ANNUAL REPORT **2017**

KAMCO
كامكو
kamconline.com

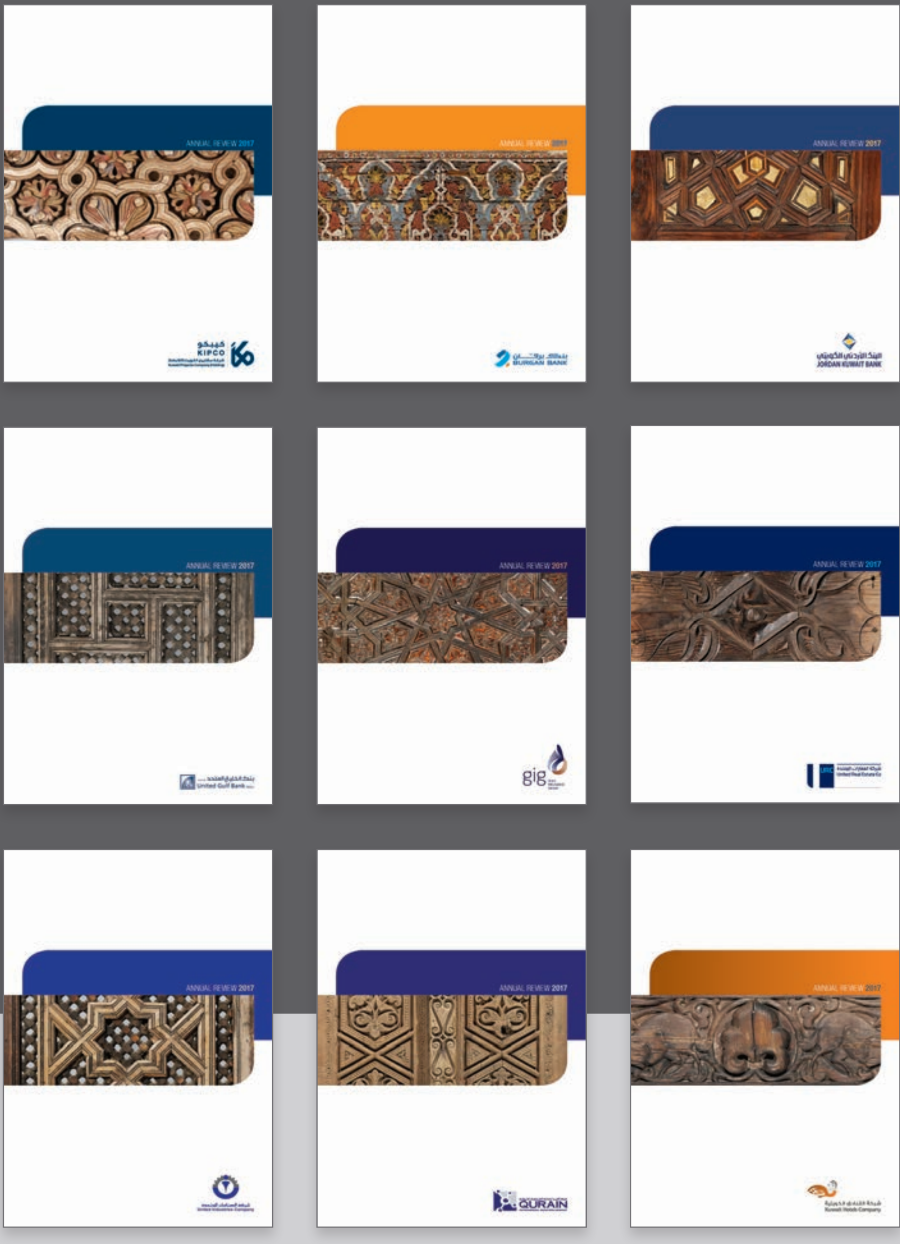
Dar Al-Athar Al-Islamiyyah, one of Kuwait's leading cultural organizations, was created to manage activities related to The Al-Sabah Collection. The collection includes one of the world's finest assemblages of arts from the Islamic world. The collection consists of over 30,000 priceless objects, including manuscripts, scientific instruments, carpets, fabrics, jewelry, ceramics, ivory, metalwork and glass from countries such as Spain, India, China and Iran.

This year, the annual reports of KIPCO Group companies each feature a different piece of wooden artifact from The Al-Sabah Collection. The images used within the reports reflect KIPCO's commitment to protecting and promoting Kuwait's heritage, while helping to build the nation's future.

The item featured here LNS 46 W is a painted wooden archway carved with foliate designs and muqarnas squinches lining the interior of the arch. The item was made in Spain or the Maghrib during the 13th – 14th century CE. The image is reproduced with the kind permission of The Al-Sabah Collection, Dar Al-Athar Al-Islamiyyah.

H.H. Sheikh Sabah
Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait



This year, the annual reports of KIPCO Group companies each feature a wooden artifact from Dar Al-Athar Al-Islamiyyah – one of the world's finest collections of Islamic art. These images are reproduced with the kind permission of The Al-Sabah Collection, Dar Al-Athar Al-Islamiyyah.

How to obtain our 2017 Financial Statements:

Shareholders attending our General Assembly meeting will be provided with a draft printed copy of the Financial Statements for their approval. Shareholders can request a printed copy of the Financial Statements to be sent to them by courier seven days before the advertised date of the General Assembly; please call: 185 26 26 to arrange this.

Shareholders can request a copy of the Financial Statements to be sent to them by email seven days before the advertised date of the General Assembly; please contact: info@kamconline.com to arrange this.

Shareholders can download a PDF copy of the Financial Statements seven days before the advertised date of the General Assembly from our company website: www.kamconline.com

The KIPCO Group is one of the largest holding companies in the Middle East and North Africa, with consolidated assets of USD 34.5 billion, as of 31 December 2017. The Group has significant ownership interests in over 60 companies operating across 24 countries. The Group's main business sectors are financial services, media, manufacturing and real estate. Through its core companies, subsidiaries and affiliates, KIPCO also has interests in the education and medical sectors.

For further information on our 2017 Financial Statements or for extra copies of this Review, please call +965 185 26 26

P.O. Box 28873, Safat 13149, Kuwait - Tel: +965 185 26 26 - Fax: +965 22 45 85 74 - Email: info@kamconline.com
www.kamconline.com

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ABOUT US

“We are constantly driven by the mission of serving our clients, and that each and every client is a partner for life, today and for generations to come.”

Faisal Mansour Sarkhou
Chief Executive Officer

Our Vision

To be the preferred regional full fledged asset management and investment banking provider by 2020.

Our Mission

To maximize stakeholders' wealth guided by quality advice and sustained results.

Our Story

KAMCO Investment Company K.S.C (Public) is a premier investment company based in Kuwait, with an office in the Dubai International Financial Centre (DIFC). The Company is one of the leading investment firms in the Gulf region in terms of assets under management (AUM), and is regulated by the Capital Markets Authority.

Established in 1998 and listed on the Boursa Kuwait in 2003, KAMCO is a subsidiary of United Gulf Bank (UGB).

The Company has established itself as a regional leader in providing innovative products and services to its clients, enabling it to increase AUM to over USD 11.2 billion (as of 31 December 2017) and achieve a strong track record of 96 successful investment banking transactions worth around USD 15.2 billion (as of 31 December 2017).

With almost two decades worth of experience in conducting business within the investment industry, KAMCO has successfully established a robust reputation in the region, driven by its performance, a prudent and conservative investment philosophy, solid business model, and a fundamental belief in implementing the highest standards of transparency - all of which has consistently commanded the goodwill of a wide and growing patron-base.

With a cautious investment approach that is supported by an experienced team and strong track record, the Company will continue to build upon its core competencies to provide the MENA region with innovative investment management consulting, while delivering financial services and value-added investment products that meet and exceed the needs of our clients.

KAMCO Investment Company (DIFC) Limited (KAMCO DIFC) is a whole owned subsidiary of KAMCO Investment Company, incorporated in the Dubai International Financial Centre and regulated by the Dubai Financial Services Authority.

Our 2017 Theme: Sustainability Through Value Creation

Consistently being a leading force in the Asset Management and Investment Banking industries, KAMCO has grown as an organization, as a team, and as a family, sharing along in our clients' successes year after year, deal after deal. In 2017, we increased the volume of successfully executed investment banking transactions in the multi-billion dollar range. We crystallized our presence in the UAE, and marked new territories in our international real estate investment portfolio. The positioning we now maintain is pivotal along our journey to realize our 2020 vision of being the best at what we do in the region. We know it is not enough to seek growth alone, but that sustainable long-term returns is what differentiates our investment approach from competitors. With that, value creation remains both a driver and outcome of our strategic decision making as we serve as a reliable channel for capital management and deployment when appropriate. Together, these two elements have intersected in each of our divisions, and across all areas of our organization, with *Sustainability through Value Creation* as our driving theme for 2017.

BOARD OF DIRECTORS

Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah
Chairman

Entisar Abdul Raheem Al-Suwaidi
Vice Chairman

Masaud Mahmoud Jawhar Hayat
Board Director

Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah
Board Director

Tariq Mohammad Abdulsalam
Board Director

MANAGEMENT

Faisal Sarkhou

Chief Executive Officer

Faisal Sarkhou joined KAMCO's team in 2000 and was last promoted to lead KAMCO in the position of Chief Executive Officer in the first half of 2014 after heading the Financial Services and Investment Division at KAMCO since 2010, and the Corporate Finance Department from 2006 - 2010. Mr Sarkhou has over 19 years of extensive experience in investment banking, asset management, financial products as well as financial services. Mr Sarkhou commenced his career in the late '90s with KPMG Corporate Finance in Kuwait. He serves as a board member on several reputable companies and funds. He also sits on a number of company and investment management committees and is a being a board member and treasurer at the Union of Investment Companies in Kuwait and a member of the advisory board of the College of Business & Economics at the American University of Kuwait. Mr Sarkhou is also a board member on the Industrial Advisory Board at the Australian College of Kuwait. He is an Economics graduate with honors from the University of Birmingham, UK and holds an EMBA with distinction from HEC Paris, France.

Mohammed Al-Hubail

Chief Operating Officer

Mohammed Al-Hubail joined KAMCO`s team as Senior Vice President – Administration Department in 2009 and was promoted to Chief Resources Officer in 2013. He currently holds the position of Chief Operating Officer and has 23 years of extensive practical experience in the field of Human Resources and Administration in the accounting industry. He worked with Enhanced Engineering & Multi-Technologies Co., Kuwait Investment Project Co., and with the Kuwait Foreign Petroleum Exploration Company. Mr Al-Hubail is also a member of several boards of companies in Kuwait.

Khaled Fouad

Chief Investment Officer

Khaled Fouad runs KAMCO's investments division and as such he oversees the Firm's investment banking services and management of various funds across asset classes. He is a member of the Firm's Investment Committee and Executive Management Committee. Mr Fouad joined KAMCO in 2015 after 11 years in the UAE working for prominent investment banks and private equity houses. Prior to joining KAMCO, he managed the largest SME fund for Shell in Iraq as well as serving as a board member in several companies across the Middle East and North Africa. He holds a degree in Telecommunications Engineering from Cairo University and an MBA from Cranfield School of Management in the UK. He speaks Arabic, English and German fluently.

Mahmoud Idris

Chief Support Officer

Mahmoud Idris joined KIPCO (Kuwait Projects Holding Company) in 1996, has been with KAMCO since its inception in 1998. He was last promoted to the position of Chief Support Officer in 2013, after heading the Operations Department at KAMCO. Mr Idris has an extensive experience of up to 28 years in investment companies, specifically in the fields of investment auditing, accounting, and back office operation activities. He is a Kuwait University graduate majoring in Accounting and Auditing. Furthermore, Mr Idris has obtained his MBA degree from the University of Maastricht, School of Business, the Netherlands.

Faisal Hasan, CFA

Chief Business Development Officer

Faisal Hasan joined KAMCO in June 2014 and is currently the Chief Business Development Officer responsible for managing investment research, business and product development and marketing functions. Mr Hasan, a thorough practitioner in qualitative and quantitative analysis, has 18 years of experience in investment research and asset management across different geographies and asset classes. Before joining KAMCO, he was working for Global Investment House in Kuwait, where he was managing international asset management and also led their highly ranked sell-side research team. Mr Hasan has also worked with GE Capital and Times Internet Limited in India. A CFA charter holder, Mr Hasan received his Master's degree in Finance & Control from Delhi University, India. Mr Hasan is a noted speaker in many international/ regional investment conferences and is widely quoted in the media, sharing his views on regional economic markets.

Ruben Fernandez

Chief Financial Officer

Ruben Fernandez joined KAMCO Investment Company (KAMCO) in September 2016 as Chief Financial Officer. He brings more than 27 years of experience and knowledge in the investment and finance industry playing an active role in managing and leading treasury businesses in the Middle East, North and Latin America. Prior to joining KAMCO, Mr Fernandez was Group Chief Treasury Officer & Financial Institutions Head at Kuwait Finance House where he developed and managed Group Treasury strategies in Kuwait, Turkey, Malaysia, Bahrain and Saudi Arabia. He was also a Senior Vice President at Citibank and Director at Societe Generale. He earned a bachelor's degree in Economics from the Universidad de Buenos Aires and a master's degree in Finance from the Universidad del CEMA, Buenos Aires, Argentina.

Salah Al-Wuheib

Chief Assets Officer

Salah Al-Wuheib joined KAMCO in 2006 and was promoted to Chief Assets Officer in 2016, responsible for managing equities for both funds and portfolios, and oversees the implementation of the company's asset strategies and allocation. Prior to joining KAMCO, Mr Al-Wuheib was Assistant Deputy Director of Investments at Kuwait Fund for Arab Economic Development, managing the hedge fund portfolio. During his time there, he worked with large international institutions gaining experience in funds, equities and alternative investments, also representing Kuwait Fund on various boards and committees. Mr Al-Wuheib has over 22 years of investment experience in both direct and portfolio investment. He holds a Bachelor of Business Management degree from Eastern Washington University.

Sana Al-Hadlaq

Chief Wealth Officer

Sana Al-Hadlaq joined KAMCO in 2002 and was promoted to lead KAMCO's Wealth Management Team in the position of Chief Wealth Officer in 2016. Sana Holds a BSc. from Kuwait University in Political Science and General Administration. She also has various certifications and qualifications within wealth management and leadership roles. Prior to joining KIPCO Group in 2002, she worked with KUNA as the Head of Planning and Development Office for a period of 10 years. Ms Al-Hadlaq served over 16 years in KAMCO and she is a board member for a number of listed and unlisted companies in Kuwait, and sits on a number of management committees. Her responsibilities revolve around wealth management, client advisory, fund raising, and offering potential investment opportunities; in turn, expanding KAMCO's client base and establishing strong relationships with prospective investors including individuals, family businesses and institutions.

Farouq Al-Oumi

Chief Resources Officer

Farouq Al-Oumi joined KAMCO in 2007 and is currently holding the position of Chief Resources Officer at KAMCO. Prior to joining KAMCO, Mr Al-Oumi has worked in the Human Resources Department at Kuwait Foreign Petroleum Exploration Company (KUFPEC), a subsidiary of Kuwait Petroleum Cooperation, from 1999 till 2007. He graduated from California State University, San Bernardino, USA with a degree in General Management, and Finance as a minor.

MARKET OVERVIEW

Emerging markets equities were the clear outperformers in 2017 with a gain of 34.3% as compared to advanced markets and most other asset classes. However, this rally had minimal impact on GCC equity markets that closed the year with a mildly positive gain of 0.7% for the MSCI GCC Index as regional geopolitical concerns affected both international funding flows and domestic investments by local investors in the region. Key markets globally closed the year in the positive zone continuing the trend seen in 2016, with much larger gains in comparison to the previous year. The MSCI World Index recorded a gain of 20.1% during the year aided by emerging market performance. The US market witnessed robust performance during the year and closed with a gain of 19.4% for the S&P 500 Index after reaching the highest recorded level during mid-December.

GCC Equity Markets See Minimal Impact From Global Emerging Markets Rally In 2017

Despite the modest performance recorded by GCC markets, the MSCI MENA Index surged 21% during the year primarily on the back of gains recorded by Egypt, Tunis, Bahrain and Kuwait, while declines in Qatar and UAE partially offset these gains. One of the most significant noticeable positive developments of the year was the 20.1% gain recorded by developed markets, highlighting record levels achieved by the US and Japan equities and more importantly the turnaround of the European equities market with a gain of almost 9% against flattish performance the previous year. A number of policy changes announced by the new US government also provided support to market growth.

A key factor underpinning growth in advanced markets was the improvement in global growth that pushed corporate profits higher, coupled by a positive economic outlook that boosted investment activity. Adding to that, inflation remained under control, which helped in drafting accommodative monetary policies, shaping an expansionary outlook. According to Reuters, large and mid-size constituents from the MSCI World Index added more than USD 8 Trillion in market capitalization during 2017. Commodities also had a rally towards the end of the year as Copper futures closed with a gain of 30% while other base metals recorded similar impressive gains by year's end. The run up in oil prices gained momentum in December 2017 following a brief cooling period after supply from two producers took a hit, thereby pushing oil prices above the USD 60/b mark and sustaining these levels for an extended period despite shale risks.

Geopolitical issues hampered the performance of almost all GCC markets to varying degrees, specifically resulting in an 18.3% decline for the Qatari benchmark, while limiting surge in other markets. The overall impact of oil on the direction of GCC markets was relatively modest compared to previous years. Oil closed above the USD 60/b mark, the highest yearly close over the past four years, while supply disruptions from some of the producers is expected to push oil markets towards a faster rebalancing in 2018 compared to previous expectations. The dominance of local retail investors in GCC equity markets also made it highly reactive to regional issues and the current macroeconomic situation, resulting in frequent sell-offs. Nevertheless, a number of positive developments provided support from time to time, thereby pulling some markets in the green.

The year started on a positive note with Kuwait and Saudi Arabia reaching multi-month highs, continuing the momentum seen during late 2016. However, although Kuwait managed to maintain momentum, the Saudi Arabian index declined to as low as 6% during the year on the back of falling oil prices and regional issues. The positive sentiments surrounding FTSE qualification of Kuwait and Saudi Arabia also pushed markets higher. Although, Saudi Arabia could not make it to the FTSE Secondary Emerging Market Index as the decision was postponed until March 2018, the gains prior to the actual decision was priced in the benchmark. The decision to include Kuwait in the aforementioned index provided a big boost to the local market and also supported market activity.

Looking Ahead...

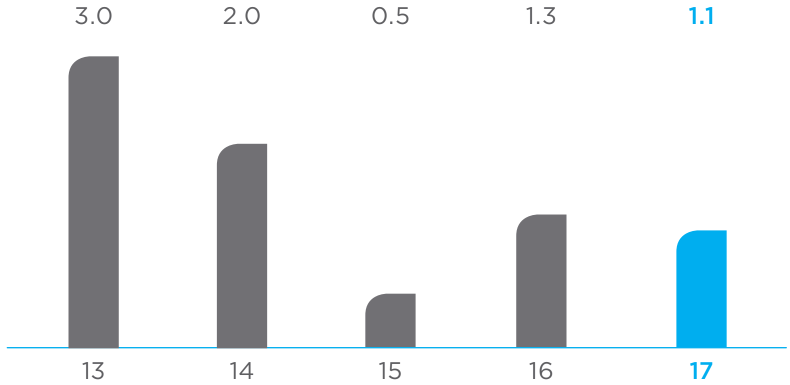
For 2018, we believe global economic growth rates will moderate given the expectation of almost three more rate hikes over the year, making it costly for corporates to raise additional capital. In addition, the narrowing of yield spreads and cautious stance from investors highlight that good news may have already been factored in the current run up in markets. Nevertheless, a number of changes are in the pipeline in key global centers—tax reforms in the US, economic stability in Europe, commodity markets' revival, and emerging markets run up—all of which point towards a positive trend in the near term. In Asia, China is seen as stabilizing with a growth rate of around 6% while India's growth momentum is set to gain pace as the country goes into election mode in 2019.

In the oil market, recent reductions in supplies due to disruption reported by Libya and the Forties Pipeline has added to the already reduced supplies from the agreement between OPEC and non-OPEC suppliers. This has pushed up oil prices to the highest levels in 30 months, while demand for oil remains untouched with faster economic growth in the US and Europe making oil usage resilient, especially in the transportation segment. Be that as it may, the ongoing production agreement is set to end by the end of the year. How smoothly production comes back online will have a major impact on oil market and price volatility.

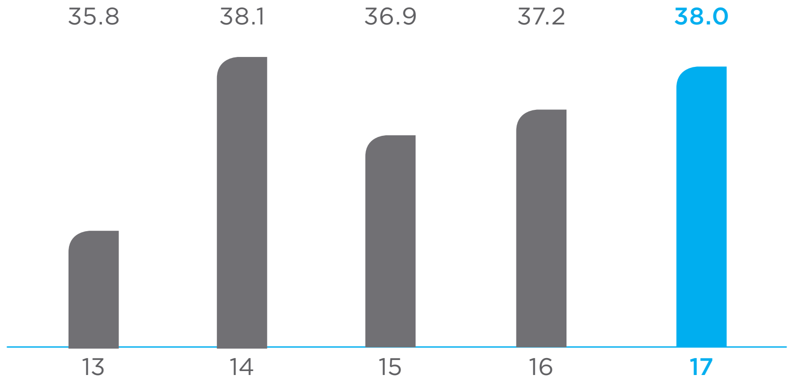
Given the aforementioned positive backdrop and the ongoing implementation and pre-implementation preparations for VAT in the GCC, we expect mild turbulence in local markets, particularly after the first quarter earnings season begins to absorb the impact of the added tax. Additionally, the impact of VAT on consumer spending and inflation during the year will also determine corporate profitability for the full year, although governments in the GCC are attempting to make it a smooth transition. Economic growth rates in the region have mostly bottomed in 2017, and we expect this year to be relatively active with project activity driving economic growth.

FINANCIAL HIGHLIGHTS 2017

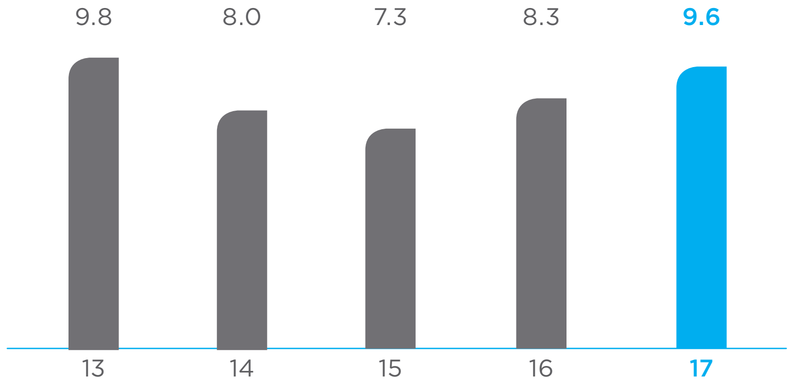
Net Profit
KD Million



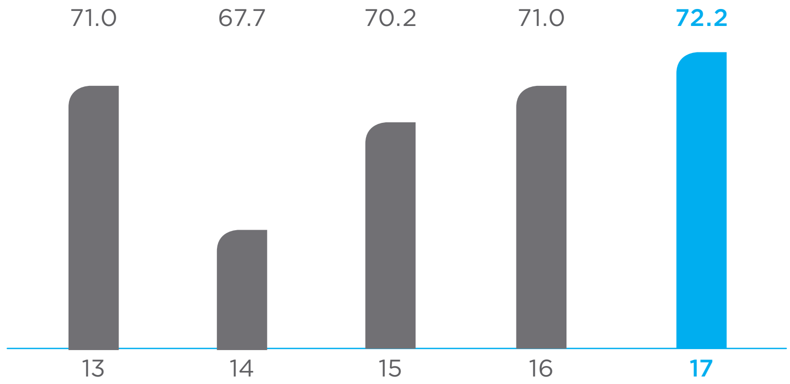
Shareholders' Equity
KD Million



Total Revenues
KD Million



Assets
KD Million



- Total revenue for 2017 was KD 9.6 million (2016 - KD 8.3 million)
- Revenues increased by 16% in comparison to 2016

Income Statements Highlights KD Million	2013	2014	2015	2016	2017
Total Revenues	9.8	8.0	7.3	8.3	**9.6**
Total Expenses	6.7	5.9	6.9	7.1	**8.5**
Net Profit	**3.0**	**2.0**	**0.5**	**1.3**	**1.1**
Financial Statements Highlights KD Million					
Total Assets	71.0	67.7	70.2	71.0	**72.2**
Investments	62.6	59.0	58.5	57.8	**57.6**
Loans & Advances & Other Assets	2.8	3.1	4.2	4.2	**5.0**
Loans	29.1	24.2	27.5	26.5	**26.5**
Shareholders' Equity	**35.8**	**38.1**	**36.9**	**37.2**	**38.0**
Profitability					
Earnings Per Share (Fils)	12.6	8.2	2.2	5.4	**4.8**
Expenses /Revenues	68%	74%	94%	85%	**88%**
Return on Assets	4.3%	2.9%	0.7%	1.8%	**1.6%**
Return on Equity	**8.4%**	**5.1%**	**1.4%**	**3.4%**	**3.0%**
Capital					
Equity/Total Assets	50.5%	56.3%	52.6%	52.3%	**52.5%**
Debt to Equity (X)	**0.81**	**0.63**	**0.75**	**0.71**	**0.70**
Liquidity & Business Indicators					
Loans & Advances and Other Assets /Total Assets	3.9%	4.6%	5.9%	5.9%	**6.9%**
Investments /Total Assets	88.2%	87.1%	83.3%	81.4%	**79.7%**
Assets Under Management KD billion	2.9	3.5	3.4	3.2	**3.4**
Number of Portfolio Clients	716	740	683	748	**692**
Number Of Employees	**109**	**115**	**127**	**128**	**126**

Total Revenues

Management Fees	47%
Advisory Fees	25%
Net Income from Associates	3%
Dividend Income	5%
Gain on Sale of Financial Assets Available for Sale	0%
Realized Gain on Sale of Financial Assets at Fair Value through Profit and Loss	11%
Others	9%

Total Assets

Bank Balances & Cash	13%
Investments at Fair Value through Income Statement	7%
Investments Available for Sale	40%
Investments in Associates	33%
Other Assets	7%

BUSINESS HIGHLIGHTS 2017

- **Enhanced operational performance, profitability and value creation.**

- **Successfully completed 3 major investment banking transactions amounting to over USD 1 billion.**

- **KAMCO funds exceeded their respective benchmarks; KAMCO Investment Fund was ranked the top performing equity fund of the year.**

- **Successfully completed two milestone international real estate investment deals, increasing the size of KAMCO's international real estate portfolio to USD 263 million.**

- **Won 9 internationally recognized awards for outstanding performance in Asset Management, Investment Banking, Alternative Investments, Wealth Management, and Investment Research.**

When You Are One Step Ahead...

Middle East Sukuk Bookrunnner of the Year

Best Asset Management Company

Deal of the Year Category

Fixed Income Managememt of the Year

KAMCO

Quality Advice. Proven Results.

Best Asset Manager

Best investment Research Company

Best Kuwait Equity Fund

Asset Management Adviser of the Year

Best Performing Investment Management Company

CHAIRMAN'S MESSAGE

"We never lose sight of what we are tasked to do: manage funds, direct investments, and serve as a channel for sustainable value creation."

Abdullah Nasser Al-Sabah

Chairman

CHAIRMAN'S MESSAGE

The Board of Directors at KAMCO Investment Company KSC (Public) is pleased to present to you the Company's annual report, which includes a review of your Company's financial performance and significant developments witnessed in 2017.

Dear Valued Shareholders,

Continuing the enthusiasm felt at the end of last year, we began 2017 with an energetic start to the fiscal year. By year's end, 2017 was ear-marked as a challenging chapter in the GCC market story, owing to a lack of stimulating catalysts mounted by unsettling geopolitical and economic conditions.

Yet we see clearly the impact of our team's dedicated focus, as KAMCO's market positioning proved resilient in times of economic stabiity.

Developments over the year reminded us that achieving *Sustainability through Value Creation* requires organizational commitments driven by a disciplined focus on serving the needs of our clients. In the face of heightened market volatility and a bottoming of regional economic growth, this maxim remains ingrained in our company DNA: that success is achieved by aligning the interests of companies and investors to generate sustainable returns for our shareholders over the long-term.

I am proud to report that in such a constantly evolving landscape, the state of your enterprise is strong, and that our company story remains a tale of continued profitability and progress.

During the year, we steered through volatile markets by cautiously investing in fundamentally sound assets. we attribute our continued success to our organizational values, our culture, and our diversification strategy across assets. We remain dedicated to our mission of maintaining and expanding our strong market position to create the value our shareholders expect.

Two Divergent Paths

Given the interconnected nature of financial markets, we are mindful of key market transitions and their wide-reaching implications. 2017 was marked by two divergent pathways across a wide split, with advanced and global emerging markets on one side, and the GCC on the other. In developed markets, the US passed its tax bill including cuts expected to spur economic growth, while BREXIT processes continue to advance. Global stock markets reached record highs at the end of 2017, as did the UK's leading index, the FTSE 100, which closed off the year at an all-time high. Turning to emerging market performance, excluding the GCC, we saw a record run over the year with returns in excess of 30% p.a., while returns in GCC markets were flattish. Developed markets also had an excellent run with returns close to 20% p.a., resulting in overall global equity markets returning around 22% p.a. But GCC markets continued to reel under lower volumes with sluggish economic growth rates despite the encouraging run-up in oil prices towards the end of the year, which failed to create any significant upswing in net growth. On the whole, markets in the GCC reacted intermittently to positive pushes like oil price spikes, or the FTSE inclusion of Kuwait and soon-to-be Saudi Arabia, but overall selling pressures dominated market moods.

GCC Equities

Boursa Kuwait topped GCC market's performance in 2017 with a gain of 11.5%, ahead of Bahrain that closed with a gain of 9.1%. Contrary to expectations, the more active markets in the GCC were either flattish or had negative returns as was the case with UAE markets, while Qatar witnessed the biggest fall of 18.3%. In addition, total trading activity during the year took a severe hit and declined by a fifth despite value-traded doubling in Kuwait along with significant improvements in Bahrain.

Gulf Economies

Economic growth rates in the Gulf were expected to bottom in 2017, according to IMF and World Bank projections. Impacts of reduced oil production in Kuwait, Saudi Arabia, Qatar and the UAE is expected to gradually lift beginning next year, catalyzing a new phase in the oil market. Although this is anticipated to affect governmental finances, the legislative reforms and diversification plans implemented over the past three years will likely create the necessary supporting environment for stable growth in the GCC going forward. Adding to the growing efforts to support long-term regional stability, human capital development continues to take center stage on GCC government's reform agendas, with higher spending targeting education and healthcare sectors. In an effort to boost corporate capital deployment, massive regulatory changes to equity capital markets in Saudi Arabia and Kuwait are expected to spur increased funding flows in the region. On the fixed income market front, GCC governments have been quite active, increasing liquidity and making it easier for private corporates to raise capital in the fixed income space via bonds and Sukuks.

KAMCO in Focus

We continued to perform in line with our strategy of diversifying in focused areas to maximize shareholder returns, which included expanding our regional and global exposure. We achieved milestone acquisitions in class 'A' income-generating investment assets in 2017. KAMCO was also a steadfast partner over the year on several large-scale transactions in the multi-million dollar range and contributed to the development and progress of the local financial market.

Our outstanding performance has been acknowledged by the following recognitions in 2017:

- Best Asset Manager, Kuwait 2017 by IFM
- Best Asset Management Company, GCC 2017 by World Finance
- Fixed Income Manager of the Year, Kuwait 2017 by Global Investor Group
- Best Investment Research Company, Kuwait 2017 by World Finance
- Middle East Sukuk Bookrunner of the Year, 2017 by Mergermarket

Account of Gains and Losses for the Fiscal Year Ended December 31, 2017

This report summarizes KAMCO's account of gains and losses over the 12 months ended December 31, 2017. In line with KAMCO's operational strategy, we continued to capitalize on opportunities that offer long-term success and not just short-term results. Our executive management and KAMCO's seasoned experts have remained well grounded in their approach throughout the year to pursue sustainable growth opportunities in strategic sectors while ensuring the viability of existing asset investments over the long-term.

KAMCO navigated the evolving operating environment over 2017 acting proactively, rather than reactively, while maintaining our usual optimism.

Our overall positive ending to the year is a reflection of the company's emphasis on taking a client-centric approach and we stand tall moving into 2018 with significant operating leverage for the future.

Consolidated Financial Statements for the Year Ended December 31, 2017

All financial statements and reports relevant to the Company's activities were prepared in compliance with International Financial Reporting Standards approved by the Capital Markets Authority Kuwait (CMA) and are fairly presented. This review includes all aspects of the Company's financial performance, operational statements, and results.

KAMCO recorded a net revenue of KD 9.6 million, an increase of 16% as compared to KD 8.3 million in 2016. Net profit attributable to the equity holders for the year stood at KD 1.14 million, compared to last year's profit of KD 1.27 million. KAMCO recorded earnings per share of 4.80 fils, compared to 5.36 fils in 2016. Fee Income reached KD 7.0 million, an increase of 9% from KD 6.4 million achieved in 2016. KAMCO's Assets Under Management (AUM) increased in 2017 to KD 3.37 billion, in comparison to KD 3.20 billion during the same period in 2016.

	2016	2017
Total Assets	KD 71,010,334	**KD 72,244,327**
Total Equity	KD 40,388,784	**KD 40,885,337**
Retained Earnings	KD 1,558,534	**KD 1,257,451**
Cash Dividends Distribution Rate 5% (5 fils /share)	KD 1,187,507	**KD 1,187,242**

Board and Executive Management Remuneration

The Board of Directors will not receive any rewards or benefits for the financial year ended 31/12/2017 nor had they received any rewards or benefits for the fiscal year ended 31/12/2016.

The following table details the benefits, remuneration and incentives received by Executive Management over the year 2017:

Designation	Number of Employees	Total
Executive Management	10	KD 1,034,347

Looking Ahead

We are indebted to our valued clientele who remain the catalyst along our journey of continued growth in 2017 and into the future. I extend my deepest gratitude and appreciation to our respected shareholders for their unwavering support and confidence during both hardship and prosperity, and I affirm our commitment to striving for greater mutual successes moving forward.

I would like to extend my sincere gratitude and appreciation to KAMCO's Board of Directors, executive management, and employees for their relentless, sincere and dedicated efforts in working towards achieving the best financial results and maintaining KAMCO's leadership position. We consider each and every employee as an integral part of "KAMCO's family" and part of the Company's competitive advantage that adds value to our success.

We would also like to acknowledge the regulators in Kuwait and express our appreciation to their vital role in developing crucial investment guidelines and policies, further improving the quality of the investment sector. We would also like to thank the DIFC and the DFSA for their roles and in providing us with their full cooperation in facilitating our operations at our DIFC office in the UAE.

Valued shareholders, we conclude this year optimistic of the next. 2018 will be a springboard year at KAMCO as we strive to build further on our strong market position with innovation, expertise, and reliability. Now, more than ever, is the time to strengthen our position, capabilities, sustainable growth and long-term profitability to achieve the best outcomes for our Clients and stakeholders.

Finally, I would like to take this opportunity to express the BOD's sincere thanks for placing your valuable trust and confidence in our abilities and vision, which motivates us to continue our growth and success.

Abdullah Nasser Al-Sabah
Chairman

CEO'S MESSAGE

"2017 was about turbocharging clients' success and driving shareholder value. We saw our strategy delivering sustainability through value creation on multiple fronts within our Company, across our industry, and in our country. As steadfast partners alongside our clients, it is in balancing this synergy where we found our greatest shared rewards throughout the year."

Faisal Mansour Sarkhou
Chief Executive Officer

CEO'S MESSAGE

" In an ever-changing economic landscape, our Company has maintained sustainable returns over the long-term by leveraging our market positioning as a local leader, with a solid regional network, and a global outlook. This triple-pivot approach is what gave us the flexibility to seize opportunities for new growth over 2017, while maintaining stewardship of our existing investments and client relationships. Amid both real and perceived market volatility over the year, we were well-positioned to seize market opportunities, and we did. "

Dear Shareholders,

In last year's annual report, we included a run-through of KAMCO's multi-point strategy to become the region's premier Asset Management, Wealth Management, and Investment Banking service provider by 2020. I begin this letter with a deep sense of pride in how far our Company has come in achieving that vision of being the best at what we do, by constantly improving how we do it.

2017 was about turbocharging clients' success and driving shareholder value. We saw our strategy delivering *Sustainability through Value Creation* on multiple fronts within our Company, across our industry, and in our country. As steadfast partners alongside our clients, it is in balancing this synergy where we found our greatest shared rewards throughout the year.

KAMCO recorded a net revenue of KD 9.6 million, an increase of 16% as compared to KD 8.3 million in 2016. Net profit attributable to the equity holders for the year stood at KD 1.14 million, compared to last year's profit of KD 1.27 million. KAMCO recorded earnings per share of 4.80 fils, compared to 5.36 fils in 2016. Fee Income reached KD 7.0 million, an increase of 9% from KD 6.4 million achieved in 2016. KAMCO's Assets Under Management (AUM) increased in 2017 to KD 3.37 billion, in comparison to KD 3.20 billion during the same period in 2016.

Our strong performance record remains reflective of our efforts to continually invest in improving the capabilities of our workforce, our technology, and our product and service offerings. While we continue to reach greater heights, we have never lost focus of what our primary job is: to serve our client's best interests.

As we close off another successful year at KAMCO, it is a pleasure for me to pay tribute to our Company's achievements that have positioned us where we are today.

A Time Of Transition

Kuwait and the GCC region as a whole are experiencing a period of intense change shaped by an increased emphasis on economic diversification, fiscal reforms, and improved regulatory environments, each aimed at attracting further investor interest from around the globe.

Throughout the year, Kuwait's economy stood tall with high sovereign ratings and minimal debt. Public budget deficit projections balanced the uptick in the price of oil, buoyed by the government's vocal support to involving the private sector into its infrastructure and development ambitions. Reforms and regulatory processes continued to progress, taking on higher standards of corporate governance and transparency within the debt market. Though there was a lack of any significant market catalysts, the anticipation of an improving operating environment was augmented by Kuwait's status as one of the more stable markets in the GCC.

Though there is still much work to be done in areas of policymaking, we are confident that the upgraded status Kuwait achieved in 2017 entering the FTSE Russell Emerging Markets will have the carried on benefit of encouraging further depth and breadth of the Boursa Kuwait while driving investment into advancing our national economy forward.

Around the Gulf, GCC bond markets continued their trend of strong growth with another record year of primary market issuances from sovereign entities and corporate issuers, while demand remains resilient from the international investor base. On the oil front, prices remained predictably volatile given the ongoing glut, however, efforts by both OPEC and non-OPEC producers to control output is supporting a more sustainable rebalancing of the market.

We owe the overall push to the positive performance zone to Kuwait's consistent economic growth trending upward as we ended the year ahead of regional market projections.

In light of these transitions, our Company has seized the current economic moment of transformation to seek deliberate and targeted growth across the region. We have executed steady expansion into all GCC stock markets and continued growth of our dealings throughout neighboring regional markets.

To tap into the economic dynamism of our region, we have expanded our regional reach through our new UAE headquarters at the Dubai International Financial Centre (DIFC)—a gateway to fresh opportunities for new business and growing our Client base. 2017 marked the official commemoration of our new office at the DIFC, a move that serves as a launching pad for our Company into emerging markets in the Middle East, Africa and South Asia (MEASA). In an increasingly competitive regional financial sector, this positioning has proved to be a strategic success.

Above Expectations

With our growing regional reach, and the expectation of a more business-friendly environment, coupled by our sustained, stable investment exposure, our Company has been able to perform above expectations in key areas this past year.

Even in times of relative unpredictability surrounding financial markets over 2017, we held a laser focus on our core competencies in Asset Management, Wealth Management, and Investment Banking. As we take a look at the year in review across divisions, we see a positive record of investment outperformance relative to our local and regional peers in the Gulf.

Asset Advantage

Our funds under management are consistently among the largest and best-performing, and we succeeded again this year in managing one of the leading funds in Kuwait, the KAMCO Investment Fund (KIF), which was classified as the GCC's top performing equity fund based on YTD returns, KIF out-performed benchmarks at 21.4% YTD as of 31 December 2017, while similarly, our GCC Opportunistic Fund significantly outperformed the S&P GCC Composite benchmark with a return of +5.9% vs. -0.5% (as of 31 December 2017).

Our Asset Management team was successful in reacting to trends in the markets, executing positive returns for our discretionary portfolios for the sixth consecutive year, with all mandates outperforming benchmarks and all GCC indices (FY2017).

We have completed many special advisory mandates and qualified as manager of GCC equity mandates. KAMCO has also been recognized by internationally renowned institutions in the industry and awarded the titles of of Best Asset Management Company - GCC in 2017 from World Finance magazine, Best Asset Manager - Kuwait in 2017 from International Finance Magazine and Asset Management Adviser of the year - Kuwait from Finance Monthly M&A Awards.

Stewards of Wealth

As stewards of wealth across generations, our Wealth Management expertise is diversified across asset classes, geographies, and investment structures. That coupled with our proven track record, remains the center of KAMCO's strong financial performance. Here at KAMCO, we understand that investors—whether individuals, families, or institutions—require a tailor-made approach to protecting, growing and managing their wealth. We are constantly driven by the mission of serving our clients, and that each and every client is a partner for life, today and for generations to come. This year, we took guardianship of growing the investment community's awareness by focusing our efforts in educating the investment community about market risks and opportunities, the importance of planning for a better financial future and relaying investment strategies that can be customized to every need, in order to increase the financial and investment literacy on a local level. With expansion and sustainability leading our operations, our Wealth Management team had also extended a special focus in raising the level of financial inclusion in Kuwait by reaching out to women as a vital demographic and economic powerhouse in Kuwait through holding investment awareness sessions exclusively for female investors.

Investment Banking Excellence

Our persistence in exceeding client expectations by providing reliable investment coverage, fresh solutions, and a complete suite of local, regional, and global capabilities contributed to strengthening our performance track record. Further, this sustainable progress has proudly led to our Clients and Partners placing immense trust in the capabilities of our Investment Banking team to serve as advisors, deliver capital where needed, and to make complex finance structures appear seamless. Furthermore, against the backdrop of external volatility seen regionally and internationally, our Investment Banking team posted a total of 96 successful investment banking transactions worth around USD 15.2 billion, with three debt capital market transactions amounting to around USD 1 billion. This growing transaction record is backed by a fundamental belief in implementing the highest standards of execution in capital and deal flows management and is primarily due to the fact that we never waver in the quality of services we provide, even as the scale and complexity of transactions increase.

Beyond these transactions, other highlights of the year included our role as the acquisition manager to Qurain Petrochemical Industries (QPIC) and National Petroleum Services Company (NAPESCO) M&A on Qurain's 20.5% equity stake in NAPESCO, successfully completed throughout multiple stages initiated in Q3 2016 and finalized in March 2017. In addition, KAMCO served as joint lead manager and joint book runner on KIPCO's USD 500 Million bond issuance under its USD 3 Billion EMTN program. In another major bond issuance, KAMCO also acted as joint lead manager on a KD 100 Million Senior Unsecured Bonds for KIPCO.

On the other hand, underscoring our ability to connect local bond issuers with capital from local, regional, and global investors, KAMCO coordinated Warba Bank's debut Sukuk issuance of USD 250 million in a Subordinated Tier 1 Basel III deal - Mudaraba Sukuk Certificates, which was oversubscribed by five times. Our execution of Sukuk issuances in the USD 250-350 million range have contributed to the development of the Sukuk market in the region, promoting new pathways of financial inclusion for the Shariah-based investor and stimulating capital flows into this key target area of financial market growth. Our achievements within the Islamic bond market were acknowledged by MergerMarket, as KAMCO was voted Middle East Sukuk Bookrunner of the Year 2017. Still, we think there is more opportunity to offer larger investors participation in Sukuk issuances relative to their individual investment goals. We see significant potential in the Islamic finance segment, and will continue to serve as a gateway between Shariah-compliant investment products and keen investors from all over the world who understand their unique value proposition.

International Exposure

We continued to grow our international operations through increased global exposure in 2017.

International real estate acquisitions took center stage in our alternative investments, with strategic asset allocations in the US and the UK, extending our international real estate investment capacity. Building on our first US commercial real estate acquisition in late 2016 when we acquired G.E.'s Global Operation Headquarter in Cincinnati, Ohio - USA we completed two Class A acquisitions in 2017, adding Amazon's largest fulfillment center in Scotland - UK and Abbott's Nutritional Headquarters in Columbus, Ohio - USA to our 2017 milestones. For KAMCO, these deals mark an enormous leap from being a local and regional leader to an international league player.

In addition, KAMCO has been awarded the prestigious title of "Fixed Income Manager of the Year " at the 2017 Global Investor Group MENA awards in recognition of the Firm's exceptional performance and strong regional presence in managing fixed income securities. The GCC bond markets continued its trend of strong growth with another record year of primary market issuances from sovereign entities and corporate issuers, while demand remains resilient from the international investor base. KAMCO is committed to maintain its leadership position heading into 2018 by providing optimal client tailor-made portfolio solutions and fund outperformance relative to its local and regional peers.

Team Efforts

The knowledge and capabilities of our workforce are what powers our overall performance.

Success at KAMCO is a team effort, which is why we are constantly improving our team through technology and enhanced HR processes—becoming a more inclusive company at every stage of the workforce lifecycle. We value our employees and are committed to helping them succeed at every stage. In 2017, we continued to make talent development a part of our day-to-day operations with initiatives that are in line with our business strategy. This past year, we identified key training focal points based on a needs assessment of skills and knowledge our workforce requires for success. We organized multiple training and development sessions in-house, such as the KAMcourse and K-Coach programs, whereby KAMCO employees conduct training sessions with their peers, cementing knowledge through training others and helping to facilitate a more natural knowledge transfer process.

To further improve upon management's capabilities, our Sukuk and Middle Management Training courses were designed to provide managers with the tools and support they need to excel in their careers. These programs were provided by leading trainers including the Kuwait Foundation for the Advancement of Sciences (KFAS), FranklinCovey and Euromoney. Simultaneously, we created a KAMCO onboarding program for seamless integration of new joiners to our team, ensuring new comers are ready to thrive in their roles and are acquainted with our company culture, policies, and procedures—all of which are outlined in our redesigned Employee Handbook. In addition, our newly introduced Human Capital Management platform will offer complete HR management and payroll control with self-service capabilities for employee access.

Throughout the entire workforce lifecycle, we maintained a close connection to our team's performance and training needs through direct feedback. We solidified division-level KPIs along with our 360 Assessment for Top Management, which will identify training development trends across the company as they progress, enabling HR to plan training effectively and efficiently dedicated to specific needs.

A Culture Of Innovation

By employing a culture of innovation among our team and incorporating new technologies, our Company's operations has evolved to ensure a seamless experience for our Clients while creating exciting business possibilities.

Improvements in our technological capabilities have made the KAMCO network faster, more secure, and more collaborative across divisions and geographies. Our IT experts implemented platforms that enable our investment teams to take advantage of increased asset class coverage, highly automated workflows, consistent data and accurate risk analytics—helping to achieve more productivity and greater overall efficiency that dramatically improves our digital offerings. Through our single front-to-back investment management platform, we have widened our range of investment strategies and solutions, enabling the firm to win valuable new business and drive a more engaging customer experience. Ensuring a sophisticated level of investment product and service delivery with the client at the center of it all has better positioned us in an increasingly competitive marketplace that is fueled by technology.

On an external front, we maintained focus on improving our Client interface through customized solutions and the use of technology by adding to our Client offerings. Our IT experts have introduced a multi-market trading platform for non-discretionary portfolio Clients, and automated our Client Onboarding processes through the launch of our new Client Portal, which allows Clients to submit portfolio requests online.

Both internally and externally, KAMCO has embraced seamless technological solutions in the cloud, connecting our technology platforms from anywhere in the globe, differentiating our business, and preparing for future technological change.

An Eye For Insight

Along with our innovation mindset, our eye for insight keeps our Company, our industry, our national economy, and our region in lock-step with rapidly changing market dynamics.

Our Investment Research team has been dedicated to delivering market analyses that help guide investors towards investment success. The team achieved unmatched success during 2017 as the department maintained its high reputation and further strengthened our Company's thought leadership position as one of the top research providers in Kuwait and the GCC.

Well-renowned for our market intelligence, KAMCO's published financial analyses and insightful outlook reports were frequently cited throughout the year by external media such as Reuters, Bloomberg, Capital IQ and FactSet, keeping our investors, clients and other stakeholders in tune with developments shaping current and future economic performance. Extending the applications of our insights, we engaged in a partnership with KFAS this year to produce the Cluster of Innovation Framework Study – Kuwait, analyzing the local entrepreneurial environment and supporting policies geared towards promoting Kuwait's economic growth. The insights were well received by all stakeholders within the local economy and helped sharpen our focus in helping Kuwait's entrepreneurs connect with capital to drive sustainable economic growth of our nation. In recognition of our industry-leading research capabilities, KAMCO received the prestigious title of Best Investment Research Company, Kuwait – 2017 by World Finance magazine.

As we look forward, our research hub will continue to focus on further enlarging its scope of research and serving the overall investment community in the region. We will remain poised for thought leadership in an increasingly data-centric investment landscape as one of the top research houses in Kuwait and the region.

Corporate Responsibility

As a leading investment company, we believe in our duty towards improving our community. Our corporate social responsibility (CSR) engagement strategically supports events and causes that add value to our national economy, our industry, and by extension, our own firm. Of strategic importance to us is tackling one of our most pressing challenges: the development of local human capital. That is why our CSR initiatives are centered on supporting youth education, entrepreneurship, career development and the overall wellbeing of our society. By participating in high profile events and being a facilitator of impactful projects, we maintain a close link between our business, the workforce, and the wider community.

Our goal is to increase the number of workers who have access to high-demand career pathways, whether they are young professionals just beginning to prepare for their careers in high school or university or adults looking to expand on their existing skillsets. In every case, our commitment to lending support to community initiatives and monitoring our social duties through implementing an annual CSR strategic plan remains at the heart of KAMCO's operations and its vision of achieving a more sustainable community socially and economically.

Moving Forward

With a robust local and regional network of relationships, and an expanding global presence across the MENA and beyond, we have continued to provide standard-setting and results-driven asset management, investment banking and advisory solutions to clients since 1998 and we will persist in assuring that our strong reputation remains firmly intact. I am honored to witness that our efforts are being recognized internationally and we have been named the Best Performing Investment Management Company - Kuwait 2017 by Global Brands magazine.

Now, we swiftly shift from looking back, to looking ahead. The progress we have achieved has brought us closer to our 2020 vision goals, but resting on our past successes would merely keep us anchored in place, rather than providing a competitive path forward. Plans to accomplish our vision require considerable discipline and coordination to implement. In order to continue improving, we will need to sustain and scale up our efforts, carrying the momentum of our past successes into a new era of our Company's growth. As a Company, we recognize our responsibility to maintain the stability required to preserve our current standing and reach even greater levels of prosperity.

In 2018, we will continue to place a firm hand in the regional and international markets via strategically executed investment banking activities that should pave the way for KAMCO's name to be amongst the major regional and international leagues. Our asset management services are also expected to continue growing, targeting an increased market share in the region. We aim to forge new pathways to innovative solutions via widening our regional and international presence and extending new and long lasting strategic partnerships. For the coming year, we will place technology at the center of our business to ensure that our progress remains in line with the technological advancements that would allow us to take part in budding new opportunities that better serve our Clients.

I am confident in the promises we carry into the future. The team will continue to build on our progress heading into 2018 with the objective of searching for more highly attractive deal targets offering the most efficient structures and value potential for our clients. We work with fierce determination to make KAMCO a company of which our team, clients, shareholders and communities can be proud.

Going forward, I express my deepest gratitude to our team who are the reason why we have been able to accomplish several new milestones in 2017. I thank the Board of Directors and Executive Committee for placing their trust in management's strategic approach. I also extend my appreciation to the executive management team who have displayed remarkable wisdom and foresight to achieve many new wins for us as a Company. I remain grateful for our valued shareholders and clients and their ongoing trust. Together, we are long-term partners in wealth. Lastly, I would like to commend Kuwait's market regulators, government officials, and organizations for being instrumental in the development of the capital markets and economic structure of Kuwait. It is a pleasure for me to share our successes, contribute to further accomplishments and I look forward to continuously growing KAMCO with you all.

Faisal Mansour Sarkhou
Chief Executive Officer

KAMCO... SUSTAINABILITY THROUGH VALUE-CREATION

2017 At A Glance

KAMCO awarded "Fixed Income Manager of the Year" by Global Investor Group

KAMCO holds grand opening ceremony for KAMCO DIFC Office


KAMCO wins "Middle East Sukuk Bookrunner of the Year 2017" by Merger Market

KAMCO wins "Best Kuwait Equity Fund" by MENA FM

KAMCO acquires Amazon's largest UK distribution warehouse


KAMCO holds innovation and strategy execution training sessions by ShiftIn Learning Solutions & FranklinCovey


KAMCO holds "Middle Management Development" training by Euromoney


KAMCO holds "Effective Management Skills For Administrative Professionals" training by Ernst & Young


KAMCO holds "Structuring Sukuk & Islamic Securitization" training by SHAPE Knowledge Services

CORPORATE SOCIAL RESPONSIBILITY

"Our commitment to lending support to community initiatives and monitoring our social duties through implementing an annual CSR strategic plan remain at the heart of KAMCO's operations and its vision of achieving a more sustainable community socially and economically."

Faisal Mansour Sarkhou
Chief Executive Officer

CSR

Corporate Social Responsibility (CSR) is not an abstract concept at KAMCO; it is what we do. Even prior to CSR becoming a requirement by the CMA, KAMCO understood the competitive advantage of embedding CSR into its Company-wide strategy. Playing a leading role in the community through the execution of our CSR initiatives remains an integral part of our strategy of value creation for our stakeholders.

The principles that guide us in business—transparency, innovation, commitment and value creation—are the framework upon which building blocks of a competitive and high-functioning successful business environment are built. We believe that encouraging the development of these key elements accelerate the advancement of our society and promote the betterment of our community.

By annually setting a detailed CSR agenda and participating in CSR forums organized by KIPCO, we amplify the magnitude of our collective actions to improve the marketplace and social community through collaboration under the same corporate umbrella. Through our annual CSR forums, we leverage this collaboration by committing to the CSR agenda set forth by KIPCO.

Central to KAMCO's strategic CSR agenda over 2017 was ensuring that the Company remains a leading figure in the social fabric of Kuwait, continuing to create notable positive impacts on the wealth and well-being of society. The range of our 2017 CSR initiatives spanned the areas of employee wellness, public health, education, professional development, youth empowerment, and entrepreneurship; positioning the goal of community development at center-stage. By addressing issues surrounding social and economic value creation, we allow the community to rise to the forefront in defining the dynamic context in which our business operates.

By and large, our CSR agenda in 2017 was about investing in human capital. We created opportunities to challenge and empower the youth of tomorrow. We sought to enhance the market landscape in which we operate in order to optimize growth while promoting a sustainable future economy. We also emphasized the importance of health and wellness by proactively supporting awareness campaigns and facilitating transfer of practical knowledge and resources.

At KAMCO, CSR is an investment, not a cost, and we spare no effort in devoting our time and resources to see that key segments of the market and society thrive together in an increasingly globalized and dynamic world.

HEALTH & WELL-BEING

Employee Wellness

KAMCO believes that promoting a healthy workforce is an investment in not only the success and productivity of the Company but is an added value to the wider community at large. To achieve continued progress towards this aim, the Company held a health awareness session for its employees in collaboration with Salhiya Clinic. The initiative highlighted the importance of promoting an overall healthy lifestyle among KAMCO employees, a goal that remains a strategic CSR priority. The health session included complimentary lifestyle consultations from Salhiya Clinic experts, in addition to health related tips and tests educating on the importance of preventative medical care while increasing awareness of the risks regarding different health issues such as diabetes and other common ailments. Experts in the fields of nutrition and diet, dentistry and oral care as well as lab technicians guided the impressive turnout through a variety of health-related activities that included BMI and BMR tests, while providing attendees with advice on how to balance their daily food intake and adopt beneficial lifestyle and behavioral changes that promote health and well-being in their personal and professional lives.

Cancer Prevention

Recognizing the signs of head and neck cancer helps save lives. To play a proactive role in educating the Company and general public on the importance of preventative health measures, KAMCO organized a head and neck cancer awareness internal campaign emphasizing early detection and risk factor avoidance of these often neglected and commonly occuring diseases. Held in collaboration with Cancer Awareness Nation (CAN) and in cooperation with Al Borg Medical Laboratories and SebaMed, the campaign was initiated through circulating internal awareness messages to employees in order to elevate knowledge levels of head and neck cancers, topics often neglected in the media. The team at CAN delivered an informative session that featured tips on disease diagnosis and preventative health measures, followed by an open Q&A session that engaged attendees in a social learning forum. As part of this initiative, other participating companies offered complimentary blood glucose and blood pressure checkups to the attendees as well as health and skin care products. To further highlight to the local community the importance of preventing and eliminating these diseases, KAMCO took part in a press conference hosted by CAN aimed at increasing awareness of risk factors, early detection measures and the prevention of cancer through simple lifestyle changes.

Giving Life

The direct impact that donating blood has on those in dire health conditions is nothing short of lifesaving. In support of local healthcare, KAMCO is proud to host its annual blood donation drive year after year in association with the Central Blood Bank in Kuwait. Under the slogan: "Donate Blood, Give Life," the blood drive contributed to the constant and growing demand for a reliable blood supply in the local community and served as a lifeline for those in need. Raising awareness on the importance of donating blood and bringing the community together is KAMCO's way of investing in the health and well-being of society. Through the simple act of donating blood, KAMCO was able to extend its support to the local population and healthcare community while encouraging a high turnout of donors as well as several other group participating companies to the cause.

YOUTH EMPOWERMENT

Generation Seven of The Protégés: Supporting Future Leaders

KAMCO participated in The Protégés Job Shop hosted by the Kuwait Projects Company (Holding) – KIPCO, for the program's seventh-generation. Following Generation Seven's display of their final project "Kamalah", this year's edition was as an interactive session where candidates raised key questions on the topic of career planning and sought professional guidance on potential and future job opportunities at KAMCO. Part of The Protégés program evaluation, which consisted of a judging panel and a press conference, the Job Shop gave budding young professional leaders the chance to connect with potential mentors and begin to envision a pathway towards the fulfilling career they aspire to achieve. KAMCO's continuous support to The Protégés program remains in line with its corporate and social objectives to create mentorship opportunities that encourage the personal and professional development of dedicated students representing the future of the Kuwaiti economy. Participating in these high impact programs is a core component of KAMCO's strategic CSR agenda that sees progressively investing in the development of human capital as a driving force behind ensuring the next generation of leaders are prepared to excel in their their future careers.

INJAZ-Kuwait

KAMCO remains passionate in its endeavor to develop the youth of tomorrow. Our long-running participation with INJAZ-Kuwait helping to facilitate interactive learning environments has become an integrated part of KAMCO's culture and is aligned with KIPCO's strategic CSR objective to nurture future generations. In 2017, KAMCO was involved in a number of INJAZ-Kuwait initiatives including a job shadow event with the objective of engaging and equipping young, talented collegiate minds with the necessary tools and real-life experience to excel and create a successful future ahead.

KAMCO also joined KIPCO in their collaboration with INJAZ-Kuwait hosting a career mixer workshop titled "Head Start ". This career-oriented workshop provided college students with an opportunity to develop and strengthen their job interview skills through live role playing and interactive practice. Our involvement paves the way for these young leaders early on in their academic life by distilling practical knowledge that may better guide them towards a more prosperous career path.

21st Century KAMCO Learning Lab

Sponsoring the multi-purpose lab at Kuwait University (KU) continues to express our commitment to the development of young professionals by supporting their education. The fully equipped lab includes state-of-the-art technology and the latest software, providing students with a 21st century learning environment suited for all their studying needs.

Local Talent Building

KAMCO was a primary sponsor of the 2017 AUK career fair yet again, keeping its finger on the pulse of the next generation of local talent. Students, fresh graduates and alumnus seeking internships, career opportunities and professional advice became acquainted with the hiring process within the firm and the overall market. As a market leader, our role as a gold sponsor in the 13th edition of the fair reflects our duty to support the education and professional development of future generations. Improving the skills of our employees and inspiring incoming graduating classes to enter the professional marketplace ahead of the crowd go hand in hand with our CSR strategy to add value to the local marketplace and wider economy. The American University of Kuwait's (AUK) Annual Career Fair continues to be a valuable platform for students to interact and engage with KAMCO representatives and is in line with the Company's sustainable human capital development strategy.

ENTREPRENEURSHIP

Tmkeen

KAMCO supported the KIPCO Tmkeen Award for Young Entrepreneurs for the third consecutive year in 2017, alongside its sister companies and in collaboration with the Youth Empowerment Organization (Tmkeen). For the 2017 edition of the Tmkeen award, the competition centered on entrepreneurial businesses in the technology industry. This year's grand prize marked the largest entrepreneurship prize by value in Kuwait, offering the winner a generous bundle of services that included financial, strategic and operational consultancy sessions, market studies, insurance coverage and advertising services; a total value of USD 100,000 worth of resources from the KIPCO Group companies.

Our support to Tmkeen comes as part of our commitment to showcase Kuwait's young entrepreneurial talent, creating platforms of opportunity that challenge comfort zones and extend individual and team capabilities in unprecedented ways, while developing businesses ready to thrive and contribute to advancing the future of our country.

The Maker Movement

A key objective within KAMCO's strategic CSR agenda is to guide and support small and medium sized enterprises (SMEs) while leading a movement towards enhancing the local entrepreneurial ecosystem in Kuwait. To encourage the "maker movement" occurring locally, regionally and globally, KAMCO participated in the the first ever Kuwait edition of the globally renowned Maker Faire as a silver sponsor, held under the patronage of H.H. the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah and with the attendance of the Minister of Commerce and Industry H.E. Khaled Nasser Abdullah Al-Roudan. The 3-day event centered on innovation and prototyping, featuring unique talents, technological projects and arts and crafts on display from Kuwait and around the GCC region. Entrepreneurs competed for a winning title as KAMCO joined the judging panel evaluating competitors' projects on the basis of creativity and ingenuity. The event showcased the vibrancy and dynamism of Kuwaiti entrepreneurs and their ability to contribute to the collective creative output of the regional and global economy.

PROFESSIONAL DEVELOPMENT

Raising the Bar

Enhancing professionalism within the local business environment and ensuring that the financial and investment market functions optimally are top priorities at KAMCO as we aim to maintain competitiveness in today's highly dynamic global economy. KAMCO sponsored the 10th Annual Charter Award Ceremony (CFA) for the 8th consecutive year in 2017, expressing our shared commitment to developing Kuwait's finance and investment management industry and supporting top talent in the sector. Promoting world-class recognition of Kuwait's leading finance and investment professionals helps to raise the bar of achievement within the local and regional investment community. KAMCO encourages investment and finance professionals to pursue the highest level of certifications within their careers in order to remain competitive in today's globalized business environment. Our position as a leader motivates our continuous participation as a recurrent sponsor of the CFA, fortifying our dedication to supporting higher education and professional development in the industry. We believe that supporting individual success leads to success of the whole, and that knowledge and skill building ultimately drives the country's overall economic advancement.

CORPORATE GOVERNANCE

“We work with fierce determination to make KAMCO a company of which our team, clients, shareholders and communities can be proud.”

Faisal Mansour Sarkhou
Chief Executive Officer

CORPORATE GOVERNANCE

The core principles of Corporate Governance drive the cornerstones of KAMCO's governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. KAMCO believes that the practice of each of these leads to the creation of the right corporate culture in which the company is managed.

KAMCO's Corporate Governance Framework

We at KAMCO have a strong corporate governance framework in place to align all our business fronts to best practices, internal processes and control, policies and procedures and ethical considerations. The core principles of Corporate Governance drive the cornerstones of KAMCO's governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. KAMCO believes that the practice of each of these leads to the creation of the right corporate culture in which the company is managed.

Furthermore, KAMCO believes in the importance of applying the principles and standards of sound governance, by adopting professional and ethical standards in business, ensuring transparency in disclosures, announcing key information in a timely manner, to maintain the company's solid reputation and continue enhancing shareholders and stakeholders' confidence. As part of KAMCO's commitment in implementing the rules of corporate governance, KAMCO, represented by its Board of Directors and Executive Management, has worked on developing the company's governance and Compliance system, through a set of policies and procedures that govern the Company's work and define the responsibilities of each Board member and Executive Management.

During 2017, KAMCO achieved a number of achievements related to corporate governance such as:

- Updating the Company's policies and procedures.
- Developing and updating the Board/Company committees' charters.
- Implementing the procedures and requirements of corporate governance.
- Reviewing and assessing the Company's corporate governance system continuously

This report summarizes the requirements and procedures implemented at KAMCO for applying corporate governance rules and regulations as follows:

Constructing a Balanced Board Composition

Board's Structure

KAMCO's Board of Directors is composed of five members appointed during the Company's Annual General Assembly once every three years. The Board members have proper educational background, professional experience, and extensive business knowledge both locally and regionally.

The role of the Board is to govern the Company. The Board of Directors will exercise its duties collectively and independently, and will devote sufficient time to its responsibilities, and work in good faith and in total dedication to the interests of the Company and its shareholders.

KAMCO's Board of Directors consist of the following:

Name	Classification (Executive /Non-Executive/ Independent), Board Secretary	Qualification and Work Experience	Date of Election / Appointment
Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah - Chairman	Non-Executive Director	BA - Business Administration	14/05/2017
Entisar Abdul Raheem Al-Suwaidi - Vice Chairman	Non-Executive Director / Independent	BA - Accounting	14/05/2017
Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah	Non-Executive Director	BA – English Literature	14/05/2017
Masaud Mahmoud Jawhar Hayat	Non-Executive Director	BA - Economics	14/05/2017
Tariq Mohammad Abdulsalam	Non-Executive Director	BA - Accounting	14/05/2017
Farouq Al Oumi	Board Secretary	BA - Business Administration	14/05/2017

Board's Meetings 2017

BOD Member Name	Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah - Chairman	Entisar Abdul Raheem Al-Suwaidi - Vice Chairman	Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah	Masaud Mahmoud Jawhar Hayat	Tariq Mohammad Abdulsalam
Meeting # (1/2017) dated 23/02/2017	√	√	√	√	√
Meeting # (2/2017) dated 02/03/2017	√	√	√	√	√
Meeting # (3/2017) dated 09/03/2017	√	√	√	√	√
Meeting # (4/2017) dated 13/03/2017	√	√	√	√	√
Meeting # (5/2017) dated 30/03/2017	√	√	√	√	√
Meeting # (6/2017) dated 07/05/2017	√	√	√	√	√
Meeting # (7/2017) dated 14/05/2017	√	√	√	√	√
Meeting # (8/2017) dated 18/05/2017	√	√	√	√	√
Meeting # (9/2017) dated 27/07/2017	√	√	√	√	√
Meeting # (10/2017) dated 05/10/2017	√	√	√	√	√
Meeting # (11/2017) dated 26/10/2017	√	√	√	√	√
Meeting # (12/2017) dated 28/12/2017	√	√	√	√	√

Summary of Registering, Coordinating and Archiving Board of Directors Minutes of Meetings

The Board of Directors have a register where all Board of Directors' minutes of meetings are maintained (in serial number). The Board of Directors also appointed Mr. Farouq Al Oumi as the Board Secretary, who is responsible for writing and archiving the Board's minutes of meetings, records and reports; and ensuring that the Board members are following all board-resolved resolutions and procedures.

Establishing Appropriate Roles and Responsibilities

As part of KAMCO's commitment to implement the basics rules of good governance, the Company identified the roles and responsibilities of the Board Members and Executive Management as follows:

- Adopt the Charter of Board of Directors giving the Board the authority to exercise its role and responsibilities in managing the Company.
- Place Key Performance Indicators (KPIs) to evaluate the performance of the Board of Directors.
- Place Key Performance Indicators (KPIs) to evaluate the performance of the Executive Management in compliance with the Company's objectives and strategy.
- Detail the responsibilities of the Board of Directors within the Company's Articles of Associations.
- Approve the Delegation of Authority Matrix which identifies the responsibilities of the Executive Management.
- Form specialized Committees with set authorities and responsibilities to fulfill.
- Approve the Company's policies and charters as to achieve balance in authorities divided between the Board of Directors and Executive Management.

Board of Director's Achievements for 2017

During the year, the Board of Directors major achievements were:

- Updating and approving the Company's policies and procedures; and ensuring that the Company is fully compliant and committed with them.
- Forming and updating specialized Board Committees.
- Updating the Company's organization structure.
- Approving the Company's major goals, strategies and plans.
- Approving the Company's annual budget and approving the company's financial statements.
- Updating and approving the Company's Corporate Governance Framework.

Board's Committees

Board of Directors

- Executive Committee
- Audit Committee
- Risk Management Committee
- Nomination & Remuneration Committee

A) Executive Committee

Responsibilities and Achievements

The Executive Committee is appointed by the Board to exercise the powers and duties of the Board between Board meetings and while the Board is not in session, and to implement the policy decisions of the Board.

Formation Date

The Executive Committee was formed in April 2010.

Structure

The Committee consists of five members:

- Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah (Chairman)
- Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah
- Masaud Mahmoud Jawhar Hayat
- Tariq Mohammad Abdulsalam
- Faisal Mansour Sarkhou (KAMCO's Chief Executive Officer)

Meetings

The Committee met seven times during 2017.

B) Board Audit Committee

Committee's Responsibilities and Achievements

The Committee assists the Board in providing oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations by:

1. Reviewing periodical financial statements before providing them to the Board of Directors and provide the Board of Directors with opinion and recommendation concerning them.
2. Recommending to the Board of Directors to reappoint external Auditors or change them, and specifying the remunerations thereof.
3. Following up on external auditors work and reviewing their remarks on the Company's financial statements.
4. Supervising the internal audit in the Company, evaluating the extent of sufficiency of internal control conditions applied inside the company and reviewing the results of the internal audit reports.

5. Reviewing and approving the internal audit plan.
6. Verifying the Company's compliance with related laws, policies, systems, and regulations.

Formation Date

The Committee was formed in June 2012.

Structure

The Committee consists of three members:

- Ms. Entisar Al-Suwaidi (Chairperson)
- Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah
- Tariq Mohammad Abdulsalam

Meetings

The Committee met seven times during 2017.

C) Board Risk Management Committee

Responsibilities and Achievements

The Committee works on overseeing and evaluating the risk management practices at the Company by:

1. Preparing and reviewing the risk management strategies and policies before approving the same by the BoD and ensuring proper implementation of such strategies and policies and its consistency with the size and nature of corporate activities.
2. Ensuring availability and sufficiently of resources and systems sufficient for risk management.
3. Evaluating systems and mechanisms of identifying, measuring and monitoring various types of risks that may face the Company, in order to identify areas of weaknesses.
4. Assisting the Board of Directors in identifying and evaluating the company's acceptable risk level, and ensuring that the company does not exceed this level upon approving the same by the BoD.
5. Reviewing the organizational structure of risk management and providing recommendations in this regards before approving the same by the BoD.
6. Verifying independence of the risk management employees from activities that result in subjecting the company to risks.
7. Ensuring that the risk management employees fully understand the risks surrounding the company and raise awareness for employees concerning risk culture.
8. Preparing periodic reports about the nature of risks facing the company and submitting such reports to the Company's Board of Directors.
9. Reviewing issues raised by the Board Audit Committee, which may affect risk management in the Company.

Formation Date

The Committee was formed in June 2012.

Structure

The Committee consists of three members:

- Tariq Mohammad Abdulsalam (Chairperson)
- Entisar Al-Suwaidi
- Masaud Mahmoud Jawhar Hayat

Meetings

The Committee met four times during 2017.

D) Nomination and Remuneration Committee

Responsibilities and Achievements

The Nomination and Remuneration Committee is responsible for assisting the Board of Directors with regard to its responsibilities pertaining to nomination and remuneration related to the members of the Board of Directors and Executive Management. The committee assists the board in reviewing the level of competence of the members of the Board of Directors and KAMCO Executive Management and improve it and setting remuneration frameworks and ensuring its effectiveness in accordance with the approved remuneration policy. Moreover, the committee is responsible for establishing criteria for Board and Executive Management remuneration through:

1. Recommending nomination and re-nomination acceptance for Members of a Board of Directors and Executive Management members.
2. Setting a policy for Board of Directors and Executive Management members' remunerations, along with annual review of the required proper skills needed for Board membership. In addition to importing applications for executive positions as required, studying and revising these applications.
3. Determining various remuneration categories to be provided for employees such as fixed, performance-based, share-like and end of service remuneration categories.
4. Designing job description for Board members.
5. Ensuring that the independency of the related Board Director is valid.
6. Preparing detailed annual report for all remunerations given to Board of Directors and Executive Management members.

Formation Date

The Committee was formed in March 2014.

Structure

The Committee consists of three members:

- Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah (Chairperson)
- Entisar Al-Suwaidi
- Tariq Abdulsalam

Meetings

The Committee met six times during 2017.

Company's Mechanism in Enabling Board Members to Obtain Accurate and Timely Information and Data

The Company has an effective mechanism that enables the Board of Directors to obtain accurate and timely information, which enables them to perform and fulfil their duties and roles efficiently and sufficiently.

The Company has also developed a basic structure for IT systems, which ensures that all reports are prepared with high quality and accuracy and are submitted to the Board of Directors on time.

Recruiting Highly Qualified Candidates for the Board of Directors and Executive Management

Brief on requirements to form the Nomination and Remuneration Committee:

The Board of Directors has formed a Nomination and Remuneration Committee consisting of Three members (an independent and two non-independent members), and responsible for the nomination of members to the Board, Board Committees and Executive Management, in addition to setting policies related to the Board of Directors and Executive Management remunerations.

Board of Directors' and Executive Management Remuneration

The remuneration policy at KAMCO, which aims to link remunerations and acceptable risk levels to attract qualified candidates to the company and ensure transparency, was approved by the Board of Directors in June 2016.

A summary of this policy is presented as follows:

- The total remuneration should not exceeds 10% of the net profit of the Company (post the deduction of depreciation, reserves, shareholders dividends not less than 5% of the Company's capital or any higher percentage as stipulated in the Company's Articles of Association).
- The total remuneration amounts should be approved by the General Assembly through its annual meeting based on a recommendation by the Board Nomination and Remuneration Committee.
- The independent board member may be exempted, based on the approval of the Ordinary General Assembly, from the maximum limit of remuneration stipulated in this section.

Directors' remuneration is divided into four as shown below:

1. Board Membership Remuneration

This is an annual remuneration given to all Board Members.

2. Board Committees Membership Remuneration

The Board Member will be entitled for each committee membership remuneration only if he/she was able to attend the minimum number of meetings required in each committee's charter.

3. Remuneration for Attending Meeting:

Members of the Board are entitled to a fixed rate against attending Board and Committee meetings.

4. Special Bonuses:

A special bonus is granted should the Board of Directors assign specific tasks to a member as per Article 185 of the Companies' Law, stipulating that the "Board of Directors may distribute work between members as per the nature of the business, as well as delegate a member or committee or another person to perform duties or supervise one of the activities of the Company or to exercise certain authorities or responsibilities vested in the Board."

Executive Management Remuneration Policy

The Executive Management remuneration policy takes into consideration the conditions and environment in which the Company operates, the results achieved, and relevant risk factors. The key components are:

1. Fixed remuneration:

- Fixed compensation is set based on the responsibilities and growth path identified for each member of the Executive Management.
- Fixed remunerations are agreed upon with the Executive Management based on their skills and experience.
- Fixed remunerations are reviewed periodically.
- Fixed remunerations, including salaries, allowances, and benefits are set in KAMCO's Salary and Grading Structure and approved by the Board of Directors.

2. Variable Remuneration:

- Designed to motivate and reward high performers within the overall risk framework of the organization.
- Variable remuneration awards are allocated to individuals depending upon individual, divisional, and Company-wide performance using an individualized performance assessment system.

- The variable remuneration is divided into annual cash bonus / incentive and Long Term Incentive accordingly. This is determined annually by the Board Nomination and Remuneration Committee prior to approval by the Board.
- The performance appraisal process is managed in accordance with the Company's approved Performance Management Policy.

Balance between fixed and variable remuneration

The Company ensures that there is an appropriate balance between fixed and variable remuneration to allow for the possibility of reducing variable remuneration in the case of weak or adverse financial performance. The percentage of fixed and variable remuneration is reviewed and determined annually by the Board of Directors based on the Board Nomination and Remuneration Committee's recommendation.

Board Remuneration Details

None

Executive Management Remuneration and Salaries Details

Designation	Number of Employees	Total (KD)
Executive Management at KAMCO	10	KD 1,034,347/-

Other Remuneration Given from Sister Companies Details

None

Deviations from the remuneration policies approved by the Board of Directors

None

Safeguarding the Integrity of Financial Reporting

The Executive Management acknowledges to the Board its responsibility for the fair presentation of the KAMCO's consolidated financial statements for the year ended 31 December 2017, and that these statements present all financial aspects of the Company accurately, including data and operational results, and are prepared in accordance with the International Accounting Standards approved by the Capital Market Authority (CMA).

Furthermore, the Board of Director acknowledges to the shareholders its responsibility for the fair presentation of KAMCO's consolidated financial statements for the year ended 31 December 2017; and that they present all financial aspects of the company, including data and operational results, and are prepared in accordance with the International Accounting Standards approved by the Capital Market Authority (CMA).

The Board of Directors formed a fully independent Audit Committee that consists of three members (one independent and 2 non-independent members). The committee members have educational qualifications and practical experience in the field of accounting and finance.

The external auditors of the Company are fully independent from the Company and its Board, and the Board Audit Committee verifies their independence on an annual basis. Furthermore, the external auditors do not provide any service other than the services related to the Company's audit function.

Applying Sound Systems of Risk Management and Internal Audit

The Company's organization structure (Approved by the Company's Board of Directors) includes a fully independent Risk Management Department, reporting directly to the company's Board of Directors. The Risk Management Department is granted full authority to perform its role properly without being granted financial powers and authorities. The department also has qualified human cadres of professional competences and technical capabilities.

The Board of Directors formed a fully independent Risk committee that consists of three members, and its main responsibility of developing and monitoring Risk Management policies and procedures.

The Board of Directors continuously works on developing the company's internal controls systems; through applying the "Four Eyes Principles" as follows:

1. Proper identification of authorities.
2. Segregation of duties to prevent conflicts of interest
3. Dual control and review
4. Dual Signature

The Company's approved organization structure also includes a fully independent Internal Audit Department, reporting directly to the company's Board Audit Committee and accordingly to the Board of Directors. The head of the Internal Audit Department is appointed directly by the Board of Directors based on the nomination of the Board Audit Committee; and the Board of Directors identifies its roles and duties.

Promoting Code of Conduct and Ethical Standards

KAMCO's Code of Ethics and Standards of Professional Conduct sets the key principles underlying business ethics. These guidelines are in line with the industry's best practice standards and are an outcome of our years of experience in the field.

Our Code of Ethics and Standards of Professional Conduct emphasizes professionalism in the Asset Management and Investments business and details the minimum acceptable behavior. These include specific rules against insider trading and documentation of our commitment to preserving the integrity of capital markets, our fiduciary duties to our clients, confidentiality and establishment of appropriate Chinese Walls. Preserving these core values of KAMCO and conducting business in an ethical manner is a responsibility of all of us.

KAMCO also conducts appropriate training on a periodic basis to reiterate commitment to the Code of Ethics and Standards of Professional Conduct. Any violation of the Code of Ethics and Standards of Professional Conduct is delt with severely resulting in immediate disciplinary action.

The Board of Directors also developed a policy related to conflicts of interest; whereby KAMCO always works on identifying, treating and reporting situations constituting conflicts of interest within it and its subsidiaries and affiliates; as to ensure that all conflicts of interest are dealt with and addressed expeditiously.

Ensuring Timely and High Quality Disclosures & Transparency

KAMCO has been in the forefront in offering transparency in operations through its annual Shafafiya (transparency) forum. In this forum KAMCO illuminates how it has promoted ethical and responsible decision making, while safeguarding the integrity of financial reporting. KAMCO has made timely and balanced disclosures, while efficiently recognizing and managing risk. One of the Company's aims is to balance the legitimate interests of Stakeholders through consistent enhanced performance.

The Company maintains a special register related to all the Board of Directors and Executive Management's disclosures. This register is available to be reviewed by all the company's shareholders; and is reviewed and updated periodically.

The Company also incorporated an Investors Relations Unit, which is responsible for providing data and reports to potential investors. This unit is reasonably independent, in a manner that allows it to provide accurate data and reports in a timely manner.

The Company also works continuously on developing and updating the Information Technology infrastructure, to be able to rely on it heavily when communicating with shareholders, investors and stakeholders. This is done through developing a separate section on the Company's website for Corporate Governance, where all information and data that shareholders and potential investors might need is available.

Respecting the Rights of Shareholders

The governance system at the Company ensures that all shareholders are fairly treated, ensuring equal dealing with all shareholders and protection against breach of the rights thereof, in addition to protecting capitals of shareholders against misuse by the Company managers, the Member of a Board Members, and major Shareholders. Furthermore, the company's articles of association also includes procedures and controls required to ensure fairness and equality amongst all shareholders.

Shareholders rights include:

1. Listing the ownership percentage in the Company records.
2. Dealing with shares, including registration and transfer of ownership.
3. Receiving their dividends.
4. Obtaining their share in the Company's assets in case of liquidation.
5. Having access to data and information of the Company's activities and operational and investment strategies regularly and easily.
6. Participating in the shareholders' general assembly and voting on the resolutions thereof.
7. Electing members of Board of Directors.
8. Control and checking performance of the Company, in general, and the Board of Directors, in particular.
9. Holding the company's Board of Directors or the executive management accountable and file tort cases if they fail to meet roles entrusted thereto.

The Company created a special Register at the Clearing Agency, where shareholders names, nationalities and number of shares held by them are recorded. Shareholders are allowed to review this register and verify that data is maintained according to the highest degrees confidentiality.

The Company also encourages shareholders to participate and vote in the Company's General Assembly Meeting through the following mechanisms:

- **Mechanism of Participation in the Shareholders General Assembly:** The shareholders' general assembly shall be held upon the call of the Board of directors; and invitation will be sent to shareholders including the AGM agenda, time and location. Shareholders are allowed to participate effectively in the AGM and discuss all issues listed in the agenda, raising inquiries therein, and posing questions concerning such issues to be answered by the Board members and the external auditor.

- **Mechanism of Voting in the Shareholders General Assembly:** The Company allows shareholders to exercise the right of voting by principle or by proxy, without placing any obstacles that would prevent such voting.

Recognizing the Roles of Stakeholders

KAMCO acknowledges stakeholder rights and works on encouraging the cooperation between the Company and stakeholders in various areas. Moreover, stakeholders' contributions represent a crucial resource for building the Company's competitiveness and supporting its profitability levels.

The Company developed an internal policy related to the rules and procedures that ensure acknowledgment and protection of the stakeholders' rights, such as:

- Ensuring that dealing with the Board members and stakeholders is conducted in accordance with the same conditions applied by the Company, without any discrimination of preferential conditions.
- The procedures to be followed in case any party breaches the obligations thereof, in addition to those applied for paying compensations.
- Mechanisms of compensating stakeholders if the rights thereof set out by the controls and protected by the agreements are breached.
- Mechanisms that show how the company establishes good relationships with the clients and suppliers and keeps confidentiality of the related information.
- Mechanisms of settlement of complaints or disputes, which may arise between a company and any stakeholder.

The Company also works on encouraging stakeholders to participate in following up with the Company's various activities through:

- Allowing Stakeholders to have access to information and data related to the Activities related to them in a timely and regular manner.
- Developing a mechanism that allows stakeholders to report to the Board of Directors of any unfair practices committed by the company against them.

Encouraging and Enhancing Performance

The Company developed several mechanisms that would allow Board Members and executive management to attend different training programs and workshops continuously, that are related to the Company's activities and to the Board Members role, in order to develop their skills and experience; in a manner that would help them perform their duties effectively.

During the year, the Company's Board Members and Executive Management Members attended several training programs and workshops related to different topics such as:

- Updates on CMA Regulations
- Successful Implementation of Corporate Governance
- Update on AML CTF Regulations

The Company also developed mechanisms to evaluate the performance of each member of the Board of Directors and Executive Management periodically, through developing a set of performance measurement indicators related to the extent of achieving strategic goals of the Company.

The Board of Directors also works continuously on ensuring the importance of value creation with the employees of the Company; through developing mechanisms that achieve the Company's strategic goals, improving performance level and abiding to the laws and regulations and, in particular, corporate governance.

Focusing on the Importance of Corporate Social Responsibility (CSR)

KAMCO is constantly balancing business objectives with broader ethical and social considerations, just as it works on the balance between profits now and the promise of higher returns in the foreseeable future.

There is an increasing focus on social issues such as supporting and encouraging national labor, improving the quality of living conditions of workforce, helping to provide job opportunities and protecting the environment against pollution. During the year, the company participated in several contributions for the community such as:

- General health awareness session in collaboration with Salhiya Clinic
- Sponsor Head and neck cancer awareness campaign, in collaboration with Cancer Awareness Nation (CAN)
- Annual blood donation drive "Donate Blood, Give Life"
- Participation with INJAZ-Kuwait helping KAMCO job shadow
- Generation Seven of The Protégés: Supporting Future Leaders
- Supporting INJAZ-Kuwait hosting a "'career mixer"' workshop titled Head Start.
- Continue Sponsoring the multi-purpose lab at Kuwait University (KU)
- Sponsor of the 2017 AUK career fair
- Support the KIPCO Tmkeen Award for Young Entrepreneurs
- Sponsor the first ever Kuwait edition of the globally renowned Maker Faire
- Sponsor the 10th Annual Charter Award Ceremony (CFA) for the 8th consecutive year

FINANCIAL STATEMENTS

"Our persistence in exceeding client expectations by providing reliable investment coverage, fresh solutions, and a complete suite of local, regional, and global capabilities contributed to strengthening our performance track record."

Faisal Mansour Sarkhou

Chief Executive Officer

KAMCO Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

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working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of KAMCO Investment Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted for use by the State of Kuwait.

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Impairment of financial assets available for sale carried at cost less impairment

Financial assets available for sale that do not have a quoted price in an active market, whose fair values cannot be reliably measured, are measured at their cost less impairment. If there is objective evidence of any indicators of impairment on financial assets available for sale carried at cost, an impairment loss is recognized in the consolidated statement of income. Indications of impairment may include evidence that an investee company is experiencing significant financial difficulties, deteriorating cash flows and adverse changes to the business and the surrounding economic factors. Significant judgment and estimates are used by management to assess if any indications of impairment of financial assets available for sale carried at cost. Accordingly, there is a risk that the financial assets available for sale carried at cost could be materially misstated. Due to the significance of the financial assets available for sale carried at cost less impairment and the related estimation uncertainty, this is considered a key audit matter.

We assessed the knowledge and expertise of the management of the Group to perform such impairment assessment. In our audit procedures, we have selected a sample of the financial assets available for sale carried at cost less impairment and evaluated management's assessment whether objective evidence of impairment exists and the qualitative and quantitative factors used such as the investee's financial performance including dividends, financial condition and operations, and its market and economic environment. We have also involved our valuation experts to assist us in testing the key assumptions forming the Group's impairment assessment. The disclosures relating to financial assets available for sale are given in Note 8 of the consolidated financial statements.

b) Impact of IFRS 10 on the Group's ownership in funds

The Group has direct investments in various funds which are managed by the Group in the capacity of a Fund manager. The complexity of structure, servicing and ownership in these funds requires the Group to continuously determine control under IFRS 10. This impact assessment is critical for the overall accounting and presentation of Group financial statements therefore we considered this to be a key audit matter.

The Group's policy on control assessment over its managed funds is given in the accounting policies section of the consolidated financial statements.

Our audit procedures included, amongst others, assessment of Group's policies and procedures in identifying the control over investees. We have challenged the Group's assessment of control over the funds managed by the Group and considered the guidance included in IFRS 10. We evaluated the power of the Group through reviewing the contractual and legal agreements including articles and memorandum of incorporation of these funds. We also compared the right to variable returns of the Group from these funds by the industry average. Furthermore, we considered the right of other unitholders for the removal of the Group as fund manager and also the ability of the Group to use its powers over these funds.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2017 Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

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

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

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

22 February 2018
Kuwait

KAMCO Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	***2017*** ***KD***	*2016* *KD*
ASSETS			
Cash and cash equivalents	5	**9,706,026**	8,991,584
Loans and advances	6	**214,528**	159,841
Financial assets at fair value through profit or loss	7	**5,365,685**	7,903,758
Financial assets available for sale	8	**28,642,131**	27,678,834
Investment in associates	9	**23,551,289**	22,247,173
Other assets	10	**4,764,668**	4,029,144
TOTAL ASSETS		**72,244,327**	71,010,334
LIABILITIES AND EQUITY			
Liabilities			
Loans	11	**26,458,731**	26,500,000
Other liabilities	12	**4,900,259**	4,121,550
TOTAL LIABILITIES		**31,358,990**	30,621,550
Equity			
Share capital	13	**26,330,175**	26,330,175
Share premium	13	**9,089,045**	9,089,045
Treasury shares	13	**(12,795,688)**	(12,784,852)
Statutory reserve	13	**12,175,734**	12,056,360
Voluntary reserve	13	**734,416**	615,042
Treasury shares reserve	13	**1,383,134**	1,383,134
Cumulative changes in fair values		**(1,047,880)**	(1,749,989)
Foreign currency translation reserve		**836,620**	673,488
Retained earnings		**1,257,451**	1,558,534
Equity attributable to equity holders of the Company		**37,963,007**	37,170,937
Non-controlling interests		**2,922,330**	3,217,847
TOTAL EQUITY		**40,885,337**	40,388,784
TOTAL LIABILITIES AND EQUITY		**72,244,327**	71,010,334

Abdullah Naser Sabah Al-Ahmad Al-Sabah
Chairman

Faisal Mansour Sarkhou
Chief Executive Officer

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2017

	Notes	*2017* *KD*	*2016* *KD*
INCOME			
Fee income	14	**7,000,348**	6,400,514
Net gain (loss) on financial assets at fair value through profit or loss	15	**1,060,159**	(869,639)
Gain on sale/redemption of financial assets available for sale		**40,909**	132,548
(Loss) gain on fair valuation of investment in former associate	9 (i)	**(138,871)**	184,198
Gain on fair valuation of financial assets available for sale upon reclassification to investment in associates	9 (iv)	**1,035,852**	-
Gain on sale of investment in associates	9 (ii) & (iii)	**266,222**	-
Share of results of associates	9	**(882,172)**	1,175,766
Gain on bargain purchase and fair value of previously held interests		**-**	475,703
Gain on sale of investment in subsidiaries		**-**	4,909
Net income on disposal of non-current assets exclusively acquired for sale	19	**539,915**	223,778
Dividend income		**457,468**	296,972
Interest income		**234,952**	299,812
Foreign exchange loss		**(64,697)**	(105,705)
Other income		**60,298**	74,376
		9,610,383	8,293,232
EXPENSES			
General and administrative expenses	16	**6,824,561**	5,022,225
Finance costs		**1,490,984**	1,280,979
Impairment of financial assets available for sale	8	**-**	308,072
Impairment of investment in associates	9	**-**	500,000
Impairment of other assets	10	**150,925**	333,002
Gain on previously written off investment		**-**	(391,465)
		8,466,470	7,052,813
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCE ("KFAS"), ZAKAT AND NATIONAL LABOUR SUPPORT TAX ("NLST")		**1,143,913**	1,240,419
Contribution to KFAS		**(11,937)**	(11,035)
Zakat		**(11,937)**	(11,414)
NLST		**(29,843)**	(30,846)
PROFIT FOR THE YEAR		**1,090,196**	1,187,124
Attributable to:			
Equity holders of the Company		**1,140,023**	1,275,814
Non-controlling interests		**(49,827)**	(88,690)
		1,090,196	1,187,124
BASIC AND DILUTED EARNINGS PER SHARE – Attributable to equity holders of the Company	17	**4.80 Fils**	5.36 Fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	***2017 KD***	*2016 KD*
Profit for the year		**1,090,196**	1,187,124
Other comprehensive income			
Items that are or may be reclassified to consolidated statement of income in subsequent periods:			
Financial assets available for sale:			
- Fair value gain		**1,716,152**	541,389
- Transfer on disposal, reclassification and impairment		**(994,943)**	(175,524)
Share of other comprehensive loss of associates	9	**(27,259)**	(180,048)
Foreign currency translation adjustments		**163,132**	(87,003)
Net other comprehensive income to be reclassified to consolidated statement of income in subsequent periods		**857,082**	98,814
Total comprehensive income for the year		**1,947,278**	1,285,938
Attributable to:			
Equity holders of the Company		**2,005,264**	1,447,300
Non-controlling interests		**(57,986)**	(161,362)
		1,947,278	1,285,938

The attached notes 1 to 26 form part of these consolidated financial statements.

KAMCO Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Company											
	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2017	26,330,175	9,089,045	(12,784,852)	12,056,360	615,042	1,383,134	(1,749,989)	673,488	1,558,534	37,170,937	3,217,847	40,388,784
Profit (loss) for the year	-	-	-	-	-	-	-	-	1,140,023	1,140,023	(49,827)	1,090,196
Other comprehensive income (loss)	-	-	-	-	-	-	702,109	163,132	-	865,241	(8,159)	857,082
Total comprehensive income (loss) for the year	-	-	-	-	-	-	702,109	163,132	1,140,023	2,005,264	(57,986)	1,947,278
Transfer to reserves	-	-	-	119,374	119,374	-	-	-	(238,748)	-	-	-
Purchase of treasury shares	-	-	(10,836)	-	-	-	-	-	-	(10,836)	-	(10,836)
Acquisition of subsidiaries (Note 18)	-	-	-	-	-	-	-	-	-	-	69,225	69,225
Ownership changes in subsidiaries without loss of control (Note 18)	-	-	-	-	-	-	-	-	(14,850)	(14,850)	(306,756)	(321,606)
Dividends (Note 13g)	-	-	-	-	-	-	-	-	(1,187,508)	(1,187,508)	-	(1,187,508)
As at 31 December 2017	**26,330,175**	**9,089,045**	**(12,795,688)**	**12,175,734**	**734,416**	**1,383,134**	**(1,047,880)**	**836,620**	**1,257,451**	**37,963,007**	**2,922,330**	**40,885,337**
As at 1 January 2016	26,330,175	9,089,045	(12,761,430)	11,923,449	482,131	1,383,134	(2,008,478)	760,491	1,690,783	36,889,300	2,030,934	38,920,234
Profit (loss) for the year	-	-	-	-	-	-	-	-	1,275,814	1,275,814	(88,690)	1,187,124
Other comprehensive income (loss)	-	-	-	-	-	-	258,489	(87,003)	-	171,486	(72,672)	98,814
Total comprehensive income (loss) for the year	-	-	-	-	-	-	258,489	(87,003)	1,275,814	1,447,300	(161,362)	1,285,938
Transfer to reserves	-	-	-	132,911	132,911	-	-	-	(265,822)	-	-	-
Purchase of treasury shares	-	-	(23,422)	-	-	-	-	-	-	(23,422)	-	(23,422)
Acquisition of subsidiaries (Note 18)	-	-	-	-	-	-	-	-	-	-	3,252,257	3,252,257
Ownership changes in subsidiaries without loss of control (Note 18)	-	-	-	-	-	-	-	-	46,750	46,750	(1,304,524)	(1,257,774)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(599,458)	(599,458)
Dividends (Note 13g)	-	-	-	-	-	-	-	-	(1,188,991)	(1,188,991)	-	(1,188,991)
As at 31 December 2016	26,330,175	9,089,045	(12,784,852)	12,056,360	615,042	1,383,134	(1,749,989)	673,488	1,558,534	37,170,937	3,217,847	40,388,784

The attached notes 1 to 26 form part of these consolidated financial statements.

KAMCO Investment Company K.S.C.P. and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the year		**1,090,196**	1,187,124
Adjustments for:			
Unrealised gain on financial assets at fair value through profit or loss	15	**189,656**	461,885
Gain on sale/redemption of financial assets available for sale		**(40,909)**	(132,548)
Gain on bargain purchase and fair value of previously held interests		-	(475,703)
Gain on sale of investment in subsidiaries		-	(4,909)
Net income on disposal of non-current assets exclusively acquired for sale	19	**(539,915)**	(223,778)
Gain on sale of investment in associates		**(266,222)**	-
Loss (gain) on fair valuation of investment in former associate	9(i)	**138,871**	(184,198)
Gain on fair valuation of financial assets available for sale upon reclassification to investment in associates	9 (iv)	**(1,035,852)**	-
Share of results of associates	9	**882,172**	(1,175,766)
Dividend income		**(457,468)**	(296,972)
Interest income		**(234,952)**	(299,812)
Foreign exchange loss		**64,697**	105,705
Finance costs		**1,490,984**	1,280,979
Impairment of financial assets available for sale	8	-	308,072
Impairment of investment in associates	9	-	500,000
Gain on previously written off investment		-	(391,465)
Impairment of other assets	10	**150,925**	333,002
Provision for employees' end of service benefits		**637,105**	389,874
		2,069,288	1,381,490
Change in operating assets and liabilities:			
Loans and advances		**(54,687)**	(10,889)
Financial assets at fair value through profit or loss		**2,348,417**	2,181,098
Other assets		**(735,524)**	768,822
Other liabilities		**305,121**	144,216
Cash from operations		**3,932,615**	4,464,737
Dividend received		**457,468**	296,972
Employees' end of service benefits paid		**(163,517)**	(205,321)
Net cash flows from operating activities		**4,226,566**	4,556,388
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(4,061,028)**	(1,994,449)
Proceeds from sale of financial assets available for sale		**2,635,087**	2,438,520
Acquisition of non-current asset classified as held for sale	19 (a) & (b)	**(18,392,564)**	-
Proceeds from disposal of non-current asset classified as held for sale	19 (a) & (b)	**16,842,391**	-
Proceeds from disposal of investment in associates	9 (ii) & (iii)	**1,350,464**	14,539,963
Investment in associates		**(1,299,998)**	-
Dividend received from investment in associates	9	**2,005,465**	80,592
Acquisition of subsidiaries net of cash		-	(13,358,442)
Interest income received		**234,952**	299,812
Net cash flows (used in) from investing activities		**(685,231)**	2,005,996

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 December 2017

	Notes	***2017*** ***KD***	*2016* *KD*
FINANCING ACTIVITIES			
Purchase of treasury shares		**(10,836)**	(23,422)
Loans availed		**74,608,604**	47,918,272
Loans repaid		**(74,879,429)**	(48,418,272)
Dividend paid to equity holder of the Parent company		**(1,187,508)**	(1,188,991)
Finance costs paid		**(1,453,144)**	(1,280,979)
Distribution to non-controlling interest		**-**	(599,458)
Acquisition of non-controlling interests - net		**(237,531)**	(1,332,320)
Net cash flows used in financing activities		**(3,159,844)**	(4,925,170)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**381,491**	1,637,214
Foreign currency translation adjustments		**332,951**	277,191
Cash and cash equivalents at 1 January		**8,991,584**	7,077,179
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**9,706,026**	8,991,584

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of KAMCO Investment Company K.S.C.P. (the "Company") and subsidiaries (collectively the "Group") were authorised for issue by the Board of Directors on 22 February 2018. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly.

The Company is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 28 September 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto and is listed on the Kuwait Stock Exchange. The Company is registered with the Central Bank of Kuwait ("CBK") as an investment company and is subject to the supervision of Capital Markets Authority ("CMA").

The Company is a subsidiary of United Gulf Bank B.S.C. (the "Parent Company") which is listed on the Bahrain Stock Exchange. The Parent Company is a subsidiary of Kuwait Projects Company Holding K.S.C.P. (the "Ultimate Parent Company") which is listed on the Kuwait Stock Exchange.

The Company's registered head office is at Sharq, Al Shaheed Tower, Khalid Bin Al-Waleed Street, Kuwait City, P.O. Box 28873, Safat 13149, Kuwait.

The purpose for which the company has been established is to undertake the following activities:

1. Investing in real estate, industrial and agricultural sectors as well as other economic sectors by contributing to the establishment of specialized companies or purchases the shares or bonds of these companies in the various sectors.
2. Contribution to the establishment or the partial ownership of companies in the different sectors.
3. Managing the funds of public and private institutions and investing these funds in the different economic sectors including the management of financial & real estate portfolios.
4. Provision and preparation of the technical, economic and assessment studies and consultancies and studying investment related projects and conducting the necessary studies thereof for the institutions and companies provided that the necessary conditions should be met by those who will practice such activity.
5. Brokerage in Lending and Borrowing Operations.
6. Carrying out the works related to issue managers for such bonds issued by the company and institutions as well as the works of investment custodians.
7. Financing and brokerage in international trade operations.
8. Providing loans for third parties with duly observing the ethics of financial solvency in granting such loans and at the same time preserving the continuity of the company's financial position soundness according to the conditions, rules, and limitations set forth by the Central Bank of Kuwait.
9. Dealing and trading in foreign currency market and precious metals market inside Kuwait and abroad.
10. Undertaking the operations related to securities trading such as the purchase and sale of the shares & bonds of local and international companies and governmental authorities.
11. Carrying out all services that help with development and enhancement of the market financial & cash ability to in Kuwait and meeting its needs, all within the limits permitted by the law as well as any procedures & instructions issued by the Central Bank of Kuwait
12. Establishment and management of all kinds of investment funds according to the law.

Also, the company may have interest or otherwise participate in any manner with such institutions who are practicing similar business or which may assist the company in realizing its goals in Kuwait or abroad. Furthermore, the company may establish, participate or purchase these institutions or affiliate them.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared under the historical cost convention as modified to include the measurement at fair value of financial assets at fair value through profit or loss and financial assets available for sale. The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company.

2.2 STATEMENT OF COMPLIANCE

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

2.3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of the following new and amended standards effective as of 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment have no material impact on the accounting policies, financial position or performance of the Group.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively. However, their application has no material effect on the Group's financial position and performance as the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9: Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") that replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in opening retained earnings and reserves as at 1 January 2018. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9: Financial Instruments (continued)

Classification and measurement
The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements will be presented in OCI with no subsequent reclassification to the statement of profit or loss, unless an accounting mismatch in profit or loss would arise.

The Group has evaluated the classification and measurement criteria to be adopted for various financial assets considering the IFRS 9 requirements with respect to the business model and contractual cash flow characteristics ("CCC") / Solely payment of principal and interest ("SPPI"). The impact from the adoption of classification and measurement approach of IFRS 9 is as follows:

- Cash & cash equivalents, loans & advances and other assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9;
- Certain financial assets held as available-for-sale amounting to KD 10,673,109 with gains and losses recorded in OCI mainly representing Company's investment in managed funds will instead, be measured at FVTPL. The cumulative changes in fair value reserve related to those funds, which is currently presented as accumulated OCI, will be reclassified to retained earnings;
- Financial assets representing equity investments and classified as financial assets held as available-for-sale amounting to KD 2,335,686 with gains and losses recorded in OCI are intended to be held for the foreseeable future. The Company will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact; and
- Certain financial assets whose fair value could not be determined reliably are classified as financial assets held as available-for-sale carried at cost less impairment amounting to KD 15,612,874. These investments are intended to be held for the foreseeable future and the Group will apply the option to present fair value changes in OCI. The management is in the process of determining their fair value based on reliable financial information and the impact will be assessed once the management will determine the reliable fair values and will be reflect in interim condensed consolidated financial information for the period ended 31 March 2018.

Upon adoption of the new classification and measurement principle under IFRS 9 as noted above, cumulative changes in fair values reserve will decrease by KD 1,907,674 thousand with a corresponding increase in the retained earnings as at 1 January 2018.

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Under IFRS 9, the impairment requirements apply to financial assets measured at amortised cost, debt instruments classified as fair value through other comprehensive income and certain financing facilities and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Adoption of ECL model is not expected to have significant impact on the Group's consolidated financial statements as the Group does not have significant debt instruments.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9: Financial Instruments (continued)

Hedge accounting
As at 31 December 2017, the Group does not have any hedge relationships. Hence, the hedging requirements of IFRS 9 will not have a significant impact on Company's consolidated financial statements.

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

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

The Group did not early adopt IFRS 15 and has evaluated that the adoption of the standard will not have significant impact on the Group's consolidated financial statements.

IFRS 16 Leases
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right- of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the consolidated statement of income. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group does not anticipate early adopting IFRS 16 and is in the process of evaluating the effect of IFRS 16 on the Group and do not expect any significant impact on adoption of this standard.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Based on the detailed assessment prepared by the management, the Group does not have exposure in any structured entities and accordingly no disclosure has been made in the consolidated financial statements of the Group.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries including Special Purpose Vehicles ("SPVs") as at 31 December 2017. The subsidiaries of the Group are:

Name of company	*Country of incorporation*	*Equity interest as at 31 December*	
		2017	*2016*
Subsidiaries			
Kuwait Private Equity Opportunities Fund ("KPEOF")	Kuwait	72.76%	72.76%
KAMCO GCC Opportunistic Fund ("KGOF")	Bahrain	100%	100%
KAMCO Investment Company DIFC Limited	UAE	100%	100%
KAMCO MENA Plus Fixed Income Fund ("KMPFIF")	Kuwait	70.82%	65.67%
Al Jazi Money Market Fund	Kuwait	50.86%	50.86%
Al Tadamun United Holding Company K.S.C. (Closed)	Kuwait	96%	Nil
Nawasi United Holding Company K.S.C. (Closed)	Kuwait	96%	Nil
SPV's treated as subsidiaries			
Al Zad Real Estate Company W.L.L.	Kuwait	99.40%	99.40%
First North Africa Real Estate Company W.L.L.	Kuwait	99.70%	99.70%
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	99.80%	99.80%
Buckeye Power Manager Limited (Note 19)	Jersey	100%	100%
Buckeye Power Advisory Company LLC (Note 19)	USA	50%	50%
Flint Manager Limited (Note 19)	Jersey	100%	Nil
Flint Advisory Company LLC (Note 19)	USA	45.88%	Nil

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

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

The Group's financial assets include cash and cash equivalents, loans and advances, financial assets at fair value through profit or loss, financial assets available for sale and certain other assets.

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

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

Financial assets at fair value through profit or loss
A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

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

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income.

Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Subsequent measurement (continued)

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

The Group classifies cash and cash equivalents, loans and advances and certain other assets as its "loans and receivables".

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Cash and cash equivalents in the consolidated cash flow statements comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less net of bank overdrafts.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets *(continued)*
Impairment of financial assets (continued)

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

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

Loans and receivables
Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated income statement.

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

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

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

The Group's financial liabilities include loans and borrowings including bank overdraft and certain other liabilities.

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

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

Loans
After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial liabilities *(continued)*
Subsequent measurement

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

Fair value measurement
The Group measures financial instruments, such as, financial assets at fair value through profit or loss and certain financial assets available for sale, at fair value at each balance sheet 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.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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.

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

Increase in fair valuation is recorded as revaluation surplus within the consolidated statement of comprehensive income. If a revaluation increase reverses a revaluation decrease that was previously recognised as an expense, it is credited to the consolidated statement of income. Decreases in valuation should be charged to consolidated statement of income, except to the extent that they reverse an existing revaluation surplus.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial liabilities *(continued)*
Investment in associates (continued)

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and is disclosed under 'Share of results of associates'.

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

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

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

Fiduciary assets
Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable, and reliably measureable.

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

For its national employees, the Group provides end of service benefits under the Kuwait Labour Law after deducting Group's contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly through other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated income statement are recognised in the consolidated income statement.

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in other comprehensive income (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Income recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Fee income
Fees earned for the provision of services over a period of time are accrued over that period. These fees include management fees, advisory fees and commission income.

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

Rental income
Rental income from operating leases recognised except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

(i) Zakat

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

(ii) National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the period. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year when determining taxable profit.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Classification of financial instruments

Management decides on acquisition of investments whether they should be classified as financial assets available for sale or financial assets carried at fair value through profit or loss.

The management classifies financial assets as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making and fair value of those investments can be reliably determined.

Classification of financial assets as fair value through statement of income also depends on how management monitor the performance of these financial assets when they are not classified as held for trading but have readily available fair values and if the changes in fair values are reported as part of consolidated income statement in the management accounts, they are classified as fair value through profit or loss.

Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgment.

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

Impairment losses on loans and advances
The Group reviews its loans and advances on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

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

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on carrying amounts of loans and receivables and available for sale investments.

Impairment of non-financial assets
An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income.

5 CASH AND CASH EQUIVALENTS

	2017	*2016*
	KD	*KD*
Cash at banks and on hand	**6,075,031**	5,312,140
Short term deposits	**3,630,995**	3,679,444
	9,706,026	8,991,584

6 LOANS AND ADVANCES

	2017	*2016*
	KD	*KD*
Gross amount	**216,276**	161,589
Less: General provision for credit losses	**(1,748)**	(1,748)
	214,528	159,841

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *KD*	*2016* *KD*
Held for trading		
Quoted equity securities	**1,842,339**	7,903,758
Quoted debt securities	**3,523,346**	-
	5,365,685	7,903,758

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	2017 *KD*	*2016* *KD*
Quoted securities:		
Equities	**20,462**	20,448
Unquoted securities:		
Equities	**17,948,560**	13,828,602
Managed funds	**10,673,109**	13,829,784
	28,621,669	27,658,386
	28,642,131	27,678,834

As at 31 December 2017, certain financial assets (unquoted equities) amounting to KD 15,612,876 (2016: KD 13,625,901) were carried at cost less impairment due to the non-availability of quoted market prices or other reliable measures of their fair values. There is no active market for these financial assets and the Group intends to hold them for long term.

Managed funds and managed portfolios amounting to KD 10,673,109 (2016: KD 13,829,784) are carried at the latest net assets value provided by the respective fund managers based on underlying assets of the funds.

Management has performed a detailed review of its unquoted securities to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD Nil (2016: KD 308,072) in the consolidated statement of income. Management believes that there is no further impairment in the value of these investments.

9 INVESTMENT IN ASSOCIATES

Details of associates are as follows:

Name of company	*Country of incorporation*	*Effective interest as at 31 December*		*2017*	*2016*
		2017	*2016*	*KD*	*KD*
Manafae Holding Company K.S.C.	Kuwait	**32.67%**	32.67%	**3,885,505**	3,934,805
United Capital Transport Company K.S.C. (Closed)	Kuwait	**39.80%**	39.80%	**4,696,825**	5,059,955
Al Sharq Financial Brokerage Company K.S.C. (Closed) (i)	Kuwait	-	19.25%	-	2,295,982
Royal Capital Company P.J.S.C. (ii)	United Arab Emirates	-	26.00%	-	837,509
MENA Homes Real Estate Company K.S.C. (Closed) (iii)	Kuwait	-	20.00%	-	246,733
Kuwait Education Fund	Kuwait	**34.35%**	34.35%	**4,268,551**	5,984,753
Leadership Academy	Kuwait	**15.00%**	15.00%	**125,000**	125,000
NS 88 SPC	Bahrain	**20.00%**	20.00%	**3,707,271**	3,762,436
KAMCO Investment Fund ("KIF") (iv)	Kuwait	**22.98%**	-	**6,868,137**	-
				23,551,289	22,247,173

i. During the year, the Group's effective interest in Al Sharq Financial Brokerage Company K.S.C. (Closed) ("Al Sharq") diluted to 7.33% as a result of subscription of rights issue by the other shareholders. Accordingly, upon loss of significant influence, the Group has reclassified its investment in Al Sharq to financial assets available for sale. Upon reclassification, the Group has fair valued its previously held interest in Al Sharq and recorded a loss of KD 138,871 in the consolidated statement of income.

ii. During the year, the Group sold its entire equity interest in Royal Capital, an associate of the Group, with a carrying value of KD 837,510 for a total consideration of KD 1,105,650. As a result, the Company recorded a gain of KD 268,140 in the consolidated statement of income.

iii. During the year, the Group sold its entire equity interest in MENA Homes Real Estate Company KSCC, an associate of the Group, with a carrying value of KD 246,733 for a total consideration of KD 244,814. As a result, the Company recorded a loss of KD 1,918 in the consolidated statement of income.

iv. During the year, the Group acquired an additional 3.82% equity interest in KIF (previously classified as a financial assets available for sale), for a cash consideration of KD 1,299,998. Accordingly, the Group's equity interest in KIF increased from 19.16% to 22.98%. Following the acquisition of additional equity interest, the Group determined that it exercises significant influence over KIF and hence became an associate of the Group. As a result, the Company has recognised a gain on previously held equity interest of KD 1,035,852 in the consolidated statement of income.

	2017	*2016*
	KD	*KD*
At 1 January	**22,247,173**	23,078,645
Share of results	**(882,172)**	1,175,766
Share of reserves	**(27,259)**	(180,048)
Foreign currency translation adjustment	**230,055**	(160,799)
Dividend received	**(2,005,465)**	(80,592)
Disposals/Capital redemption - (ii) & (iii)	**(1,084,242)**	(3,412)
Transfer to financial assets available for sale - (i)	**(2,334,427)**	(2,566,850)
Transfer from financial assets available for sale - (iv)	**7,407,626**	1,484,463
Impairment *	**-**	(500,000)
	23,551,289	22,247,173

9 INVESTMENT IN ASSOCIATES (continued)

* In accordance with the requirements of IAS 36: Impairment of assets, the Company assessed the recoverable amount of its investment in associates and determined that investment in Al Sharq Financial Brokerage Company K.S.C. (Closed) was impaired by KD Nil (2016: KD 500,000).

Summarised financial information of material associates is as follows:

	Manafae Holding Company K.S.C.		United Capital Transport Company K.S.C. (Closed)	
	2017	2016	**2017**	2016
	KD	KD	**KD**	KD
Total assets	**11,666,635**	11,827,841	**14,211,267**	24,997,897
Total liabilities	**27,500**	36,469	**2,859,707**	11,967,564
Net assets	**11,639,135**	11,791,372	**11,351,560**	13,030,333
Proportion of the Group's ownership	**32.67%**	32.67%	**39.80%**	39.80%
Group's share in the equity	**3,885,505**	3,934,805	**4,696,825**	5,059,955
Share of associates' revenue and profit for the year:				
Revenues	**5,772**	443,162	**68,207**	2,278,230
Profit	**(51,801)**	380,156	**(647,610)**	396,498

9 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates is as follows:

	KAMCO Investment Fund		Kuwait Education Fund		NS 88 SPC	
	2017	*2016*	***2017***	*2016*	***2017***	*2016*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Total assets	**30,067,787**	-	**13,083,204**	17,865,321	**18,555,242**	18,819,471
Total liabilities	**138,656**	-	**655,491**	356,744	**19,444**	15,211
Net assets	**29,929,131**	-	**12,427,713**	17,508,577	**18,535,798**	18,804,260
Proportion of the Group's ownership	**22.98%**	-	**34.35%**	34.35%	**20%**	20%
Group's share in the equity	**6,868,137**	-	**4,268,551**	5,984,753	**3,707,271**	3,762,436
Share of associates' revenue and profit for the year:						
Revenues	**(482,949)**	-	**3,099,401**	220,209	**-**	221,637
(Loss) profit	**(539,489)**	-	**318,596**	91,580	**(739)**	220,899

10 OTHER ASSETS

	2017 KD	2016 KD
Due from related parties (Note 21)	**1,528,045**	1,495,898
Due from portfolio clients	**1,039,544**	1,247,276
Office equipment	**471,166**	192,152
Other receivables	**1,725,913**	1,093,818
	4,764,668	4,029,144

At 31 December 2017 provision for credit losses relating to other assets is KD 23,241 (2016: KD 7,591). During the year, the Group has written off KD 150,925 (2016: KD 333,002) from other assets.

11 LOANS

	2017 KD	2016 KD
Kuwaiti Dinars	**26,458,731**	26,500,000

As at 31 December 2017, loans are denominated in Kuwaiti Dinars, US Dollars, GBP and due within 1 to 3 years of the reporting date and carry interest rate ranging from 2.60% to 4.75% (2016: 4.25% to 4.50%).

12 OTHER LIABILITIES

	2017 KD	2016 KD
Employees' end of service benefits	**3,370,302**	2,896,714
Due to related parties (Note 21)	**50,679**	56,101
Accrued expenses	**1,119,369**	701,812
Taxation	**80,254**	71,995
Dividend payable	**29,393**	22,774
Other payable	**250,262**	372,154
	4,900,259	4,121,550

13 EQUITY

a) Share capital
The authorised, issued and fully paid share capital comprises of 263,301,750 shares (2016: 263,301,750 shares) of 100 fils per share (2016: 100 fils per share). This consists of 208,540,000 shares (2016: 208,540,000 shares) which are fully paid in cash and 54,761,750 shares (2016: 54,761,750 shares) issued as bonus shares.

b) Share premium
The share premium is not available for distribution.

c) Treasury shares

	2017	*2016*
Number of treasury shares	**25,853,425**	25,728,319
Percentage of capital	**9.82%**	9.77%
Market value – KD	**1,861,447**	2,495,647
Weighted average market value	**1,859,774**	2,446,914

Treasury shares are not pledged against loans from banks or financial institutions.

d) Statutory reserve
In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS, Zakat, NLST and Directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital

e) Voluntary reserve
In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, Zakat, NLST and Directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

As per the instruction of Central Bank of Kuwait dated 20 November 2008, the minimum general provision in excess of 1% on cash facilities and 0.5% on non-cash facilities amounting to KD 62,111 was recognised in the 2008 consolidated income statement and transferred to voluntary reserve and is not available for distribution.

f) Treasury shares reserve
Reserves equivalent to the cost of the treasury shares held are not available for distribution.

g) Dividend
The Board of Directors has recommended the distribution of cash dividend of 5 fils per share (2016: 5 fils per share) on outstanding shares (excluding treasury shares) in respect of the year ended 31 December 2017. Subject to being approved by the shareholders' Annual General Assembly, the dividend shall be payable to the shareholders after obtaining the necessary regulatory approvals.

The Annual General Assembly of shareholder held on 10 May 2017 approved the consolidated financial statements of the Group for the year ended 31 December 2016 and also approved the cash dividend of 5 fils per share (2015: 5 fils per share) relating to the year then ended.

14 FEE INCOME

	2017 *KD*	*2016* *KD*
Fees from fiduciary activities	**4,547,469**	3,953,949
Advisory fees	**2,452,879**	2,446,565
	7,000,348	6,400,514

15 NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *KD*	*2016* *KD*
Unrealised loss	**(189,656)**	(461,885)
Realised gain (loss)	**1,249,815**	(407,754)
	1,060,159	(869,639)

16 GENERAL AND ADMINISTRATIVE EXPENSES

The profit for the year is stated after charging:

	2017 *KD*	*2016* *KD*
Staff costs	**4,504,928**	3,490,173
Depreciation	**141,147**	85,791
Rent - operating leases*	**307,275**	293,497
Administrative & other expenses	**1,871,211**	1,152,764
	6,824,561	5,022,225

* All the operating leases mature within 1 year from the reporting date.

17 EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares, less treasury shares outstanding during the year, as follows:

	2017	*2016*
Basic and diluted earnings per share:		
Earnings for the year attributable to the equity holders of the Company (KD)	**1,140,023**	1,275,814
	Shares	Shares
Number of shares outstanding:		
Weighted average number of paid up shares	**263,301,750**	263,301,750
Weighted average number of treasury shares	**(25,830,200)**	(25,225,920)
Weighted average number of outstanding shares	**237,471,550**	238,075,830
Basic and diluted earnings per share (fils)	**4.80 fils**	5.36 fils

There are no potential diluted shares outstanding as at the reporting date.

18 INVESTMENT IN SUBSIDIARIES

a. During the year, the effective ownership of the Group in KAMCO MENA Plus Fixed Income Fund ("KMPFIF") increased from 65.67% to 70.82% as other unit holders redeemed units in KMPFIF. This resulted in a decrease of non-controlling interests amounting to KD 278,323.

b. During the year, the Group increased its ownership in United Holding Company K.S.C. (Closed) from 97.29% to 99.98%. This resulted in a decrease of non-controlling interests amounting to KD 28,433.

c. During the year, the Group acquired 96% interest in Al Tadamun United Holding Company K.S.C. (Closed) & Nawasi United Holding Company K.S.C. (Closed).

In the prior year, the following were the major transactions:

a. The effective ownership of the Group in KAMCO GCC Opportunity Fund ("KGOF") increased from 87.48% to 100% as other unit holders redeemed units in KGOF.

b. The effective ownership of the Group in KAMCO MENA Plus Fixed Income Fund ("KMPFIF") increased from 43.83% to 50.75% as other unit holders redeemed units in KMPFIF. Upon deemed acquisition, the Group has fair valued its previously held interest in KMPFIF (classified as 'financial assets available for sale') and recorded a gain of KD 8,932 in the consolidated statement of income. Subsequently, the effective ownership of the Group in KMPFIF increased from 50.75% to 64.87% as further unit holders redeemed units in KMPFIF.

c. The Group acquired an additional 1.85% units of Kuwait Private Equity Opportunities Fund ("KPEOF") for a consideration of KD 51,128. Accordingly the Group's effective ownership in KPEOF increased from 70.91% to 72.76%.

d. The Group acquired 30.66% units of Al Jazi Money Market Fund ("Al Jazi") for a consideration of KD 218,571 from a related party. Accordingly, the effective ownership of the Group in Al Jazi increased from 17.22% to 47.88%. Upon acquisition, the Group has fair valued its previously held interest in Al Jazi (classified as 'financial assets available for sale') and recorded a gain of KD 124,173 in the consolidated statement of income. Subsequently, the Group acquired an additional 2.98% units in Al Jazi for a consideration of KD 18,954 from a related party. Accordingly, the Group's effective ownership in Al Jazi increased from 47.88% to 50.86%.

e. The Group sold its entire equity interest in Orange Real Estate Company ("OREC") for a total consideration of KD 58,913 and realised a gain of KD 4,909 under "gain on sale of investment in subsidiaries" in the consolidated statement of income.

18 INVESTMENT IN SUBSIDIARIES (continued)

Material partly owned subsidiaries
The Group has concluded Kuwait Private Equity Opportunities Fund ("KPEOF") and KAMCO MENA Plus Fixed Income Fund ("KMPFIF") are the only subsidiaries with non-controlling interests that are material to the Group. Financial information of the subsidiaries that have material non-controlling interest is provided below before inter-company eliminations:

	Kuwait Private Equity Opportunities Fund		KAMCO MENA Plus Fixed Income Fund	
Summarised statement of profit or loss	***2017***	*2016*	***2017***	*2016*
	KD	*KD*	***KD***	*KD*
Income	**52,661**	127,677	**191,202**	190,079
Expenses	**129,815**	329,389	**35,816**	49,467
Net (loss) profit	**(77,154)**	(201,712)	**155,386**	140,612

	Kuwait Private Equity Opportunities Fund		KAMCO MENA Plus Fixed Income Fund	
Summarised statement of financial position	***2017***	*2016*	***2017***	*2016*
	KD	*KD*	***KD***	*KD*
Total assets	**5,294,963**	5,441,522	**3,622,192**	3,832,331
Total liabilities	**115,759**	116,665	**3,682**	5,767
Total equity	**5,179,204**	5,324,857	**3,618,510**	3,826,564
Attributable to:				
Equity holders of Parent Company	**3,768,356**	3,845,518	**2,562,457**	2,512,724
Non-controlling interests	**1,410,848**	1,479,339	**1,056,053**	1,313,840
Summarised cash flow information				
Cash flow used in operating activities	**(150,407)**	(100,206)	**(195,519)**	(3,205,559)
Cash flow from investing activities	**53,048**	549,805	**-**	-
Cash flow (used in)/ from financing activities	**(59,733)**	-	**309,669**	3,766,821
Net (decrease) increase in cash and cash equivalents	**(157,092)**	449,599	**114,150**	561,262

19 NON CURRENT ASSETS HELD FOR SALE

a. During the year, the Group acquired interest in certain special purpose vehicles (the "Entities"), for a consideration of KD 11,271,364 and the Entities obtained financing of KD 11,829,792. Through these Entities, the Group acquired a property in the United Kingdom for a purchase price of KD 20,476,800 and incurred related acquisition costs of KD 2,053,231. In June 2017, the Group disposed a majority interest in these Entities for a consideration of KD 9,780,835. Accordingly, a net profit arising from these Entities amounting to KD 232,384 was recognized in the consolidated statement of income and the remaining interest has been classified as financial asset available for sale.

b. During the year, the Group acquired interest in certain special purpose vehicles (the "Entities"), for a consideration of KD 7,121,200 and the Entities obtained financing of KD 11,734,400. Through these Entities, the Group acquired a property in the United States of America for a purchase price of KD 17,816,952 and incurred related acquisition costs of KD 923,172. The Group recognised a net profit arising from these Entities amounting to KD 311,950 in the condensed consolidated statement of income.

   The Group sold its interest in these Entities for a consideration of KD 7,041,644. Accordingly, a net loss on disposal of these Entities amounting to KD 4,419 is recognized in the consolidated statement of income.

   Further, the Group had acquired shareholding in Flint Manager Limited and Flint Advisory Company LLC for a consideration of KD 81,610 to provide management services for the property (Note 3).

In the prior year, the following were the major transactions:

The Group acquired interest in certain special purpose vehicles (the "Entities") for a consideration of KD 14,257,272 and the Entities obtained financing of KD 19,406,940. Through these Entities, the Group acquired a property in the United States for a purchase price of KD 32,328,543 and incurred related acquisition costs of KD 1,318,724.

The Group sold its interest in these Entities for a consideration of KD 14,481,050. Accordingly, a net gain on disposal of these Entities amounting to KD 223,778 is recognized in the consolidated statement of income.

Further, the Group had acquired shareholding in Buckeye Power Manager Limited and Buckeye Power Advisory Company LLC for a consideration of KD 117,025 to provide management services for the property (Note 3).

20 CONTINGENT LIABILITIES

As at 31 December 2017, the Group had contingent liabilities amounting to Nil (31 December 2016: KD 200,000) in respect of bank guarantees and letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

21 RELATED PARTY TRANSACTIONS

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

	Parent Company / Ultimate Parent Company KD	*Associates KD*	*Other related parties KD*	***Total 2017 KD***	*Total 2016 KD*
Consolidated statement of financial position					
Cash and cash equivalents	3,694,658	-	458,649	**4,153,307**	4,744,898
Financial assets at fair value through profit or loss	-	-	666,991	**666,991**	886,991
Financial assets available for sale	-	-	17,409,896	**17,409,896**	18,917,167
Other assets (Note 10)	387,305	799,849	340,891	**1,528,045**	1,495,898
Loans	-	-	4,250,000	**4,250,000**	6,250,000
Other liabilities (Note 12)	-	-	50,679	**50,679**	56,101
Consolidated income statement					
Fee income	930,335	1,182,058	1,815,388	**3,927,781**	3,473,934
Gain on bargain purchase	-	-	-	-	342,598
Dividend income	-	-	108,172	**108,172**	32,175
Interest income	5,241	-	5,283	**10,524**	63,685
Administration expenses	-	-	307,275	**307,275**	293,497
Finance cost	856	-	397,249	**398,105**	437,075
Impairment of other assets	-	-	-	-	333,002
Transactions:					
Sale of subsidiaries	-	-	-	-	58,913
Purchase of subsidiaries	-	-	-	-	237,525

21 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2017 *KD*	*2016* *KD*
Short-term employee benefits	**766,900**	595,451
Termination benefits	**277,264**	154,048
	1,044,164	749,499

22 SEGMENTAL INFORMATION

For management purposes, the Group is organised into three major business segments based on the internal reporting provided to the chief operating decision maker. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

Financial services : Financial services provides a full range of corporate finance services, including mergers and acquisitions, underwriting, private placements, project and investment evaluation and consulting. It also includes private equity and proprietary investment.

Asset management : Asset management services cover both local and international markets and include securities trading, derivatives trading, portfolio structuring and asset allocation advice, mutual funds and alternative instruments.

Strategic investments : Strategic investments include investments which are long term in nature and are aligned with the Group's long term strategy.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments.

The following table presents total revenue, profit (loss) for the year and total assets information regarding the Group's operating segments.

31 December 2017

	Financial services KD	***Asset management KD***	***Strategic investments KD***	***Total KD***
Total revenue	**542,470**	**6,609,270**	**2,458,643**	**9,610,383**
Profit (loss)	**187,073**	**3,151,484**	**(2,248,361)**	**1,090,196**
Total assets	-	**32,843,710**	**39,400,617**	**72,244,327**
Total liabilities	-	**14,871,731**	**16,487,259**	**31,358,990**
Other disclosures:				
Investment in associates	-	-	23,551,289	**23,551,289**
Share of results of associates	-	-	(882,172)	**(882,172)**

22 SEGMENTAL INFORMATION (continued)

31 December 2016

	Financial services KD	*Asset management KD*	*Strategic investments KD*	*Total KD*
Total revenue	1,765,442	4,162,266	2,365,524	8,293,232
Profit (loss)	1,128,478	2,460,156	(2,401,510)	1,187,124
Total assets	-	29,284,131	41,726,203	71,010,334
Total liabilities	-	13,144,985	17,476,565	30,621,550
Other disclosures:				
Investment in associates	-	-	22,247,173	22,247,173
Share of results of associates	-	-	1,175,766	1,175,766
Impairment in associate	-	-	500,000	500,000

The Group's total assets include KD 6,173,160 (2016: KD 6,642,548) as non-current assets located outside Kuwait, which mainly include investment in associates and financial assets available for sale. The Group's income from transactions with no single external customer exceeds 10% of the total income of the Group.

23 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (note 8), are not materially different from their carrying values.

The methodologies and assumptions used to determine fair values of financial instruments is described in fair value section of note 3: Summary of significant Accounting Policies.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

23 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

31 December 2017	***Level 1*** ***KD***	***Level 2*** ***KD***	***Level 3*** ***KD***	***Total*** ***KD***
Financial assets at fair value				
Financial assets at fair value through profit or loss:				
Quoted equities	**1,842,339**	**-**	**-**	**1,842,339**
Quoted debts	**3,523,346**	**-**	**-**	**3,523,346**
Financial assets available for sale:				
Equities	**20,462**	**-**	**2,335,686**	**2,356,148**
Managed funds	**-**	**7,454,268**	**3,218,841**	**10,673,109**
	5,386,147	**7,454,268**	**5,554,527**	**18,394,942**

31 December 2016	*Level 1* *KD*	*Level 2* *KD*	*Level 3* *KD*	*Total* *KD*
Financial assets at fair value				
Financial assets at fair value through profit or loss:				
Quoted equities	7,903,758	-	-	7,903,758
Financial assets available for sale:				
Equities	20,448	-	202,703	223,151
Managed funds	-	10,774,760	3,055,024	13,829,784
	7,924,206	10,774,760	3,257,727	21,956,693

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

	As at 1 January 2017 KD	***Profit/(loss) recorded in the consolidated income statement KD***	***Net purchases, sales, transfers and settlements KD***	***Recognised in other comprehensive income KD***	***As at 31 December 2017 KD***
Financial assets available for sale					
Equities	**202,703**	**-**	**2,132,983**	**-**	**2,335,686**
Managed funds	**3,055,024**	**-**	**164,898**	**(1,081)**	**3,218,841**
	3,257,727	**-**	**2,297,881**	**(1,081)**	**5,554,527**

23 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	As at 1 January 2016 *KD*	*Profit/(loss) recorded in the consolidated income statement* *KD*	*Net purchases, sales, transfers and settlements* *KD*	*Recognised in other comprehensive income* *KD*	*As at 31 December 2016* *KD*
Financial assets available for sale					
Equities	139,703	-	63,000	-	202,703
Managed funds	609,350	31,473	2,458,142	(43,941)	3,055,024
Managed portfolios	1,486,738	(2,275)	(1,484,463)	-	-
	2,235,791	29,198	1,036,679	(43,941)	3,257,727

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

The maturity profile of assets and liabilities is as follows:

31 December 2017	***Within 3 months*** ***KD***	***3 to 12 months*** ***KD***	***Sub-total*** ***KD***	***1 to 5 years*** ***KD***	***Over five years*** ***KD***	***Total*** ***KD***
ASSETS						
Cash and cash equivalents	**9,706,026**	**-**	**9,706,026**	**-**	**-**	**9,706,026**
Loans and advances	**-**	**-**	**-**	**214,528**	**-**	**214,528**
Financial assets at fair value through profit or loss	**5,365,685**	**-**	**5,365,685**	**-**	**-**	**5,365,685**
Financial assets available for sale	**-**	**20,462**	**20,462**	**28,621,669**	**-**	**28,642,131**
Investment in associates	**-**	**-**	**-**	**-**	**23,551,289**	**23,551,289**
Other assets	**1,544,603**	**2,748,899**	**4,293,502**	**471,166**	**-**	**4,764,668**
TOTAL ASSETS	**16,616,314**	**2,769,361**	**19,385,675**	**29,307,363**	**23,551,289**	**72,244,327**
LIABILITIES						
Loans	**5,911,790**	**10,546,941**	**16,458,731**	**10,000,000**	**-**	**26,458,731**
Other liabilities	**41,378**	**1,488,579**	**1,529,957**	**3,370,302**	**-**	**4,900,259**
TOTAL LIABILITIES	**5,953,168**	**12,035,520**	**17,988,688**	**13,370,302**	**-**	**31,358,990**

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2016	*Within 3 months KD*	*3 to 12 months KD*	*Sub-total KD*	*1 to 5 years KD*	*Over five years KD*	*Total KD*
ASSETS						
Cash and cash equivalents	8,991,584	-	8,991,584	-	-	8,991,584
Loans and advances	-	-	-	159,841	-	159,841
Financial assets at fair value through profit or loss	7,903,758	-	7,903,758	-	-	7,903,758
Financial assets available for sale	-	20,448	20,448	27,658,386	-	27,678,834
Investment in associates	-	-	-	-	22,247,173	22,247,173
Other assets	838,681	2,998,311	3,836,992	192,152	-	4,029,144
TOTAL ASSETS	17,734,023	3,018,759	20,752,782	28,010,379	22,247,173	71,010,334
LIABILITIES						
Loans	3,000,000	18,500,000	21,500,000	5,000,000	-	26,500,000
Other liabilities	185,424	994,226	1,179,650	2,941,900	-	4,121,550
TOTAL LIABILITIES	3,185,424	19,494,226	22,679,650	7,941,900	-	30,621,550

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

25.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation as it falls due and cause the other party to incur a financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any one counter party. These procedures include the non-concentration of credit risk.

Gross maximum exposure to credit risk
The Group's policy is to grant loans and advances to staff against collateral of their indemnity. Receivable balances are monitored on an ongoing basis and the maximum exposure is the carrying amount as disclosed in Note 6.

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

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 CREDIT RISK (continued)

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of credit risk mitigation.

	2017 *KD*	*2016* *KD*
Cash and cash equivalents (Note 5)	**9,706,026**	8,991,584
Loans and advances (Note 6)	**214,528**	159,841
Financial assets available for sale – debt securities and managed debt funds	-	-
Other assets (excluding property and equipment)	**4,293,502**	3,836,992
Gross maximum credit risk exposure before consideration of credit risk mitigation	**14,214,056**	12,988,417

The exposures set above are based on net carrying amounts as reported in the consolidated statement of financial position.

The fair value of collateral that the Group holds relating to loans and advances as at 31 December 2017 amounts to KD 2,201,746 (2016: KD 1,842,982).

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the geographical regions as follows:

	Kuwait ***KD***	***GCC and the rest of the Middle East*** ***KD***	***International*** ***KD***	***Total*** ***KD***
31 December 2017				
Cash and cash equivalents	**2,424,474**	**6,688,923**	**592,629**	**9,706,026**
Loans and advances	**214,528**	**-**	**-**	**214,528**
Other assets	**4,287,939**	**5,563**	**-**	**4,293,502**
Maximum exposure to credit risk assets	**6,926,941**	**6,694,486**	**592,629**	**14,214,056**

	Kuwait *KD*	*GCC and the rest of the Middle East* *KD*	*International* *KD*	*Total* *KD*
31 December 2016				
Cash and cash equivalents	3,344,320	5,148,581	498,683	8,991,584
Loans and advances	159,841	-	-	159,841
Other assets	3,586,379	250,613	-	3,836,992
Maximum exposure to credit risk assets	7,090,540	5,399,194	498,683	12,988,417

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 CREDIT RISK (continued)

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the following industry sectors as:

	2017 *KD*	*2016* *KD*
Banks and financial institutions	**9,706,026**	8,990,584
Others	**4,509,030**	3,997,833
	14,215,056	12,988,417

As at 31 December 2017, the maximum credit exposure to a single counterparty amounts to KD 3,694,658 (2016: KD 3,706,615).

Credit quality of financial assets that are neither past due nor impaired
Loans granted to the staff are not material to the Group. The Group manages credit quality by ensuring that all loans granted have a minumum collateral coverage of 100% of the individual loans granted, which management reviews on a regular basis.

Analysis of past due but not impaired
The Group does not have any past due but not impaired financial assets as at 31 December 2017 and 31 December 2016.

25.2 LIQUIDITY RISK

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

As at 31 December 2017, 62.21% of the Group's debt will mature in less than one year (2016: 81.13%) based on the carrying value of borrowings reflected in the consolidated statement of financial position. The management of the Company is currently considering steps to re-finance the short-term borrowings of the Group. These steps include creating liquidity by realising cash from sale of assets, dividends from financial assets and re-structuring of short-term borrowings.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities.

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

	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
31 December 2017					
Loans	**200,182**	**5,767,900**	**10,841,601**	**10,917,054**	**27,726,737**
Other liabilities	**41,378**	**-**	**1,488,591**	**3,370,302**	**4,900,271**
TOTAL LIABILITIES	**241,560**	**5,767,900**	**12,330,192**	**14,287,356**	**32,627,008**

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2 LIQUIDITY RISK (continued)

	Within 1 month KD	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
31 December 2016					
Loans	3,006,637	-	18,901,408	5,573,253	27,481,298
Other liabilities	185,424	-	994,226	2,941,900	4,121,550
TOTAL LIABILITIES	3,192,061	-	19,895,634	8,515,153	31,602,848

25.3 MARKET RISK

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

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

25.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of all future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by the treasury department of the Group.

The Group is exposed to interest rate risk on its variable interest bearing assets and liabilities (bank deposits and loans), as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest cost using a mix of fixed and variable rate debts. The Group aims to keep a certain portion of its borrowings at variable rates of interest.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit based on floating rate financial assets and financial liabilities held at 31 December 2017 and 2016. There is no impact on equity.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	Increase of 25 basis points Effect on profit	
	2017 KD	*2016 KD*
KD	**53,990**	22,066

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.3 MARKET RISK (continued)

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

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

The effect on profit due to change in the fair value of monetary assets and liabilities, as a result of change in currency rate by 5%, with all other variables held constant is shown below:

	Effect on profit	
	2017	*2016*
	KD	*KD*
US Dollar	**383,513**	242,394
GCC and the rest of Middle East currencies	**50,418**	44,499

25.3.3 Equity price risk
Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Company mainly through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The Group's financial assets at fair value through profit or loss and financial assets available for sale in different geographical regions and industry sectors are as follows:

Geographical distribution

	Kuwait KD	***GCC and the rest of the Middle East KD***	***International KD***	***Total KD***
31 December 2017				
Financial assets at fair value through profit or loss	**1,702,633**	**-**	**3,663,052**	**5,365,685**
Financial assets available for sale	**26,176,242**	**1,539,111**	**926,778**	**28,642,131**

	Kuwait KD	*GCC and the rest of the Middle East KD*	*International KD*	*Total KD*
31 December 2016				
Financial assets at fair value through profit or loss	2,095,110	1,801,055	4,007,593	7,903,758
Financial assets available for sale	25,619,795	1,539,114	519,925	27,678,834

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.3 MARKET RISK (continued)

25.3.3 Equity price risk (continued)

Industry concentration

	Trading and manufacturing KD	***Banks and financial institutions KD***	***Construction and real estate KD***	***Others KD***	***Total KD***
31 December 2017					
Financial assets at fair value through profit or loss	**744,454**	**2,738,484**	**203,850**	**1,678,897**	**5,365,685**
Financial assets available for sale	**1,809,775**	**18,349,970**	**4,179,197**	**4,303,189**	**28,642,131**

	Trading and manufacturing KD	*Banks and financial institutions KD*	*Construction and real estate KD*	*Others KD*	*Total KD*
31 December 2016					
Financial assets at fair value through profit or loss	128,334	3,739,514	450,586	3,585,324	7,903,758
Financial assets available for sale	1,809,776	19,791,140	4,182,507	1,895,411	27,678,834

The effect on other comprehensive income (as a result of a change in the fair value of financial assets available-for-sale at 31 December) and Group's results (as a result of a change in the fair value of financial assets at fair value through profit or loss at 31 December) due to a 5% change in market indices, with all other variables held constant is as follows:

	2017		*2016*	
Market indices	***Effect on other comprehensive income KD 000's***	***Effect on result KD 000's***	*Effect on other comprehensive income KD 000's*	*Effect on result KD 000's*
Market indices	**373,736**	**268,284**	539,760	395,188

25.4 PREPAYMENT RISK

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

25.5 OPERATIONAL RISK

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

26 CAPITAL MANAGEMENT

The primary objective of the Group's capital management policies is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payout to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a leverage ratio, which is net debt divided by total capital of the Company. The Group aims to limit its leverage ratio to a maximum of 150%. The Group includes within net debt, interest bearing loans and borrowings, bank overdraft and other payables, less bank balances and cash. Total capital represents equity attributable to the shareholders of the Company.

	2017	*2016*
	KD	*KD*
Interest bearing loans including bank overdraft	**26,458,731**	26,500,000
Other liabilities	**4,900,259**	4,121,550
Less: Bank balances and cash	**(9,706,026)**	(8,991,584)
Net debt	**21,652,964**	21,629,966
Equity attributable to the equity holders of the Company	**37,963,007**	37,170,937
Gearing ratio (%)	**57%**	58%