsidiaries listed in Kuwait Stock Exchange, its share of NLST paid by subsidiaries listed in Kuwait Stock Exchange and cash dividends received from companies listed in Kuwait Stock Exchange in accordance with Law No. 19 for year 2000 and Ministerial Resolution No. 24 for year 2006 and their executive regulations. No NLST has been provided for since there was no eligible profit on which NLST could be calculated.

q) Zakat

Zakat is calculated at 1% on the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of profit from Kuwaiti shareholding associates and un-consolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 for year 2006 and Ministerial Resolution No. 58 for year 2007 and their executive regulations. No Zakat has been provided since there was no eligible profit on which Zakat could be calculated.

r) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

s) Memorandum accounts off the statement of financial position

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

t) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

**Judgments**

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(iii) Classification of financial assets

On acquisition of an financial assets, the Group decides whether it should be classified as "at fair value through profit or loss", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its financial assets.

The Group classifies financial assets as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies financial assets as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other financial assets are classified as "available for sale".

(iv) Impairment of financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity financial assets is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

(v) Classification of land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for trading

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

**Estimation and assumptions**

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period 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.

(i) Fair value of unquoted equity financial assets

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, adjusted net asset value and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Provision for doubtful debts

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

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(iii) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future financial assets that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represents quoted securities held for trading.

4. Accounts receivable and other debit balances

	<u>2016</u>	<u>2015</u>
Accrued revenue	2,980,788	2,979,031
Due from related parties	539,726	428,741
Receivable from sale of investment property (a)	-	5,410,746
Advance payment for acquiring investments	144,108	333,681
Accrued interest and dividend	76,207	92,958
Other receivables	902,788	759,696
	<u>4,643,617</u>	<u>10,004,853</u>
Less: Provision for doubtful debts	<u>(3,260,247)</u>	<u>(3,087,941)</u>
	<u>1,383,370</u>	<u>6,916,912</u>

- a) During the year, the remaining receivable from the sale of an investment property, located in the Kingdom of Saudi Arabia, through a public auction was settled through the acquisition of investment properties (Note 10). The Group has completed all the legal procedures with the governmental authorities in the Kingdom of Saudi Arabia pertaining to the public auction and settlement of receivable.

5. Loans granted to others

	<u>2016</u>	<u>2015</u>
Loan granted to an associate	234,130	517,547
Provision for loans	(2,341)	(5,175)
	<u>231,789</u>	<u>512,372</u>

The interest free loan is set to mature on December 4, 2016.

The policy of the Group for calculation of the impairment provisions for loans granted to others complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In accordance with Central Bank of Kuwait instructions, the Group provides a minimum general provision of 1% on cash credit facilities not subject to specific provision and net of certain categories of collateral.

6. Financial assets available for sale

	<u>2016</u>	<u>2015</u>
Quoted securities	27,188,216	34,879,871
Unquoted securities	11,055,698	11,144,605
Funds	-	30,571
	<u>38,243,914</u>	<u>46,055,047</u>

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Unquoted securities and investment in funds amounting to KD 8,721,641 (2015: KD 8,813,678) are carried at cost less impairment losses, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value for these financial assets. There is no active market for these financial assets and the Group intends to hold them for the long term.

Quoted securities with a carrying value of KD 12,608,046 (2015: KD 18,052,430) were pledged with a local bank against a loan (Note 11).

Impairment loss recognized on financial assets available for sale for the year ended March 31, 2016 amounted to KD 15,994,033 (2015: KD 482,085).

Financial assets available for sale are denominated in the following currencies:

	2016	2015
Kuwaiti Dinar	29,138,716	36,397,281
US Dollar	5,617,735	5,648,302
Qatari Riyal	-	830,529
Saudi Riyal	1,056,015	1,056,013
Tunisian Dinar	2,431,448	2,122,922
	<u>38,243,914</u>	<u>46,055,047</u>

7. Investment in associates

Name of the associate	Country of incorporation	Percentage of holding			
		2016	2015	2016	2015
Kuwait Saudi Pharmaceutical Industries Co. S.A.K. (Closed) ("KSPI")	Kuwait	50%	50%	15,373,551	14,170,617
Future Communication Co. K.S.C.P. ("FCC") (a)	Kuwait	28.19%	28.19%	3,786,972	7,924,334
Kuwait Qatari Co. for Real Estate Development K.S.C.C. ("KQRE")	Kuwait	40.72%	40.72%	790,616	738,116
Al Madar Al Thahabia Co. W.L.L ("Al Madar")	KSA	24%	24%	5,676,082	5,686,920
Al-Jazeera Real Estate Development Co. K.S.C. (Closed) ("Al-Jazeera")	Kuwait	20%	20%	1,519,840	1,452,000
Alpha Atlantique Du Sahara S.A.	Morocco	22.52%	22.52%	850,294	735,471
Mena Equities Ltd.	British Virgin Islands	44.15%	44.15%	6,230	6,230
				<u>28,003,585</u>	<u>30,713,688</u>

a) The market value of FCC at the end of the reporting year is KD 2,215,606 (2015: KD 2,878,004). During the year ended March 31, 2016, the Group recorded an impairment loss of KD 4,044,177 against its investment in FCC pursuant to an impairment exercise wherein the recoverable of the associate was lower than the carrying value.

b) The movement during the year is as follows:

	2016	2015
Balance at the beginning of the year	30,713,688	23,265,762
Additions	-	5,679,377
Transfer from accounts receivable and other debit balances	-	1,438,124
Transfer from investment in unconsolidated subsidiaries	-	7,543
Impairment loss on investment in an associate	(4,044,177)	-
Capital reduction of investment in an associate	(2,508,147)	-
Group's share of results from associates	4,143,680	1,315,880
Share of other comprehensive income	2,296	4,550
Cash dividends received	(342,620)	(881,970)
Foreign currency translation adjustments	38,865	(115,578)
Balance at the end of the year	<u>28,003,585</u>	<u>30,713,688</u>



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c) The summarized financial information of associates which are material to the Group is as follows:

Statement of financial position	KSPI	FCC	Al Madar	Al-Jazeera	2016	2015
Current assets	17,839,752	18,023,344	996,761	215,314	37,075,171	35,068,935
Non-current assets	6,911,080	710,700	31,378,989	12,839,985	51,840,754	48,801,133
Current liabilities	4,775,227	4,113,069	231,801	2,616,645	11,736,742	10,891,601
Non-current liabilities	1,343,568	1,187,234	8,493,609	2,839,455	13,863,866	10,314,072
Net assets	<u>18,632,037</u>	<u>13,433,741</u>	<u>23,650,340</u>	<u>7,599,199</u>	<u>63,315,317</u>	<u>62,664,395</u>
Statement of profit or loss						
Revenue	12,114,615	33,819,683	135,012	2,723,842	48,793,152	40,910,533
Expenses	(9,714,448)	(32,945,183)	(180,169)	(2,249,765)	(45,089,565)	(37,929,699)
Net profit (loss) for the year	<u>2,400,167</u>	<u>874,500</u>	<u>(45,157)</u>	<u>474,077</u>	<u>3,703,587</u>	<u>2,980,834</u>
Dividends received	-	342,620	-	-	342,620	881,970
Contingent liabilities and commitments	<u>1,506,354</u>	<u>1,435,023</u>	-	<u>1,200,000</u>	<u>4,141,377</u>	<u>4,017,400</u>

(a) Reconciliation of the above summarized financial information to the carrying amount of investment in associates recognized in the consolidated financial statements:

	2016	KSPI	FCC	Al Madar	Al-Jazeera
Net assets of the associate		18,632,037	13,433,741	23,650,340	7,599,199
Group's percentage of ownership		50%	28.19%	24%	20%
		9,316,019	3,786,972	5,676,082	1,519,840
Goodwill		6,057,532	-	-	-
Carrying amount of Group's investment in the associate		<u>15,373,551</u>	<u>3,786,972</u>	<u>5,676,082</u>	<u>1,519,840</u>
		KSPI	FCC	Al Madar	Al-Jazeera
2015					
Net assets of the associate		16,226,170	13,764,418	23,695,500	7,162,048
Group's percentage of ownership		50%	28.19%	24%	20%
		8,113,085	3,880,189	5,686,920	1,432,410
Goodwill		6,057,532	4,044,420	-	-
Other adjustments		-	(275)	-	19,590
Carrying amount of Group's investment in the associate		<u>14,170,617</u>	<u>7,924,334</u>	<u>5,686,920</u>	<u>1,452,000</u>

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8. Investment in unconsolidated subsidiaries

<u>Name of the subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>	<u>Principal activities</u>	<u>2016</u>	<u>2015</u>
Third Securities Group for Economic Consultants Company W.L.L.	Kuwait	99%	Consulting	7,425	7,425
Fourth Securities Group for Mechanical Consultants Company W.L.L.	Kuwait	99%	Consulting	247,500	247,500
Sixth Securities Group for Administrative Consultant Company W.L.L.	Kuwait	99%	Consulting	7,421	7,421
Adeem Silver Company W.L.L.	KSA	100%	Real Estate	7,543	7,543
Private Group for General Trading And Contracting Company W.L.L.	Qatar	50%	Real Estate	8,000	8,000
Salamana Silver Company W.L.L.	KSA	95%	Real Estate	6,973	6,973
Ready Office Real Estate Company W.L.L.	Kuwait	99%	Real Estate	59,400	59,400
Al Sawab Real Estate Company W.L.L.	Kuwait	99%	Real Estate	59,400	59,400
Al Jadedeiah Real Estate Company W.L.L.	Kuwait	99%	Real Estate	59,400	59,400
Al Raha Real Estate Company W.L.L.	Kuwait	99%	Real Estate	59,400	59,400
Al Sametah Real Estate Company W.L.L.	Kuwait	99%	Real Estate	59,400	59,400
AL Ratqa Al-Kuwaitiya Company W.L.L. ("a")	Kuwait	99%	Real Estate	-	80,000
Masjan Al Kuwait Company W.L.L.	Kuwait	99%	Real Estate	80,000	80,000
Awarah Real Estate Company W.L.L.	Kuwait	99%	Real Estate	80,000	80,000
Al Liwan Al Kuwaitiya Company W.L.L.	Kuwait	99%	Real Estate	80,000	80,000
Al Radeefa Real Estate Company W.L.L. ("a")	Kuwait	99%	Real Estate	-	80,000
Al Liyah Real Estate Company W.L.L.	Kuwait	99%	Real Estate	80,000	80,000
Al Baheeth Company W.L.L.	Kuwait	99%	Real Estate	6,000	6,000
				<u>907,862</u>	<u>1,067,862</u>

a) During the year, the Group sold its equity interest in the subsidiaries for KD 166,429 and realized a gain of KD 6,429.

b) The Group had not consolidated these subsidiaries since they were not considered material to the accompanying consolidated financial statements.

9. Investment held to maturity

Investment held to maturity represent KD 3,000,000 investment in a subordinated floating rate bond issued by a local bank that carries an annual interest rate of 3.9% over the Central Bank of Kuwait discount rate and is due to mature on December 27, 2022.

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10. Investment properties

The movement during the year was as follows:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	29,682,426	13,160,095
Additions	6,083,062	16,559,165
Disposals	(148,120)	(553,345)
Foreign currency translation adjustments	45,484	516,511
Balance at the end of the year	<u>35,662,852</u>	<u>29,682,426</u>

Management of the Parent Company has complied with the Executive Regulations of Capital Markets Authority with respect to guidelines for valuation of investment properties.

The fair value of investment properties as at March 31, 2016 was KD 39,862,458 (2015: KD 36,050,504) based on the lowest of valuations carried out by two independent values. In estimating the fair value of investment properties, the cost approach, income capitalization approach and market comparable approach have been used, considering the nature and usage of the investment properties. The fair value measurement of investment properties has been categorized as level 3 fair value based on inputs to the valuation technique used.

During the year, the Group acquired investment properties located in the Kingdom of Saudi Arabia for KD 6,083,062 (SAR 75,345,569) of which KD 5,410,746 was through the settlement of receivable (Note 4).

11. Loans

Revolving loans carry an annual interest rate ranging from 2.25% to 3.25% (2015: 2% to 3%) and are payable within a period of one year. Loan of KD 25,815,000 is secured by quoted securities (Note 6) and other loans are secured by promissory notes.

12. Accounts payable and other credit balances

	<u>2016</u>	<u>2015</u>
Accrued expenses	1,260,601	1,329,042
Dividend payable	323,788	355,362
Provision for end of service indemnity	665,077	619,518
Due to related parties	671,518	841,504
Provision for legal case	321,379	321,379
Other credit balances	720,470	641,003
	<u>3,962,833</u>	<u>4,107,808</u>

13. Capital

The authorized, issued and paid up capital comprises of 255,283,718 (2015: 255,283,718) shares of 100 fils each and all shares are paid in cash.

14. Treasury shares

	<u>2016</u>	<u>2015</u>
Number of treasury shares	2,271,615	351,342
Percentage of ownership	0.89%	0.14%
Market value (KD)	188,544	38,648
Cost (KD)	260,776	87,765

Based on Capital Markets Authority Resolution dated December 30, 2013, the Parent Company's management has allotted an amount, equal to treasury shares balance, from the available retained earnings as of the financial reporting date. Such amount will not be available for distribution during the treasury shares holding period. Treasury shares are not pledged.

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15. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except for in certain cases stipulated by Law and the Parent Company's Articles of Association. The Parent Company had discontinued transfer to statutory reserve in prior years since it had reached 50% of the capital.

16. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such transfer may be discontinued by a resolution at the Shareholders' Annual General Assembly, upon recommendation by the Board of Directors. The Shareholders General Assembly dated April 6, 2004, approved to discontinue any transfer to the voluntary reserve with effect from December 31, 2002.

17. Net investment income

	2016	2015
Unrealized (loss) gain on financial assets at fair value through profit or loss	(3,241)	160
Realized (loss) gain from sale of financial assets available for sale	(1,363,616)	875,041
Dividend income	1,794,115	1,016,425
	<u>427,258</u>	<u>1,891,626</u>

18. Fees and commission income

	2016	2015
Portfolio management fees	1,358,844	1,642,215
Consultancy fees	454,851	833,333
Commission	171,715	111,615
	<u>1,985,410</u>	<u>2,587,163</u>

19. General and administrative expenses

	2016	2015
Staff costs	897,630	1,401,506
Management and consultancy fees	78,270	83,460
Professional fees	107,022	46,204
Provision for Withholding Tax in KSA ("a")	300,000	-
Other expenses	237,744	193,328
	<u>1,620,666</u>	<u>1,724,498</u>

a) During the year, the Group had accrued an amount of KD 300,000 (SAR 3,720,178) as withholding tax (WHT) with respect to its subsidiary's profit in KSA.

20. Dividend distribution and Board of Directors' remuneration

The Board of Directors proposed cash dividends of 5 fils per share and not to distribute Board of Directors' remuneration for the financial year ended March 31, 2016. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on June 24, 2015 approved the distribution of cash dividends of 10 fils per share amounting to KD 2,549,324 and Board of Directors' remuneration amounting to KD 50,000 for the fiscal year ended March 31, 2015.

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The Shareholders' Annual General Assembly held on June 25, 2014 approved the distribution of cash dividends of 10 fils per share amounting to KD 2,549,324 and Board of Directors' remuneration amounting to KD 50,000 for the fiscal year ended March 31, 2014.

21. (Loss) earnings per share

There are no potential dilutive ordinary shares. (Loss) earnings per share is computed by dividing the net (loss) profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	<u>2016</u>	<u>2015</u>
Net (loss) profit for the year attributable to shareholders of the Parent Company	<u>(14,681,705)</u>	<u>3,900,209</u>
	<u>Shares</u>	<u>Shares</u>
Number of shares at beginning of the year	<u>255,283,718</u>	<u>255,283,718</u>
Less: weighted average number of treasury shares	<u>(708,114)</u>	<u>(351,342)</u>
Weighted average number of shares outstanding	<u>254,575,604</u>	<u>254,932,376</u>
	<u>Fils</u>	<u>Fils</u>
(Loss) earnings per share attributable to shareholders of the Parent Company	<u>(57.67)</u>	<u>15.30</u>

22. Memorandum accounts off the consolidated statement of financial position

The Parent Company manages investment portfolios for others amounting to KD 1,607,625,467 as at March 31, 2016 (2015: KD 1,713,440,392) to earn management fees. These investment portfolios are registered in the name of the Group and are not accounted in the accompanying consolidated financial statements.

23. Correction of errors

The comparative consolidated statement of changes in equity for the year ended March 31, 2014 have been restated in accordance with IAS 8: "Accounting policies, changes in accounting estimates and errors" to correct the overstatement of the Group's investment in the associate, Kuwait Qatari Company for Real Estate Development K.S.C.C. ("KQRE"), arising from:

- a) Non-application of uniform accounting policy by the Group with respect to its investment properties.
- b) Not eliminating the gain on sale of investment property by KQRE to its associate – KQ for Leasing and Investment Co. K.S.C.C. ("KQLI").
- c) Unrecorded penalties in the books of account of KQLI due to non-compliance with the delivery terms in the contracts with a master developer.
- d) Other period specific adjustments on account of receipt of the audited financial statements of the associate for the years ended December 31, 2012 and December 31, 2013.

The restatement was effected by the Group during the fiscal year ended March 31, 2015. Accordingly, for further information, refer to the consolidated financial statements of the Group for the year then ended.

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**24. Segment information**

The Group is divided into operating segments for managing its business activities based on internal reporting provided to the chief operating decision maker as follows:

- Investment activities: Direct investment for the Group's benefit in securities, portfolios and funds
- Asset management services: Portfolio and Fund management services for clients
- Lending activities: Direct lending to others and acting as a broker in lending and borrowing activities.
- Real estate activities: Investment in real estate and managing real estate portfolios.

For the year ended March 31,

	2016				2015					
	Investment activities	Asset management services	Lending activities	Real estate activities	Total	Investment activities	Asset management services	Lending activities	Real estate activities	Total
Segment operating revenue	608,180	1,985,410	-	1,236,666	3,830,256	2,069,178	2,587,163	-	1,140,566	5,796,907
Segment operating expenses	(1,533,463)	-	-	(109,057)	(1,642,520)	(1,513,595)	-	-	(116,829)	(1,630,424)
Unallocated operating expense					(1,511,609)					(1,607,669)
Operating profit					676,127					2,558,814
Group's share of results from associates					4,143,680					1,315,880
Gain on sale of investment property					37,975					16,655
Other income					292,495					228,475
Foreign exchange gain					377,954					360,296
Impairment loss on financial assets available for sale					(15,994,033)					(482,085)
Impairment loss on investment in an associate					(4,044,177)					-
Provision for doubtful debts					(172,306)					-
Contribution to KFAS					-					(26,975)
Zakat					-					(21,413)
Board of Directors' remuneration					-					(50,000)
Net (loss) profit for the year					<u>(14,682,285)</u>					<u>3,899,647</u>
Other information										
Segment assets	50,161,208	122,008	231,789	35,662,652	86,177,657	57,899,465	79,680	512,372	29,682,426	88,173,943
Investment in associates					28,003,585					30,713,688
Investment in unconsolidated subsidiaries					907,862					1,067,862
Unallocated assets					1,261,362					6,837,232
Total assets					<u>116,350,666</u>					<u>126,792,725</u>
Segment liabilities	64,576,200	-	-	-	64,576,200	68,185,000	-	-	-	68,185,000
Unallocated liabilities					3,962,833					4,107,808
Total liabilities					<u>68,539,033</u>					<u>72,292,808</u>

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25. Related party disclosures

The Group has entered into various transactions with related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant balances and transactions with other related parties are as follows:

	<u>2016</u>	<u>2015</u>
<b>(i) Consolidated statement of financial position</b>		
Cash at banks	8,687,574	8,656,296
Accounts receivable and other debit balances	539,726	428,741
Loans granted to others	231,789	512,372
Loans	64,576,200	68,185,000
Accounts payable and other credit balances	671,518	841,504
	<u>2016</u>	<u>2015</u>
<b>(ii) Consolidated statement of profit or loss</b>		
Interest income	189	437
Finance charges	(1,533,463)	(1,513,595)
	<u>2016</u>	<u>2015</u>
<b>(iii) Compensation to key management personnel</b>		
Short-term benefits	310,029	322,754
Termination benefits	27,188	28,333

The related party transactions are subject to approval by the shareholders of the Parent Company in the Annual General Assembly.

26. Capital commitments and contingent liabilities

	<u>2016</u>	<u>2015</u>
Letters of guarantee	100,000	200,000
Capital commitments	13,796	13,796
	<u>113,796</u>	<u>213,796</u>

27. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, financial assets at fair value through profit or loss, receivables, loans granted to others, financial assets available for sale, loans and payables and as a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, receivables and loans granted to others. The Group's cash at banks are placed with high credit rating financial institutions. Receivables and loans granted to others are presented net of allowance for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, receivables, loans granted to others and investment held to maturity.

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(i) Maximum exposure to credit risk before collateral held or other credit enhancements

	2016	2015
Cash on hand and at banks	8,858,705	8,782,588
Accounts receivable and other debit balances	1,383,370	6,916,912
Loans granted to others	231,789	512,372
Investment held to maturity	3,000,000	3,000,000
	<u>13,473,864</u>	<u>19,211,872</u>

(ii) Concentration of assets and liabilities:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
State of Kuwait	81,532,534	67,545,010	90,970,773	71,536,604
Europe	6,230	-	6,230	-
Africa	3,287,008	16,317	2,862,742	15,514
Asia	31,524,894	977,706	32,952,980	740,690
	<u>116,350,666</u>	<u>68,539,033</u>	<u>126,792,725</u>	<u>72,292,808</u>

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

(i) Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.



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The maturity profile of assets and liabilities of the Group as at March 31 was as follows:

	2016	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
<b>Assets</b>							
Cash on hand and at banks	8,858,705	-	-	-	-	-	8,858,705
Financial assets at fair value through profit or loss	58,589	-	-	-	-	-	58,589
Accounts receivable and other debit balances	-	-	1,383,370	-	-	-	1,383,370
Loans granted to others	-	-	231,789	-	-	-	231,789
Financial assets available for sale	24,756,765	2,431,451	4,354,008	6,701,690	-	-	38,243,914
Investment in associates	-	790,617	15,373,551	6,157,105	-	5,682,312	28,003,585
Investment in unconsolidated subsidiaries	-	-	-	-	-	907,862	907,862
Investment held to maturity	-	-	-	-	-	3,000,000	3,000,000
Investment properties	-	-	17,409,627	9,828,225	8,425,000	19,418,399	35,662,852
	<u>33,674,059</u>	<u>3,222,068</u>	<u>38,752,345</u>	<u>21,283,795</u>	<u>2,192,675</u>	<u>2,192,675</u>	<u>116,350,666</u>
<b>Liabilities</b>							
Loans	-	-	64,576,200	-	-	-	64,576,200
Accounts payable and other credit balances	323,788	130,814	284,690	1,030,866	-	2,192,675	3,962,833
	<u>323,788</u>	<u>130,814</u>	<u>64,860,890</u>	<u>1,030,866</u>	<u>2,192,675</u>	<u>2,192,675</u>	<u>68,539,033</u>
<b>2015</b>							
<b>Assets</b>							
Cash on hand and at banks	8,782,588	-	-	-	-	-	8,782,588
Financial assets at fair value through profit or loss	61,830	-	-	-	-	-	61,830
Accounts receivable and other debit balances	-	6,793,315	123,597	-	-	-	6,916,912
Loans granted to others	-	-	512,372	-	-	-	512,372
Financial assets available for sale	31,926,420	2,953,451	4,440,074	6,735,102	-	-	46,055,047
Investment in associates	-	-	-	25,020,538	-	5,693,150	30,713,688
Investment in unconsolidated subsidiaries	-	-	-	-	-	1,067,862	1,067,862
Investment held to maturity	-	-	-	-	-	3,000,000	3,000,000
Investment properties	-	-	540,512	9,782,749	19,359,165	9,782,749	29,682,426
	<u>40,770,838</u>	<u>9,746,766</u>	<u>5,616,555</u>	<u>51,114,805</u>	<u>19,543,761</u>	<u>19,543,761</u>	<u>126,792,725</u>
<b>Liabilities</b>							
Loans	-	-	68,185,000	-	-	-	68,185,000
Accounts payable and other credit balances	355,363	234,242	554,915	-	-	2,963,288	4,107,808
	<u>355,363</u>	<u>234,242</u>	<u>68,739,915</u>	<u>-</u>	<u>-</u>	<u>2,963,288</u>	<u>72,292,808</u>

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c) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices as indicated below:

i) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss (through the impact on floating rate borrowings).

Year	Increase / (Decrease) in interest rate	Balance on March 31	Effect on consolidated statement of profit or loss
2016			
KD Loans	± 50 basis points	64,576,200	± 322,881
2015			
KD Loans	± 50 basis points	68,185,000	± 340,925

ii) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between, other currencies and Kuwaiti Dinar.

Currency	Change in foreign currency rate	Effect on consolidated statement of profit or loss	Effect on other comprehensive income
2016			
US Dollar	±5%	+13,028	-
Qatari Riyal	±5%	+163	-
Sterling Pound	±5%	+8	-
Saudi Riyal	±5%	+(43,805)	-
Tunisian Dinar	±5%	+3,731	+121,573
Euro	±5%	+66	-
Morocco Dirhams	±5%	+(583)	-

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Currency	Change in foreign currency rate	Effect on consolidated statement of profit or loss	Effect on other comprehensive income
<b>2015</b>			
US Dollar	±5%	+27,267	-
Qatari Riyal	±5%	+170	+41,526
Sterling Pound	±5%	+8	-
Saudi Riyal	±5%	+239,433	-
Tunisian Dinar	±5%	+1,874	+106,146
Euro	±5%	+77	-
Morocco Dirhams	±5%	+(558)	-

iii) **Equity price risk**

Equity price risk is a risk that the value of a financial instrument will fluctuate as a result of changes in the level of equity indices and the value of individual stocks. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The equity price risk exposure arises from the Group's investment in equity securities classified as "at fair value through profit or loss" and "available for sale".

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at March 31:

Market index	2016			2015		
	Change in equity price %	Effect on consolidated statement of profit or loss	Effect on other comprehensive income	Change in equity price %	Effect on consolidated statement of profit or loss	Effect on other comprehensive income
Kuwait Stock Exchange	±5%	+2,929	+1,237,838	±5%	+3,092	+1,596,321
Tunisia Stock Exchange	±5%	-	+121,573	±5%	-	+106,146
Doha Stock Exchange	±5%	-	-	±5%	-	+41,526

28. **Fair value measurement**

The Group measures its financial assets such as financial assets at fair value through profit or loss and certain financial assets available for sale at their fair value at each reporting date.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial assets at fair value through profit or loss	58,589	-	58,589
Financial assets available for sale	27,188,216	2,334,057	29,522,273
<b>Total</b>	<b>27,246,805</b>	<b>2,334,057</b>	<b>29,580,862</b>

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial assets at fair value through profit or loss	61,830	-	61,830
Financial assets available for sale	34,879,871	2,361,498	37,241,369
<b>Total</b>	<b>34,941,701</b>	<b>2,361,498</b>	<b>37,303,199</b>

At March 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note 6. The management of the Group has assessed that fair value of cash on hand and at banks, receivables, loans granted to others, loans and payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year, there were no transfers between Level 1 and Level 2.

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

29. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost paid up of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand and at banks. Total capital is calculated as total 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	<u>2016</u>	<u>2015</u>
Loans	64,576,200	68,185,000
Less: cash on hand and at banks	(8,858,705)	(8,782,588)
Net debt	55,717,495	59,402,412
Total equity	47,811,633	54,499,917
<b>Total capital resources</b>	<b>103,529,128</b>	<b>113,902,329</b>
<b>Gearing Ratio</b>	<b>53.82%</b>	<b>52.15%</b>