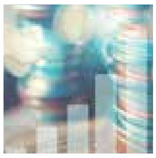
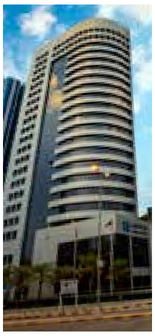


ANNUAL REPORT 2018



KAMCO
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kamconline.com

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

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Investor Relations

Investors seeking more information on KAMCO may:

1. Visit our website www.kamconline.com
2. Call us on +965 2295 6697
3. Send an e-mail to investors@kamconline.com

Contents

About Us

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. 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). In 2018, KAMCO acquired a majority stake of 69.528% in Global Investment House K.S.C.C. ("Global").

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 USD12.97 billion (as of 31 December 2018) and achieve a strong track record of 131 successful investment banking transactions worth around USD20.4 billion (as of 31 December 2018).

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, prudent and conservative investment philosophy, solid business model and fundamental belief in implementing the highest standards of transparency, which has consistently commanded the goodwill of a wide and growing patron-base.

Through its strategy, the Company aims to continue building upon its core competencies to provide the MENA region with innovative investment management consultancy and services, in addition to financial services that meet the needs of clients through value-added investment products and a cautious investment approach that is supported by an experienced team and strong track record.

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

2018 Theme: A Year of Transformation, Two Decades of Accomplishments

2018 marks KAMCO's 20th anniversary. This past year, KAMCO underwent a major historical transaction of acquiring majority shares in Global. The Company have ventured into international grounds through transactions with some of the biggest names in the world. KAMCO's funds were amongst the top performing in Kuwait and the region. The Company has also been internationally recognized by many of the renowned industry experts for its performance. The market leaders have commended this massive shift, a transformation of KAMCO from a local to an international leader.

The Company has evolved over the years, and revamped its vision and mission to new heights, with a strategic mindset to consolidate the gains of the milestones achieved so far, in order to further build a future for KAMCO that enhances its position on an international scale. KAMCO has thus succeeded in distinguishing its name and further propelling itself closer to its vision of becoming the preferred regional full-fledged asset management and investment- banking provider by 2020.

It was thus a year full of exciting opportunities, challenges and changes, where the Company set out with an outlook of laying the grounds for a transformative year at KAMCO. As such, it was a perfect culmination to two decades worth of expertise. We remain thankful for the past achievements yet driven and ready to head towards a new era of further transformative opportunities.

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


KAMCO
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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 Corporate Finance Department from 2006 - 2010 and the Financial Services and Investment Division at KAMCO since 2010. Mr Sarkhou is also the Chairman of Global Investment House as of September 2018. He has extensive experience of over 20 years 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 as well as 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 Abdullah 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. Mr Al-Hubail currently holds the position of Chief Operating Officer at KAMCO, and a Chairman and CEO in Manafae Holding Co. and a member in Global Investment House Board of Directors, Mr Al-Hubail is also a member of several boards of companies in Kuwait. Al-Hubail has 28 years of extensive practical experience in the fields of Human Resources, Administration, and Accounting. He worked with Enhanced Engineering & Multi-Technologies Co. as a managing director, Kuwait Investment Project Co., and with the Kuwait Foreign Petroleum Exploration Company.

Khaled Fouad
Chief Investment Officer

Khaled Fouad runs KAMCO's investments division and as such he oversees the Firm's investment banking services and related funds. He is a member of the Firm's Investment Committee. Mr Fouad was also appointed as the Vice Chairman of Global Investment House as of September 2018. Mr Fouad joined KAMCO in 2015 after 12 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 29 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 19 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.

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 overseeing 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 23 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 has served over 17 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.

Chairman's Message

The Board of Directors at KAMCO Investment Company K.S.C (Public) is pleased to present to you the Company's annual report, which includes a review of your Company's financial performance, operational summary and significant developments witnessed as of December 31, 2018.

Dear valued shareholders,

2018 marked a milestone in KAMCO's journey as we celebrated 20 years of achievements and entered a new phase while taking huge steps towards bringing our performance to higher levels and expanding our reach to new geographies through the acquisition of a 69.528% stake in Global Investment House ("Global") in September 2018.

As we began the year, our focus was mainly directed towards achieving clients and shareholders' objectives through added value and making a difference by creating new paths to growth. Acquiring the majority stake in Global is one of the key steps towards achieving that goal.

With confidence and transparency, we have been able to take proactive steps towards achieving the goals we have set together to position ourselves as the leading regional and local asset management and investment banking firm, strengthening our presence in new markets and expanding our investment products and services offerings.

Despite the numerous challenges we have constantly faced on the economic and financial fronts in the local, regional and global markets, KAMCO managed to strengthen its leading position and proved its resilience in the face of the dynamic market forces, thanks to the dedication, innovative thinking and long-term vision of our executive management and employees.

KAMCO's Achievements

I am pleased to inform you that 2018 was another year of strong results. We managed to strengthen our corporate values, culture, human capital and strategy to diversify our investment products and services offering to our clients and expand into new markets.

Business Highlights for the financial year ended December 31, 2018

1. Enhanced operational performance and value creation.
2. Successfully completed the acquisition of majority stake of 69.528% in Global Investment House (as of September 2018).
3. Managed 9 successful IB transactions valued at approximately USD1.8 billion.
4. Increased the number of managed investments portfolios and continued to provide alternative investment solutions.
5. Won 9 internationally recognized awards for outstanding performance in Asset Management, Investment Banking, Wealth Management, Investment Research, Operations and Corporate Social Responsibility.

Account of Gains and Losses for the Fiscal Year Ended December 31, 2018

This report summarizes KAMCO's account of gains and losses over the 12 months ended December 31, 2018.

KAMCO reported a net profit of KD421,407 in the first half of 2018 and KD2,136,405 in the second half of 2018, with earnings per share of 10.77 fils.

The following table details the Company's annual performance based on total revenues, fee income from operating activities, net profits and earning per share.

	2018	2017
Total Revenues (KD)	18,364,375	9,610,383
Fee income from operating activities (KD)	10,220,609	7,000,348
Net Profit (KD)	2,557,812	1,140,023
EPS (Fils)	10.77	4.80

Our robust performance reflects a client-centric approach as we gear up to leaping forward in 2019 with substantial operational power to pave the way in laying the foundation for the next phase.

Consolidated Financial Statements for the Year Ended December 31, 2018

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, and operational statements.

KAMCO's total assets in the Consolidated Statement of Financial Position as of 31/12/2018 amounted to KD141,968,871 compared to KD72,244,327 in the financial period ended 31/12/2017, an increase of KD69,724,544.

Total shareholders' equity for the year ended 31/12/2018 stood at KD35,690,377 in comparison to KD37,963,007 in the period ended 31/12/2017.

Total retained earnings for the year ended 31/12/2018 amounted to KD769,206 compared to KD1,257,451 for the financial period ended 31/12/2017.

	2018	2017
Total Assets (KD)	141,968,871	72,244,327
Total Shareholders' Equity (KD)	35,690,377	37,963,007
Retained Earnings (KD)	769,206	1,257,451
Cash Dividends Distribution (KD)	-	1,187,242

Board of Directors' and Executive Management Remuneration

First: Board membership remuneration for the financial year ended December 31, 2018

We are confident that the remuneration and benefits paid to our board members and executive management are appropriately aligned with our company's performance and risk profile. The Board of Directors recommended to the AGM the payment of KD20,000 as remuneration to the independent board member for the financial year ended December 31, 2018.

Second: Executive management benefits, remunerations and incentives for the financial year ended December 31, 2018

Staff Category	No. of Employees	Total Fixed Remuneration (KD)	Total Variable Remuneration (KD)	Total Remuneration (KD)
Executive Management	11	1,167,978	410,724	1,578,702

Staff Category	No. of Employees	Variable Remuneration (KD)		
		Annual Bonus	Long-term Incentive	Total Variable Remuneration
Executive Management	11	288,772	121,952	410,724

Staff Category	No. of Employees	Fixed Remuneration (KD)			
		Salaries (Fixed Compensation & Transportation)	Education & Travel	End of Service & Annual Leave	Total Fixed Remuneration
Executive Management	11	797,100	133,715	237,163	1,167,978

Third: Other Remuneration Given from Sister Companies

The following is the remuneration awarded by Global Investment House ("Global") to its Board of Directors that hold executive positions with KAMCO:

No. of Employees	Particulars	Grand Total (KD)
3	Total Board Sitting Remuneration for the year ended in 31 December 2018	7,850
	Total BOD Annual Remuneration for the year ended in 31 December 2018*	21,165

* Subject to the Annual General Meeting of Global Investment House ("Global")

Looking Ahead

Our efforts in 2019 will complement our strategy to enhance our investment products and services offering to existing and potential clients, expand our geographic reach to new markets and attract new clients.

The following is a summary of KAMCO's directions for 2019

1. Maintain its leading position in the financial sector across the region.
2. Enhance our capabilities to achieve sustainable growth and long-term profitability for our company, clients and shareholders.
3. Increase our AUM and direct investments.
4. Develop business synergies and integration with Global Investment House in terms of products, services and human resources.

We are indebted to our valued clientele who remain the catalyst along our journey of continued growth in 2018 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 committee, executive management, and KAMCO's employees. Their relentless, sincere and dedicated efforts in working towards achieving the best financial results has maintained KAMCO's long-term leadership position. We consider each and every employee in KAMCO's family and subsidiaries to be part of the Company's competitive advantage that adds value to our success. We would also like to acknowledge the Kuwaiti regulators for their ongoing support. Their vital role in implementing guidelines and policies in the market has further enhanced the quality of the local investment community.

Finally, I would like to take this opportunity to express my sincere thanks for placing your valuable trust and confidence, which motivates us to take the most suitable decisions and invest successfully.

Abdullah Nasser Al-Sabah
Chairman

CEO's Message

Dear shareholders,

2018 was an exciting year for KAMCO. We celebrated 20 years of successfully operating in the asset management and investment banking field. It was also a year of considerable strategic breakthroughs for KAMCO, which was reflected in our financial results and overall performance. This past year, we were primarily focused on laying the foundation of our future growth strategy and expansion plan. We stood by our longstanding commitment to constant innovation that has laid the groundwork for growth since KAMCO was established in 1998. As we move forward, our mission is to become the preferred pan-MENA non-banking financial services powerhouse. By providing our valued clients with the best-in-class results across an ever-widening array of innovative products and superior services, we aim to achieve our goal.

2018 Highlights and Major Transformations

This year, KAMCO reported a net profit attributable to the equity holders of KD2.56 million, which is an increase of 124% from KD1.14 million in 2017. Earnings per share increased to 10.77 fils compared to 4.80 fils in 2017. EBITDA for the period was KD5.19 million versus KD2.78 million in 2017, an increase of 87%. Total revenues increased by 91% to reach KD18.36 million in comparison to 2017.

KAMCO also entered into a number of potentially lucrative investments over the past 12 months. With a firm strategic and expansion plan in action, we successfully obtained a 69.528% majority stake in Global Investment House "Global", a regional asset management and investment banking firm headquartered in Kuwait with offices in major capital markets in the MENA region. Concluding Global's majority stake acquisition was a key achievement for KAMCO this year. The transaction fits well with KAMCO's strategy to strengthen our expertise within our field and add to our overall market reach in the region. In the upcoming period, we plan to increase synergies with Global in terms of our workforce, product offerings and services.

In addition to the majority stake acquisition in Global, the Firm's performance was underpinned by an increase in fee income, a growth of KD3.22 million, from KD7.0 million in 2017 to KD10.22 million in 2018. The increase was mainly due to the growth in management and advisory fees driven by the rising level of assets under management and investment banking mandates. Fees from fiduciary activities for the full year were KD8.08 million, with a 16.69% increase in total assets under management to KD3.93 billion (including the effect of the acquisition). Investment banking mandate growth for the year was also strong, successfully closing 9 transactions worth around KD534 million.

Added-Value Assets

Maintaining a rigorous and disciplined approach is a priority we take into account through our risk adjusted framework to ensure the safety of our clients' investments. As an integrated asset management and investment banking firm, we work closely with our clients to offer sophisticated advice and customized solutions that serve their unique investment needs. Our Asset Management Team manages a variety of bespoke mandates while taking advantage of opportunities during periods of disruption.

We maintained our assets under management at USD12.97 billion with new money raised in funds and client portfolios. We have also been utilizing our resources and expertise to develop and enhance our existing products, including our funds.

In light of our performance during the year, we were awarded the "Best Equity Fund" by MENA Fund Manager and the "Best Asset Manager" by International Finance.

Strategic Investments

On the investment banking side, our Team has successfully completed 9 investment banking transactions worth approximately USD1.8 billion. These include 5 debt capital markets transactions, 3 M&As, and 1 equity capital markets transaction, in addition to providing 5 other advisory services for high profile clients. Major transactions include our joint lead manager role in Damac's USD400 million sukuk bond issuance, issuance advisors and subscription agents to Burgan Bank's KD62.55 million rights issue, and joint lead managers in two of KIPCO's KD100 million bond issues, amongst other deals concluded during the year. Our Investment Banking Team has also assisted the Firm in implementing its growth and expansion plan by playing a key role in providing valuable advice during the majority stake acquisition in Global. Our strong performance as such has resulted in being recognized as the "Best Investment Management Company" by Global Business Outlook.

In addition to that, KAMCO, in collaboration with Tri International Consulting Group (TICG) and Oliver Wyman, signed a contract with the CMA to provide advisory services for managing the privatization process of Boursa Kuwait, a key stage in the stock exchange's transformation.

Our Alternative Investments Team has also been working diligently to provide our clients with alternative investment solutions through diverse income generating asset streams. This year, the team led KAMCO's acquisition of the Cincinnati Children's Hospital Operation Center, a 302,00-square-foot, Class A facility in Ohio, United States of America. As of December 2018, our international real estate assets under management is at USD336 million.

Tight-Knit Relationships

With a consistent and comprehensive understanding of client expectations, our Wealth Management Team extends a special focus in providing the best-in-class services and quality advice to build and retain long-lasting relationships with our clients. As stewards of clients' wealth, we offer a range of portfolio management solutions, insights on the latest market trends, monthly portfolio reporting and access to international third-party investments in collaboration with our Support Team. Our clients, composed of high net worth and ultra-high net worth individuals, family offices, corporates, government and semi-government institutions, and GCC banks and financial institutions, are our top priority. This year, we substantially increased the number of portfolios under management and were named the "Wealth Manager of the Year" by the renowned Global Investor Group

Thought Leadership

Through our multifaceted investment approach, we combine intellectual insights from different departments to make better investment related decisions. With our reputation as one of the premier investment research houses in the GCC, our Research Team has succeeded in offering valuable insights on the latest market trends while providing forward looking data-centric and qualitative analyses. These offerings have assisted our Wealth Management Team and other departments in presenting the latest reports and updates to our valued clients, assisting them in making the right investment choice to reach their personal and financial goals.

KAMCO DIFC

With our aim to continue the prudent expansion of our geographical footprint, we upgraded our KAMCO DIFC office license from Cat 4 to Cat 3A to further tap into the emerging markets across the Middle East, Africa, and South Asian (MEASA) region and better serve our regional clients. The long-term strategy and business plan for our DIFC office is to focus on our asset management strengths by building a platform for hosting and launching mutual funds. In addition to that, our DIFC Team has built strategic partnerships with institutional partners by leveraging the existing infrastructure at KAMCO's headquarters in Kuwait in order to reaffirm our positional as a regional leader.

Quality and Credibility

To ensure the highest quality output for our clients we have built an infrastructure to maintain full operational support by investing in advanced technological solutions, adopting the best professional and legal practices, and complying with the rules and regulations set by governing entities. Our IT Team worked diligently to upgrade the Firm's system to maintain international standards with the latest financial technology and cloud-based systems. Over the year, the team has implemented 8 major projects in addition to developing KAMCO's online trading platform which we plan to launch in the near future. Our Risk and Legal Teams implemented the highest standards within their fields, ensuring that transactions executed through KAMCO met all legal and regulatory requirements.

Enhancing Communication Channels

In line with establishing a closer relationship and a more seamless experience for our stakeholders, we have been diligent in enhancing and expanding our communication channels. Our Marketing Team has actively and effectively communicated the Firm's achievements and activities through internal and external media channels, while supporting divisions in their promotional activities. The team has successfully executed numerous campaigns targeting the Firm's stakeholders and the brand. We have also maximized our presence and participation in the industry's most prominent events and conferences to ensure that we remain closer to our current clients and approach potential clients. Our continuous support to these events allows us to forge pathways that bring us closer to our current and potential clients. In 2018, we have focused on further strengthening our communication efforts with our shareholders through our Investor Relations Unit. We have also worked on launching a new user-friendly website and updated our social media platforms to include more information related to our operational activities as well as the latest company announcements, market news and analyses.

Talent Development

KAMCO's success is heavily dependent on the talents and efforts of our employees. Our Human Resources Team strives to attract, develop and retain employees who in return have driven KAMCO's competitive advantage amongst its competitors. The team implemented a 360-assessment directed at Top Management and department heads, in collaboration with a leading HR consulting firm, to identify areas that require development across the Firm. By developing and supporting the Firm's diverse members, the Human Resources Team has strengthened the organization's culture and set an environment that allows every employee to excel in their careers. In addition to the bespoke training and development programs, we offered our exclusive internship program, collaborated with INJAZ Kuwait, and participated in job fairs to empower and educate the local youth.

Our Workforce

KAMCO's human capital is one of our key competitive advantages that play an essential role in creating value both for our clients and shareholders. A core aspect of KAMCO's culture is our focus on transparency, diversity and self-empowerment. The cornerstone of this effort is communicating more frequently to our team members with greater transparency on KAMCO's ongoing developments and growth strategy. I am humbled and proud to say that throughout my 20 years at KAMCO, I have worked with so many talented individuals that have added great value to the Company. Which is why KAMCO has always placed great emphasis on retaining talent, which in return has helped elevate the Company into the regional leader it is today. I can confidently say that investing in our employees has transformed KAMCO into a stronger and better Firm.

Our Community

At KAMCO, we believe that we are only as strong as the communities we operate in, which is why we continuously strive to enhance our contribution to a sustainable future. This year we received the "Best CSR Leader – Kuwait" award by International Business for effectively implementing our CSR agenda and investing in our community.

20 Years of Success and Beyond

This year we celebrated our 20th year operating in the financial sector as a local and regional leader. Looking back at our accomplishments, we have come a long way and are optimistic about further success that lies ahead.

In 2019, we will focus on effectively adding-more value to our stakeholders by maintaining profitability and increasing our AUM and direct investments. We intend to carve yet another transformative milestone in the coming years through sustaining long-term growth and becoming a leading pan-MENA non-banking financial institution, with a greater value proposition and enhanced operational capabilities.

Thank You

Moving forward, I would like to express my sincere appreciation to our Board of Directors for the leadership and guidance they have shown during the past year. The strength of our Top Team has been the driving force behind our success and I am grateful for their hard work and dedication. I would also like to thank our clients for their belief in us and our abilities to help them achieve their investment goals and vision for success. To you, our shareholders, I would like to extend my gratitude for your continuing support, your confidence, and above all, your trust in KAMCO. Lastly, I would like to thank Kuwait's market regulators, government officials, and organizations for their continuous support.

I am optimistic about the opportunities that will arise in the future, allowing us to better serve our clients, and resulting in long-term growth for the Firm. We are excited for the days to come and believe that we have just scratched the surface of the opportunities that lie ahead of KAMCO.

Faisal Mansour Sarkhou
Chief Executive Officer

Leadership Through the Years

KAMCO opens its first international office in DIFC

KAMCO named “Wealth Manager of the Year” by Global Investor Group

KAMCO wins “Asset Manager of the Year - Kuwait” award from Global Investor

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

KAMCO wins “Kuwait Asset Manager of the Year” award from MENA FM

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

KAMCO wins "Best Kuwait Equity Fund" by MENA FM

KAMCO awarded the title of “Best Asset Manager” by International Finance

Market Highlights

Global financial markets remained under significant pressure during 2018, especially during the last quarter, after trading within a tight range since the second quarter of the year. Almost all the markets globally were in the red with most of them posting double digit declines after recording gains across the board during 2017. This weakness was also reflected in the 11% decline in the MSCI World Index in 2018 as compared to 20.1% gains in 2017. The broad-based decline came after downside risks related global economic growth increased, resulting in reduction in growth expectations. The increase in more inward-looking policies by major trade hubs that started last year and the US-China trade war were some of the key reasons for the global rout during Q4-18 that affected almost USD350 billion worth of trade between the two trading partners. On the regional front, all the major regions recorded a decline during the year with Europe and Asia recording sluggish performance for almost the entire year and US declining during the final quarter. The biggest decline was recorded in Emerging Markets after being the best performing region during 2017.

GCC Markets Post Best Yearly Performance in 5 Years, Beats Global Gloom in 2018...

GCC equity markets outperformed global peers with a yearly return of 12% in 2018 as compared to flattish returns in 2017. This was also the best yearly growth recorded by the aggregate GCC Index (MSCI GCC Index) in five years. However, unlike the previous high of 25% in 2013 that was driven by gains across the markets, the growth in 2018 was driven primarily by four exchanges i.e. Qatar, Abu Dhabi, Saudi Arabia and Kuwait. Gains came primarily on the back of 20.8% returns for Qatar, followed by Abu Dhabi and Saudi Arabia with returns of 11.7% and 8.3%, respectively. Kuwait was next on the list with a yearly return of 5.2% while Dubai and MSM recorded double digit declines of 24.9% and 15.2%, respectively. Meanwhile, volatility was also high in the GCC indices, in line with other global markets. The MSCI GCC index witness gains/declines of more than +/- 1% for 32 days in 2018 as compared to merely 12 days in 2017.

Market performance during the year was largely swayed by regional geopolitics in addition to oil price movement while changes in international markets had minimal impact on the GCC, as both moved in opposite directions. Oil prices witnessed significant volatility during the year with Brent down 20% in 2018 led by oversupply concerns. Gains until October-18 pushed prices to a 4-year high level while consistent oversupply during the final two months pushed prices back to sub-USD50/b only to see marginal recovery by year end. One of the key factors that led to the surge in Saudi Arabia and Kuwait, was the announcement by MSCI to upgrade Saudi Arabia to Emerging Market status in 2019 and would also consider upgrading Kuwait's status from Frontier Market to Emerging Market in its 2019 review. During the year, Kuwait got a further boost when FTSE upgraded the country and added it to its Emerging Market index in two stages. In addition, the introduction of VAT on a number of consumer goods and services in Saudi Arabia and UAE had limited impact on corporate profitability as most of the exchanges reported positive earnings growth for 9M-18.

In terms of sector performance, banks recorded the best yearly returns during 2018 led by strong growth in earnings reported by most major banks during the year. The top 15 banks in the GCC by market cap added USD74 billion in aggregate market cap during the year equivalent to almost one-third of the market cap for these banks at the end of 2018. In addition, among the large cap sectors, Energy, Materials and Telecommunication sectors recorded strong growth during the year while on the decliners side, the prominent ones included Real Estate, Utilities and Transportation.

Looking Ahead...

From an all-round optimism about the prospects of global economic growth at the start of 2018, the world is now bracing for a slowdown in 2019 and the near term. All key economic indicators point that the world economy has reached a tipping point and that a slowdown in global economic growth rates is imperative led by a number of factors. The ongoing trade tensions between two of the world's largest trading partners US and China has dented prospects of any increase in global trade and has sent ripples across economies.

The US Fed, in its latest rate hike statement, sounded much more cautious about future economic growth and pointed to two rate hikes in 2019 from the previous expectation of three hikes. On the other hand, the latest monthly exports data for China showed the biggest decline in two years in December-18 led by declining demand in most of its key markets. Imports in China also showed a decline during the month implying weak domestic demand. Meanwhile, Europe is also facing a severe downward pressure with a sharp drop in industrial production. On one hand there is UK that is dealing with the confusion over Brexit while on the other a slowdown in other economies with Germany posting the slowest GDP growth in five years in 2018 led by slowdown in exports to China and elsewhere in addition to a muted demand at home.

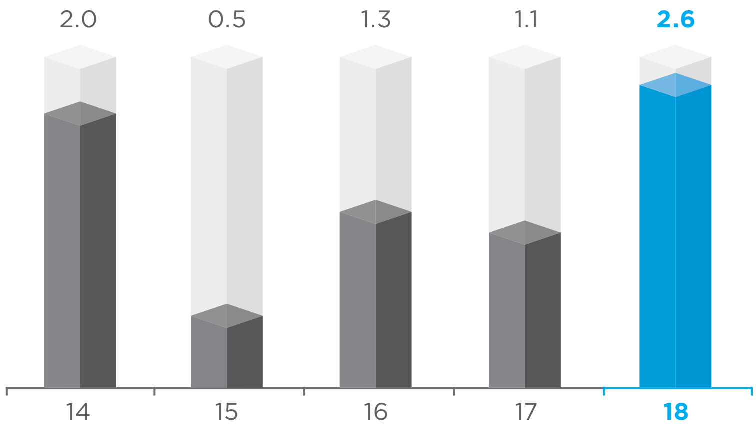
The cloud over world demand will also have an impact on oil prices that saw a steep decline during the last quarter of 2018. For this year, we see a number of fragile factors that keep oil prices temporarily afloat including the OPEC+ agreement to cut oil output. The prospects of oil demand are limited given the supply glut with the US is expected to produce at record pace and other key producer are seeing a temporary decline.

Moreover, the asset class performance for 2018 showed USD and cash being few positive performers during the year indicating the importance of cash in a portfolio. On the other hand, most of the other asset classes were in the red during 2018 including commodities, and real estate. For 2019, we believe that against the backdrop of a slowdown in economic growth, a conservative investment approach would be followed, and focus would remain on capital protection by reducing volatility.

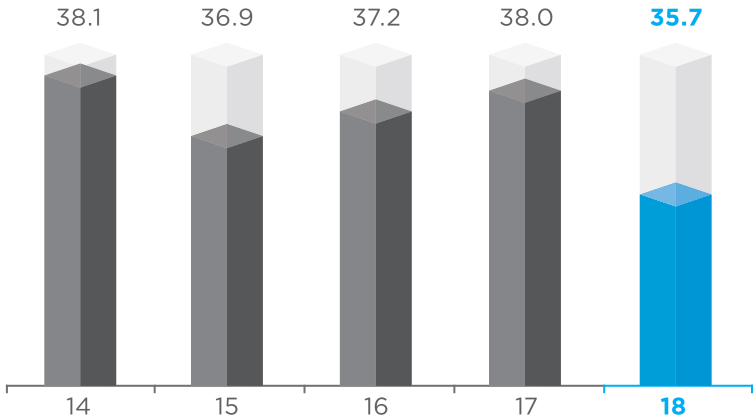
We believe that the GCC is one of the bright spots amid global concerns. GCC economic growth continues to remain stable as it comes out from a low base when oil prices were at historical lows. In addition, the number of ongoing projects in the region keeps key sectors afloat. Banking sector in the region has shown strong earnings growth and maintains a robust balance sheet. The sector also remains in check with a couple of large consolidations in the past and a few being discussed. Nevertheless, real estate and consumer sectors are expected to remain a drag on overall growth in the region. Real estate market continues to see oversupply, especially in Dubai and remain under pressure while consumer sectors are seeing cautious growth from limited spending. We see a calculated and cautious approach on the economic front with higher spending coupled with revenue augmenting measures in the form of taxes and lower subsides supporting state budgets in the near term.

2018 Performance Highlights

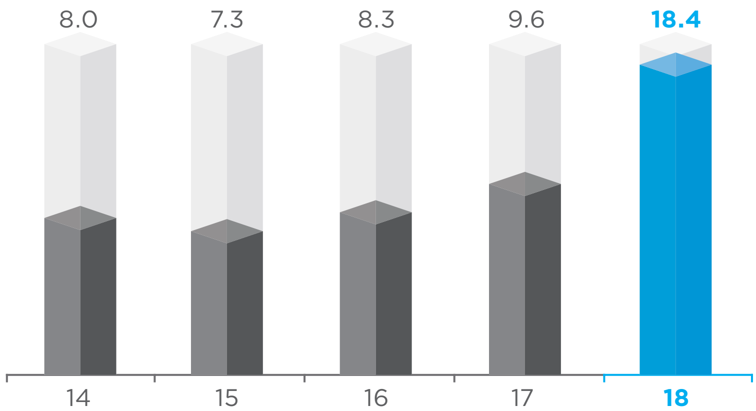
Net Profit
KD million



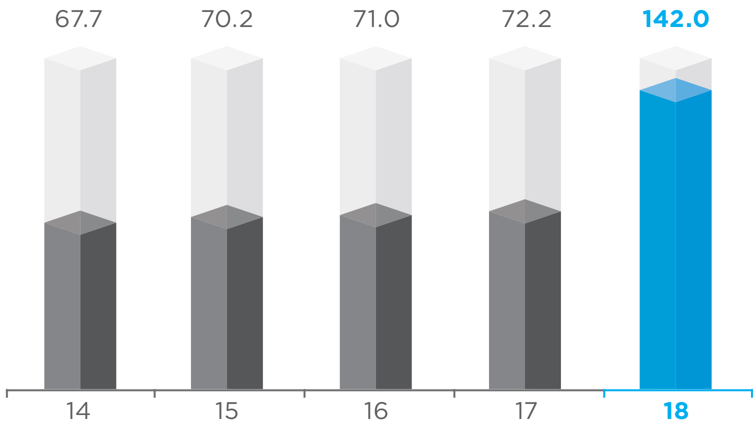
Shareholders' Equity
KD million



Total Revenues
KD million



Assets
KD million



- Total revenue for 2018 were KD18.4 million (2017 - KD9.6 million)
- Revenues grew by 91% over 2017
- Total assets increased by 97%
- Earnings per share increased by 124% over 2017

Income Statement Highlights KD million

	2014	2015	2016	2017	**2018**
Total Revenues	8.0	7.3	8.3	9.6	**18.4**
Total Expenses	5.9	6.9	7.1	8.5	**15.7**
Net Profit attributable to Parent Company	**2.0**	**0.5**	**1.3**	**1.1**	**2.6**

Financial Statements Highlights KD million

Total Assets	67.7	70.2	71.0	72.2	**142.0**
Investments	59.0	58.5	57.8	57.6	**66.0**
Loans & Advances & Other Assets	3.1	4.2	4.2	5.0	**19.9**
Loans & Bonds	24.2	27.5	26.5	26.5	**57.1**
Shareholders' Equity	**38.1**	**36.9**	**37.2**	**38.0**	**35.7**

Profitability

Earnings Per Share (Fils)	8.2	2.2	5.4	4.8	**10.8**
Expenses/Revenues	74%	94%	85%	88%	**85%**
Return on Assets	2.9%	0.7%	1.8%	1.6%	**1.8%**
Return on Equity	**5.1%**	**1.4%**	**3.4%**	**3.0%**	**7.2%**

Capital

Book Value per share (KD)	0.160	0.155	0.156	0.160	**0.150**
Equity/Total Assets	56.3%	52.6%	52.3%	52.5%	**25.1%**
Debt to Equity (X)	**0.63**	**0.75**	**0.71**	**0.70**	**1.60**

Liquidity & Business Indicators

Loans & Advances and other assets/Total Assets	4.6%	5.9%	5.9%	6.9%	**14.0%**
Investments/Total Assets	87.1%	83.3%	81.4%	79.7%	**46.5%**
Assets Under Management KD billion	**3.54**	**3.38**	**3.17**	**3.37**	**3.93**

Total Revenues

Management fees	44%
Advisory fees	12%
Share of result of associates	-1%
Dividend income	2%
Net gain on financial assets at fair value through profit and loss	-2%
Bargain purchase gain	39%
Others	6%

Total Assets

Bank balances & cash	28%
Investments at fair value though income statement	17%
Investments at fair value though other comprehensive income	14%
Investments in associates	15%
Fixed assets	8%
Others	18%

- Enhanced operational performance, profitability and creating value.
- Successfully completed purchase of a 69.528% stake in Global Investment House ("Global").
- Achieved a strong track record of 9 successful investment banking transactions worth around USD1.8 billion.
- Increased the number of portfolios under management and provided alternative investment solutions.
- Won 9 international awards for outstanding performance in Asset Management, Investment Banking, Wealth Management, Investment Research, Operations and Corporate Social Responsibility.

Towards A New KAMCO

The acquisition of a 69.528% stake in Global comes at an exciting time for KAMCO, where 2018 marks KAMCO's 20th anniversary. A year where we focused on unravelling new opportunities to add value to our clients and stakeholders at every stage of growth, driving impact, and leaping into new trajectories towards our vision of becoming the preferred regional full-fledged asset management and investment banking provider. In this, we succeeded.

Towards A New KAMCO

This transaction, which marks one of the historic milestones for KAMCO, is a massive leap that further solidifies KAMCO's role in the market and demonstrates the scalability of our long-term sustainable business model. With the combined synergies of two investment power houses, we can now leverage our vast resources, expertise, capital and international networks to gain a competitive advantage to operate and lead on a regional level.

Our mission remains to add long-lasting value to our clients and stakeholders, but now more than ever, with a more sustainable approach. Our clients will benefit from a wider range of financial solutions, innovative products and services, as well as multifaceted expertise spanning a larger international network base and ever-greater connections to the global market.

Going Forward

As we leap into new trajectories, KAMCO will remain committed to participating in driving growth in the private sector, further propelling the development of the local and regional economy while better serving new and existing market needs. As a local leader serving regional and international markets, we will seek to strengthen the country's connections with global economies by establishing access points that would allow international businesses and institutions to enter the local and regional markets.

A Note of Gratitude

This is only the beginning and this milestone is just one of many other success stories to come which wouldn't have been possible without the commitment and support of many. That being said, I would like to express my gratitude and commend the seamless cooperation, professionalism and hard work put forth by all parties who were involved in the successful completion of this transaction.

With new ambitions in place, we are eager to embrace new and exciting challenges and opportunities, as we move towards a new KAMCO that seeks to have a bigger and more influential sustainable impact, across the region as a leading pan-MENA non-banking financial institution.

Faisal Mansour Sarkhou

Head of the Steering Committee for the Merge

Overview of the Transaction

On September 2018, KAMCO concluded the acquisition of a 69.528% stake in Global Investment House ("Global") from NCH Ventures S.P.C ("NCH"), a Bahrain domiciled entity representing the interests of more than 50 financial institutions. This purchase of the stake in the parent entity will enable us to serve our clients better through Global's existing investment products and services, managed real estate, asset management business, brokerage subsidiary and physical infrastructure in Kuwait, as well as Global's international offices in the UAE, Saudi Arabia, Bahrain, Egypt, Jordan and Turkey.

KAMCO appointed the renowned global professional services firm, Alvarez & Marsal, as the integration advisor for the purchase, and Freshfields Bruckhaus Deringer LLP as the legal advisor.

During the month of December 2018, KAMCO submitted a joint letter of intent to the Capital Markets Authority – Kuwait to merge with Global Investment House, a subsidiary of KAMCO at the time. The two firms will proceed with the merger process upon reaching an initial agreement, and announcing their readiness to enter the merger process. In addition to that, seeking all regulatory approvals inside and outside of Kuwait.

How will this acquisition affect KAMCO?

It is expected that this acquisition will further solidify KAMCO's leadership role in the local and regional markets as one of the top private investment companies. In specific, KAMCO is expected to benefit from having:

- More diversified range of products and services.
- Expanded geographical footprint with wider connections to the global economy.
- Increased AUMs and stronger financial profile.
- More advanced technological platforms and capabilities.

How would this transaction benefit each of our stakeholders?

Clients and shareholders:

- Stronger financial profile.
- Wider range of diversified products and services.
- Wider geographical footprint that will help establish new connections to the global economy. This means a wider range of investment solutions and a bigger pool of diversified cultures with some of the industry's best practices to draw on, to fulfill and exceed client expectations.
- Advanced technological platforms and capabilities to establish a round-the-clock connection with all stakeholders and a more seamless digital experience throughout each client's financial journey with KAMCO.
- New intellectual capital which will arise from leveraging the combined resources and expertise of both firms. This should strengthen the Company's human capital and develop its workforce through a core competency framework. The latter should give the Company a competitive advantage on a local and global scale. Hence, increasing the Firm's capability of delivering more efficient results.
- Clients and stakeholders will also benefit from a strong financial partner with a solid track record and a robust regional and international reputation.

Community and society:

- With a larger pool of resources and a wider network, KAMCO aims to have a positive and resounding social impact with an extensive CSR agenda in areas of education and entrepreneurship, youth empowerment, talent development, financial literacy, health and the environment.
- As an industry leader, KAMCO will utilize its resources and expertise to enhance its efforts in supporting talent, entrepreneurship and innovation in order to drive the economy towards developing a sustainable business ecosystem that paves the way for building "the aspired modern state" as per the Amiri Vision.

Employees:

- New challenges and opportunities will forge new trajectories for talent development of KAMCO's employee base.
- Combined intellectual capital will strengthen and develop the core competencies within KAMCO's workforce, increasing the Firm's capability of delivering more efficient results with the best guidance and added-value for our clients.
- A wider geographical network means KAMCO employees can capitalize and draw on exchanging the best practices that exist within a diversified pool of global cultures so that they can offer our clients a more relevant experience to their individual financial needs.

How would this transaction benefit the economy?

- With a broader operational strategy, the Firm aims to support and participate in the acceleration of local and regional economic growth by being in the forefront of creating new economic and financial opportunities.
- With an expanded geographical footprint and wider connections to the global economy as well as an enhanced workforce, KAMCO will possess both the expertise and reach to facilitate its participation in opportunities and initiatives that enhance the local and regional investment communities. Firstly, through corroborating with industry experts to exchange vital information and creating knowledge-based platforms that cultivate bigger global financial knowledge pools that help educate the investment community and shed light on key development trends in the region. Secondly, KAMCO's participation in these platforms will propel it to become a leading implementor of international best practices, which has broad implications for establishing a more competitive and stronger financial ecosystem. Thirdly, these platforms can forge pathways that allow KAMCO to disperse knowledge related to the region's booming economy, its unique value proposition and capabilities that establish access points and attract global investors. This aspect of the Company's strategy is in line with the Amiri vision to transform Kuwait into an international financial hub.

20 Years of Success


KAMCO
كامكو


20 YEARS


15+ YEARS LOYALTY


10+

USD 12.97 bn
AUM

USD 346 mn
Net Profits

USD 965 mn
Revenues

USD 287 mn
Dividends distributed

USD 336 mn
KAMCO's international real estate AUM

131
investment banking transactions worth
USD 20.4 bn

YEARS

- All figures are cumulative since establishment until 31 December 2018.
- Currency conversion is based on 31 December 2018 FX Rate.

KAMCO كامكو

1998

KAMCO established in September 1998 and is a member of the KIPCO Group.

2003

KAMCO listed on Boursa Kuwait.

2004

KAMCO launches KAMCO Investment Fund (KIF) which was ranked the top performing equity fund in Kuwait and the region in 2017 based on year-to-date returns.

2004

KAMCO completed its first ever bond issue in the amount of KD20 million.

2005

KAMCO extended its research coverage to include all GCC stock markets and becomes a market thought leader winning the "Best Investment Research Company" award in 2017.

2007

KAMCO undertakes the single largest private sector merger & acquisition transaction in the GCC for KIPCO by selling a majority stake in Wataniya Telecom to Qatar's Q-Tel.

2008

KAMCO celebrates its 10-year anniversary, and completed 15 IPOs which contributed to 16% of companies listed on Kuwait Stock Market between 2003 and 2008.

2009

KAMCO appointed the exclusive investment advisor for KIPCO's KD100 million acquisition program earmarked to restructure or purchase assets of private sector Kuwaiti companies with strong growth potential.

2012

KAMCO acted as one of the joint lead managers in the successful completion of a KD100 million, Lower Tier II (LT2) subordinated bond issue by Burgan Bank, the largest bond ever raised by a private sector issuer and has the longest tenor of 10 years.

2012

KAMCO acted as one of the joint lead managers in the KD80 million KIPCO bond issue, the largest ever corporate issue in Kuwait.

2013

KAMCO celebrates its 15-year anniversary.

2015

KAMCO successfully managed the first investment grade rated (Baa1 by Moody's) Subordinated Tier 2 in the MENA region.

2016

KAMCO opens the first international office in Dubai International Financial Centre (DIFC).

2016

KAMCO joined the 1,000 firms that claim compliance with the CFA Institute's Asset Manager Code of Professional Conduct.

2017

KAMCO won 9 awards by internationally recognized industry experts for its outstanding performance throughout the years in Asset Management, Investment Banking, Alternative Investments, Wealth Management, and Investment Research.

2018

KAMCO acquired a majority stake of 69.528% in Global Investment House and celebrated its 20th anniversary.

Corporate Social Responsibility

Throughout our 20 years of operations, KAMCO has always been keen to be amongst the leading figures in the private sector, contributing to the social fabric of Kuwait, in all aspects related to corporate social responsibility (CSR). We have always perceived this responsibility to be an integral pillar of our business model and our path towards establishing an ethical sustainable business ecosystem.

By imbedding this mindset into our Company-wide strategy, which daily guides our business, we gain a competitive advantage that allows us to maximize our stakeholders' added-value. Through our collaborations and joint CSR efforts with other various institutions, we aim to have a bigger and more resounding positive impact on our society. We are humbled to have cultivated an impactful culture driven by good-willed employees who demonstrate their readiness and commitment to participate and give back to the community and those who are in need. We will spare no effort in devoting our time and resources as we expand our community reach with an emphasis on optimizing positive growth and promoting a sustainable future economy where we successfully thrive together in an increasingly globalized and dynamic world.

Ensuring that the Company remains a leading figure in the social fabric of Kuwait is central to KAMCO's strategic CSR agenda over 2018, thus continuing to create notable positive impacts on the health and well-being of society. The range of our 2018 CSR initiatives spanned the areas of youth empowerment, professional development, education and financial literacy, as well as health and well-being; positioning the goal of community development at center-stage. In an aim to leverage a positive impact and amplify the magnitude of our collective actions, we strive to improve the marketplace and social community through various collaborations under similar CSR goals. KAMCO's CSR agenda also extends association with other institutions, amongst them is KIPCO's extensive annual agenda. This section elaborates on some of our primary CSR initiatives in 2018.

Youth: Education, Empowerment and Entrepreneurship

We thrive to nurture talent

As part of KAMCO's sustainable human capital development strategy, we remain passionate in our endeavor to take the lead in supporting, empowering and educating the future generation. As such, we participate and collaborate with highly impactful programs and institutions that allow us to mentor and equip the next generation of leaders with the necessary real-life practical tools, for them to excel in their future professional careers and add value to the local marketplace and wider economy. KAMCO also proactively takes part in initiatives that showcase Kuwait's young entrepreneurial talent and their innovative mindset, further enhancing their businesses to thrive and contribute towards advancing the future of our country and developing a sustainable business ecosystem.

Generation Eight of the Protégés

KAMCO hosted the Generation 8 Protégés, as part of Kuwait Projects Company's (KIPCO) strategic partnership with the youth mentorship program, at the American University of Kuwait's (AUK) auditorium. The workshop, titled "KAMCO Day", is part of KAMCO's ongoing corporate social responsibility initiatives, in collaboration with KIPCO Group companies, that focus on educating and empowering the youth to become tomorrow's leaders.

The workshop kicked off with an opening speech about KAMCO's operations and its products and services. This initiative offered the students an opportunity to get a better understanding about the investment firm and the investment sector as a whole. The interactive session included a brainstorming session to develop an idea and strategy for their upcoming project.

KAMCO's continuous support to The Protégés program remains in line with its corporate and social objectives to create mentorship opportunities that challenge and drive the youth towards discovering their true potential while developing key skills. The purpose of these initiatives is to provide the youth with added value for their future careers through the personal and professional development of dedicated students representing the future of the Kuwaiti economy.

"Those Who Inspire" Movement

As a leader in its industry, KAMCO supported "Those Who Inspire" movement which puts inspirational figures from various countries from around the world under the spotlight. KAMCO sponsored the production of the 2018 edition of the "Those Who Inspire" book which featured an interview with KAMCO's CEO, highlighting his role as a mentor in the asset management and investment banking fields. The book highlights each mentor's inspirational story and successful journey to the local community and readers around the world.

The purpose of this movement is to further inspire and encourage youth to follow the same transformative path.

University Lectures

Throughout 2018, KAMCO conducted a multitude of lectures directed at business and economics students at AUK and ACK amongst other universities. The interactive lectures, which were delivered by Mr Faisal Sarkhou, KAMCO's CEO, focus on updating the students about current innovations and trends that shape the local and international financial markets, so that they can remain attuned with the rapidly changing market dynamics. Through these lectures, KAMCO consistently reinforces the importance of adopting cutting edge thinking methodologies that accelerate innovation to create better solutions to the challenges facing business and society. With this, KAMCO aims to encourage the young talents to challenge and push the boundaries of their innovative mindset so that they can contribute in forging a better future as the next generation of leaders.

AUK Career Fair

In line with our continuous commitment to supporting the education and professional development of future generations, KAMCO sponsored the 14th edition of the American University of Kuwait's (AUK) career fair. During the annual fair, KAMCO ensured that the students, fresh graduates and alumni seeking internships, career opportunities and professional advice are acquainted with the hiring process within the Firm and the overall market. Being a gold sponsor for the event, KAMCO launched a campaign during the fair to encourage potential job applicants to "think outside the box". During the event, booth visitors were challenged to think of original solutions via problem solving activities that aimed to reflect KAMCO's innovative work culture. AUK's 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.

INJAZ-Kuwait

KAMCO Investment Company and Global Investment House hosted their first joint CSR initiative in collaboration with INJAZ-Kuwait. Through this successful joint CSR event, KAMCO aimed to amplify its positive impact with Global who share similar values, CSR goals, synergies and commitments towards the society and the youth in specific. The Companies welcomed students from the Australian College of Kuwait. The job-shadow event took place at Global Tower's auditorium, during which seasoned experts from KAMCO and Global from different departments explained the responsibilities tied to their positions within the company. The event consisted of lectures, activities and a certificate distribution ceremony for the attending students.

This was the first out of many other upcoming joint CSR collaborations between KAMCO and Global. This communion aims to combine efforts in order to create a bigger and more positive impact in our society through establishing an optimal environment for youth education, mentoring, guidance and training opportunities with esteemed establishments such as INJAZ-Kuwait.

Tmkeen

KAMCO supported the KIPCO Tmkeen Award for Young Entrepreneurs for the fourth consecutive year in 2018, alongside its sister companies and in collaboration with the Youth Empowerment Symposium (Tmkeen). For the 2018 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 including financial, strategic and operational consultancy sessions, market studies, insurance coverage and advertising services; a total value of USD100,000 worth of resources from the KIPCO Group companies.

Our support towards the Tmkeen program comes as part of our commitment to showcase Kuwait's young entrepreneurial talent and their innovative thinking. By creating platforms that challenge comfort zones and test individual as well as team capabilities in unprecedented ways. These programs also provide aspiring entrepreneurs with valuable insights on how their businesses can thrive and contribute to advancing the future of our country and a more sustainable business ecosystem.

21st Century 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.

Financial Literacy

We seek the financial well-being of you and your family

For KAMCO, education is one of the pillars of our CSR foundation. As a market-thought leader, we have reached an understanding that a financially-educated population is a community asset. Due to that, KAMCO has taken the responsibility upon itself to become a financial guide and partner to the public by effectively contributing towards enhancing the financial literacy of our communities. With this as our target, we do not pass on participating in opportunities that can enhance the public's grasp of financial principles, knowledge, and skills. Our goal is to enable individuals to better navigate through economic landscapes and manage their investment risks effectively to avoid financial pitfalls. All of which can have a profound impact on individuals, as well as their ability to better plan for their future, make financially responsible and informed decisions that play an integral role in the wellbeing of their everyday lives and their family's future.

On a larger scale, KAMCO has taken profound leaps in enhancing the local and regional investment community by contributing to developing knowledge platforms and participating in global discussions that touch on vital topics and recent economic trends. Through supporting such informative events, we corroborate with industry experts to amplify the financial knowledge pool and exchange vital information that helps educate the investment community while shedding light on key developments in the region. These events forge pathways that allow KAMCO to disperse valuable information about the region's booming economy, unique value proposition and financial capabilities that exist within the region and hence attract global investors. Our participation in these platforms also propels us to become leading implementors using international best practices, which has broad implications of establishing a more competitive and strong financial ecosystem.

East Chain Open Hub Conference in Kuwait

KAMCO was a gold sponsor of the first East Chain Open Hub ("ECOH") blockchain conference in Kuwait. In addition to sponsoring the conference, KAMCO participated in one of the several panel discussions that discussed some of the opportunities and impacts of blockchain technology on the financial and banking sectors. The two-day conference organized by East Chain Co. at Al Shaheed Park's auditorium featured a group of renowned experts within several industries including; banking, finance, healthcare and more.

This conference served as a platform for KAMCO to participate in the global discussion concerning the digitization of the financial services industry and to contribute to enhancing the pool of knowledge regarding the topic. As a market-thought leader, KAMCO will continue to seek similar initiatives that fall in line with its corporate social responsibility agenda, specifically in the area of education.

The Gulf Bond and Sukuk Association (GBSA)

KAMCO, as one of the leading debt capital market book runners in the region, in partnership with The Gulf Bond and Sukuk Association (GBSA) and Dentons, held its third Kuwait Debt Capital Markets Conference at The Chairman's Club in Kuwait. The event which featured multiple panel discussions, gathered over 100 local and international market leaders as well as senior government officials.

KAMCO also joined GBSA's Gulf Debt Capital Market Summit held in Dubai, UAE as a platinum sponsor. Senior representatives from KAMCO participated in the exclusive, invite-only event as guest speakers and participated in the panel discussions. The Summit gathered numerous industry experts, investors, market regulators and government officials to debate and discuss various topics related to enhancing and supporting the region's fixed income markets. The agenda included panel discussions on the latest updates and developments in the financial markets, as well as key speeches delivered by distinguished guests, amongst them, KAMCO's CEO, Mr Faisal Sarkhou. Opening the summit, Mr Sarkhou discussed the overall development of the fixed income market in the GCC and the region, and elaborated on the region's fixed income investments, risk-reward dynamic, and the outlook for the GCC debt capital markets. Whereas, Senior Executive Officer of KAMCO DIFC, Mr Anwar Sbaitan, moderated one of the summit's panel discussions on 'The Outlook for Gulf Credits and Funding'.

The event was yet another opportunity for KAMCO to exchange valuable knowledge with industry experts in order to remain on top of recent market trends and contribute in enhancing the regional investment community.

Health and Well-Being

We aim to satisfy our employees

KAMCO strongly believes that promoting a healthy culture amongst its workforce is its humanitarian duty towards the individuals who daily contribute to the success of this Company. As such, the health and well-being of our employees remains one of KAMCO's strategic CSR priorities and is considered an investment not only in the success and productivity of the Company, but also an added value to the wider community. To instill such a culture at KAMCO, we play a proactive role in educating both our employees and the general public on the importance of preventative health measures, adopting positive behavioral changes, and working towards a healthy balanced lifestyle. We stand by these initiatives to encourage our employees to adopt a conscious approach to health, reflecting positively on the level of satisfaction and well-being of their personal and professional lives.

Head and Neck Cancer

KAMCO organized a head and neck cancer awareness internal campaign emphasizing early detection and risk factor avoidance of these often neglected and commonly occurring diseases. Held in collaboration with Cancer Awareness Nation (CAN) and in cooperation with AlBorg 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 the importance of preventing and eliminating these diseases to the local community, KAMCO took part in a press conference hosted by CAN aimed at increasing awareness of risk factors, early detection measures and the curability of cancer through simple lifestyle changes.

Blood Drives

To support local healthcare, KAMCO hosted its annual blood donation drive in association with the Central Blood Bank in Kuwait. The drive was preceded by an internal campaign titled: "Be a superhero and donate blood." The slogan for the campaign focused on the idea that not all superheroes have superpowers, and by donating blood the donor too can be a superhero. 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.

Besides its annual blood drive, KAMCO along with Global Investment House hosted their first of many upcoming joint blood donation events. The drive rallied the support of enthusiastic employees from KAMCO, Global and KIPCO group companies as well as other participants who donated to the cause. This collaboration served to emphasize the importance of donating blood and bringing the community together in order to give back and support the society at large. Throughout this initiative, the hosting Companies were able to extend their support to the local population and healthcare community while promoting such a noble cause amongst its employees through the high turnout of donors.

Hunting and Equestrian Club

As an advocate of local heritage, KAMCO sponsored a "Flat Race Competition" at the Hunting and Equestrian Club, Kuwait. The winners of the race were recognized and awarded by KAMCO's Chief Resources Officer, Mr Farouq Al Oumi during an Awards ceremony on behalf of KAMCO. This collaboration reflects KAMCO's support towards the local sports community.

Supporting Human Rights

KAMCO, along with KIPCO Group, participated in the human rights seminar organized by the Ministry of Foreign Affairs. CEO of KAMCO, Mr Faisal Sarkhou, represented KIPCO during the seminar titled "Social responsibility of the private sector in supporting human rights" which was held in collaboration with the UNHCR. A segment of the seminar specially was focused on Sheikha Salwa Sabah Al Ahmad's Stem Cell and Umbilical Cord Center. The event was attended by representatives from the diplomatic community in Kuwait, as well as NGOs and charitable organizations.

Corporate Governance

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.

KAMCO's Corporate Governance Framework

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 2018, KAMCO accomplished 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.

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 (Representative of UGB)	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 (Representative of UGB)	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 2018

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 # (1/2018) dated 31/01/2018	√	√	√	√	√
Meeting # (2/2018) dated 22/02/2018	√	√	√	√	√
Meeting # (3/2018) dated 30/04/2018	√	√	√	√	√
Meeting # (4/2018) dated 01/05/2018	√	√	√	√	√
Meeting # (5/2018) dated 02/05/2018	√	√	√	√	√
Meeting # (6/2018) dated 14/05/2018	√	√	√	√	√
Meeting # (7/2018) dated 12/06/2018	√	√	√	√	√
Meeting # (8/2018) dated 25/07/2018	√	√	√	√	√
Meeting # (9/2018) dated 05/08/2018	√	√	√	√	√
Meeting # (10/2018) dated 12/11/2018	√	√	√	√	√
Meeting # (11/2018) dated 19/11/2018	√	√	√	√	√
Meeting # (12/2018) dated 31/12/2018	√	√	√	√	√

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 2018

- Updating and approving the Company's policies and procedures; and ensuring that the Company is fully compliant and committed with them.
- 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.

Board's Committees

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 May 2017.

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 nine times during 2018.

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 May 2017.

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 five times during 2018.

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 May 2017.

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 2018.

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 May 2017.

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 five times during 2018.

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

The Board of Directors has proposed a bonus of KD20,000 for the financial year ended 31 December 2018, which will be subject to the approval of the shareholders of the Company's General Assembly for the financial year ended 31 December 2018.

Executive Management Remuneration and Salaries Details

Staff Category	No. of Employees	Fixed Remuneration (KD)			
		Salaries (Fixed Compensation & Transportation)	Education & Travel	End of Service & Annual Leave	Total Fixed Remuneration
Executive Management	11	797,100	133,715	237,163	1,167,978

Staff Category	No. of Employees	Variable Remuneration (KD)		
		Annual Bonus	Long-term Incentive	Total Variable Remuneration
Executive Management	11	288,772	121,952	410,724

Staff Category	No. of Employees	Total Fixed Remuneration (KD)	Total Variable Remuneration (KD)	Total Remuneration (KD)
Executive Management	11	1,167,978	410,724	1,578,702

Other Remuneration Given from Sister Companies Details

The following is the remuneration awarded by Global Investment House ("Global") to its Board of Directors that hold executive positions with KAMCO:

No. of Employees	Particulars	Grand Total (KD)
3	Total Board Sitting Remuneration for the year ended in 31 December 2018	7,850
	Total BOD Annual Remuneration for the year ended in 31 December 2018*	21,165

* Subject to the Annual General Meeting of Global Investment House ("Global")

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 2018, 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 2018; 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 dealt 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 of 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
- Updates on emerging regulations such as GDPR, BEPS and CRS.
- Updates on blockchain technology and implications on financial services.
- 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.

KAMCO's 2018 CSR initiatives focused on the areas of youth empowerment, professional development, education and financial literacy, as well as community and employee well-being; positioning the goal of community development at center-stage. During the year, the company participated in several community initiatives such as:

- Supporting Generation Eight of The Protégés with KIPCO Group Companies
- Supporting the Annual KIPCO Tmkeen Award for Young Entrepreneurs for the 4th consecutive years
- Sponsoring of the 2018 AUK Career Fair
- Conducting university lectures to foster a culture of financial literacy and investment awareness
- Hosting a joint INJAZ-Kuwait job shadow with Global Investment House
- Sponsoring "Those Who Inspire" 2018 edition book and movement
- Sponsoring and participating in East Chain Open Hub Conference in Kuwait
- Sponsoring and participating in GBSA 3rd Kuwait Conference and GBSA Dubai's Debt Capital Market Summit
- Hosting KAMCO annual blood donation drive and co-hosting a blood drive with Global Investment House
- Sponsoring Head and neck cancer awareness campaign, in collaboration with Cancer Awareness Nation (CAN)
- Sponsoring "Flat Race Competition" at the Hunting and Equestrian Club to support local sports community
- Participating and representing KIPCO in the 'Social responsibility of the private sector in supporting human rights' seminar organized by the Ministry of Foreign Affairs and held in collaboration with the UNHCR

Financial Statements

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better 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 2018, 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 consolidated financial position of the Group as at 31 December 2018, 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed 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) Valuation of investment securities
Investment securities comprises of financial assets at fair value through other comprehensive income (FVOCI) and financial assets at fair value through profit or loss (FVTPL) and are disclosed in Note 7 and Note 8 to the consolidated financial statements.

The valuation of the Group's investment securities involve the exercise of judgment by the management and the use of assumptions and estimates, most predominantly for the instruments classified under level 2 and level 3. Key judgments applied by management in valuation of the Group's investment securities carried at fair value include determination of price to book multiples from comparable companies, identification of recent sales transactions, calculated net asset value (NAV) and application of illiquidity discounts in certain cases. Due to these estimation uncertainties, this is considered a key audit matter. The Group's policies on valuation of investments securities are presented in accounting policies and in Note 3 and Note 27 of the consolidated financial statements.

As part of our audit procedures we have tested the level 1 fair valuations by comparing the fair values applied by the Group with publicly available market data. For level 2 and 3 valuations we evaluated the models and the assumptions used by the management and tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy. We further assessed that the main assumptions and related uncertainties are appropriately reflected in the disclosure in Note 27 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)

Key Audit Matters (continued)

c) Accounting for business combination
During the year, the Group acquired 71.18% effective holding of Global Investment House K.S.C. (Closed) ("GIH") and classified it as investment in subsidiary. This acquisition was accounted for using the acquisition method where the Group performed a purchase price allocation ("PPA") exercise as disclosed in Note 22 to the consolidated financial statements. Management determined the fair value of the GIH's identifiable assets and liabilities and contingent liabilities and has used external valuation specialist to support the valuation.

We have determined this to be a key audit matter based on the significant management judgment and estimates made on the PPA and quantitative materiality of the acquisition.

As part of our audit procedures on the accounting for the acquisition, we reviewed the share purchase agreement, obtained an understanding of the deal structure and assessed whether the accounting treatment in accordance with IFRS 3 has been appropriately applied. We tested the identification and fair valuation of the acquired assets including: intangible assets acquired and liabilities by corroborating this identification based on our discussion with management and understanding of the business of GIH. We evaluated the quality and objectivity of the valuation process and the independence and expertise of external valuation specialist. We have assessed the reasonableness of the assumptions used to determine the contingent consideration and the purchase price allocation, and have evaluated the valuation methods used and have tested the valuation for mathematical accuracy.

We also assessed the adequacy of the related disclosures in Note 22 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2018 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 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.

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)

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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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 (continued)

- 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.

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAMCO INVESTMENT COMPANY K.S.C.P. (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 2018, 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 2018 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

19 March 2019
Kuwait

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	*2018* *KD*	*2017* *KD*
ASSETS			
Cash and cash equivalents	5	**39,190,856**	9,706,026
Loans and advances	6	**6,284,590**	214,528
Financial assets at fair value through profit or loss	7	**23,621,283**	5,365,685
Financial assets at fair value through other comprehensive income	8	**20,533,532**	-
Financial assets available for sale	8	**-**	28,642,131
Financial assets at amortised cost		**150,000**	-
Investment in associates	9	**21,707,005**	23,551,289
Other assets	10	**13,577,244**	4,293,502
Investment properties		**657,000**	-
Property and equipment	11	**11,837,494**	471,166
Intangible assets	12	**4,409,867**	-
TOTAL ASSETS		**141,968,871**	72,244,327
LIABILITIES AND EQUITY			
Liabilities			
Loans	13	**17,080,391**	26,458,731
Bonds	14	**40,000,000**	-
Other liabilities	15	**25,170,135**	4,900,259
TOTAL LIABILITIES		**82,250,526**	31,358,990
Equity			
Share capital	16	**26,330,175**	26,330,175
Share premium	16	**9,089,045**	9,089,045
Treasury shares	16	**(12,795,688)**	(12,795,688)
Statutory reserve	16	**12,450,271**	12,175,734
Voluntary reserve	16	**1,008,953**	734,416
Treasury shares reserve	16	**1,383,134**	1,383,134
Cumulative changes in fair values		**(3,127,134)**	(1,047,880)
Foreign currency translation reserve		**582,415**	836,620
Retained earnings		**769,206**	1,257,451
Equity attributable to equity holders of the Company		**35,690,377**	37,963,007
Non-controlling interests		**24,027,968**	2,922,330
TOTAL EQUITY		**59,718,345**	40,885,337
TOTAL LIABILITIES AND EQUITY		**141,968,871**	72,244,327

Abdullah Naser Sabah Al-Ahmad Al-Sabah
Chairman

Faisal Mansour Sarkhou
Chief Executive Officer

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	*2018* *KD*	*2017* *KD*
INCOME			
Fee income	17	**10,220,609**	7,000,348
Net (loss) gain on financial assets at fair value through profit or loss	18	**(432,137)**	1,060,159
Gain on sale/redemption of financial assets available for sale		**-**	40,909
Gain (loss) on fair valuation of investment in former associate		**9,345**	(138,871)
Gain on fair valuation of financial assets available for sale upon reclassification to investment in associates		**-**	1,035,852
Gain on sale of investment in associates		**-**	266,222
Share of results of associates	9	**(231,870)**	(882,172)
Bargain purchase gain	22	**7,238,271**	-
Net income on disposal of non-current assets exclusively acquired for sale	23	**159,130**	539,915
Dividend income		**311,633**	457,468
Interest income		**733,552**	234,952
Foreign exchange loss		**183,082**	(64,697)
Other income		**172,760**	60,298
		18,364,375	9,610,383
EXPENSES			
General and administrative expenses	19	**12,799,002**	6,824,561
Finance costs		**2,060,562**	1,490,984
Provision for financial assets	10	**922,633**	150,925
Net write back of provision for credit losses	6	**(101,000)**	-
		15,681,197	8,466,470
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCE ("KFAS"), ZAKAT AND NATIONAL LABOUR SUPPORT TAX ("NLST")		**2,683,178**	1,143,913
Contribution to KFAS		**(44,865)**	(11,937)
Zakat		**(46,872)**	(11,937)
NLST		**(75,824)**	(29,843)
Directors' remuneration		**(20,000)**	-
PROFIT FOR THE YEAR		**2,495,617**	1,090,196
Attributable to:			
Equity holders of the Company		**2,557,812**	1,140,023
Non-controlling interests		**(62,195)**	(49,827)
		2,495,617	1,090,196
BASIC AND DILUTED EARNINGS PER SHARE – Attributable to equity holders of the Company	20	**10.77 fils**	4.80 fils

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	*2018* *KD*	*2017* *KD*
Profit for the year		**2,495,617**	1,090,196
Other comprehensive income			
Other comprehensive (loss) income that may be reclassified to consolidated statement of income in subsequent periods:			
Financial assets available for sale:			
- Fair value gain		-	1,716,152
- Transfer on disposal, reclassification and impairment		-	(994,943)
Share of other comprehensive loss of associates	9	**(16,109)**	(27,259)
Foreign currency translation adjustments		**(254,205)**	163,132
Net other comprehensive (loss) income to be reclassified to consolidated statement of income in subsequent periods		**(270,314)**	857,082
Other comprehensive (loss) income that will not be reclassified to consolidated statement of income in subsequent periods:			
Changes in fair value of equity investments at fair value through other comprehensive income		**(3,606,496)**	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(3,606,496)**	-
Total other comprehensive (loss) income for the year		**(3,876,810)**	857,082
Total comprehensive (loss) income for the year		**(1,381,193)**	1,947,278
Attributable to:			
Equity holders of the Company		**(1,195,514)**	2,005,264
Non-controlling interests		**(185,679)**	(57,986)
		(1,381,193)	1,947,278

The attached notes 1 to 30 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 2018

	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 2018	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
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	1,053,338	-	(943,212)	110,126	2,610	112,736
Balance as at 1 January 2018 (Restated)	26,330,175	9,089,045	(12,795,688)	12,175,734	734,416	1,383,134	5,458	836,620	314,239	38,073,133	2,924,940	40,998,073
Profit (loss) for the year	-	-	-	-	-	-	-	-	2,557,812	2,557,812	(62,195)	2,495,617
Other comprehensive (loss) income	-	-	-	-	-	-	(3,499,121)	(254,205)	-	(3,753,326)	(123,484)	(3,876,810)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(3,499,121)	(254,205)	2,557,812	(1,195,514)	(185,679)	(1,381,193)
Transfer to reserves	-	-	-	274,537	274,537	-	-	-	(549,074)	-	-	-
Subsidiaries acquired exclusively with a view to resale	-	-	-	-	-	-	-	-	-	-	35,373	35,373
Ownership changes in subsidiaries without loss of control (Note 21)	-	-	-	-	-	-	-	-	-	-	(349,948)	(349,948)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,161,350)	(2,161,350)
Acquisition of a subsidiary (Note 22)	-	-	-	-	-	-	-	-	-	-	23,764,632	23,764,632
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	-	366,529	-	(366,529)	-	-	-
Dividends (Note 16g)	-	-	-	-	-	-	-	-	(1,187,242)	(1,187,242)	-	(1,187,242)
As at 31 December 2018	**26,330,175**	**9,089,045**	**(12,795,688)**	**12,450,271**	**1,008,953**	**1,383,134**	**(3,127,134)**	**582,415**	**769,206**	**35,690,377**	**24,027,968**	**59,718,345**
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	-	-	-	-	-	-	-	-	-	-	69,225	69,225
Ownership changes in subsidiaries without loss of control	-	-	-	-	-	-	-	-	(14,850)	(14,850)	(306,756)	(321,606)
Dividends (Note 16g)	-	-	-	-	-	-	-	-	(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

The attached notes 1 to 30 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 2018

	Notes	*2018* *KD*	*2017* *KD*
OPERATING ACTIVITIES			
Profit for the year		**2,495,617**	1,090,196
Adjustments for:			
Unrealised gain on financial assets at fair value through profit or loss	18	**973,001**	189,656
Gain on sale/redemption of financial assets available for sale		-	(40,909)
Net income on disposal of non-current assets exclusively acquired for sale	23	**(159,130)**	(539,915)
Gain on sale of investment in associates		-	(266,222)
Loss on fair valuation of investment in former associate		-	138,871
Gain on fair valuation of financial assets available for sale upon reclassification to investment in associates		**(9,345)**	(1,035,852)
Share of results of associates	9	**231,870**	882,172
Bargain purchase gain	22	**(7,238,271)**	-
Dividend income		**(311,633)**	(457,468)
Interest income		**(733,552)**	(234,952)
Foreign exchange (gain) loss		**(183,082)**	64,697
Finance costs		**2,060,562**	1,490,984
Depreciation	11	**355,216**	141,147
Amortisation	12	**114,133**	-
Provision for financial assets	10	**922,633**	150,925
Net write back of provision for credit losses	6	**(101,000)**	-
Provision for employees' end of service benefits		**496,991**	637,105
		(1,085,990)	2,210,435
Change in operating assets and liabilities:			
Loans and advances		**(77,609)**	(54,687)
Financial assets at fair value through profit or loss		**7,456,415**	2,348,417
Other assets		**915,466**	(456,510)
Other liabilities		**(1,813,614)**	305,121
Cash from operations		**5,394,668**	4,352,776
Dividend received		**311,633**	457,468
Employees' end of service benefits paid		**(265,943)**	(163,517)
Net cash flows from operating activities		**5,440,358**	4,646,727
INVESTING ACTIVITIES			
Purchase of FVOCI/financial assets available for sale		**(276,155)**	(4,061,028)
Proceeds from sale of FVOCI/financial assets available for sale		**822,007**	2,635,087
Net purchase of deposits	5	**(4,710,000)**	-
Purchase of property and equipment	11	**(342,355)**	(420,161)
Acquisition of non-current asset classified as held for sale	23	**(9,508,733)**	(18,392,564)
Proceeds from disposal of non-current asset classified as held for sale	23	**9,229,098**	16,842,391
Proceeds from disposal/liquidation of investment in associates	9	**4,302,805**	1,350,464
Net cash outflow on business combination	22	**(7,129,680)**	-
Investment in associates		-	(1,299,998)
Dividend received from investment in associates		**1,004,318**	2,005,465
Interest income received		**733,552**	234,952
Net cash flows used in investing activities		**(5,875,143)**	(1,105,392)

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
FINANCING ACTIVITIES			
Purchase of treasury shares		-	(10,836)
Loans availed		**35,528,784**	74,608,604
Loans repaid		**(45,206,721)**	(74,879,429)
Bonds issued		**40,000,000**	-
Dividend paid to equity holder of the Parent company		**(1,187,242)**	(1,187,508)
Finance costs paid		**(1,609,847)**	(1,453,144)
Distribution to non-controlling interest		**(2,161,350)**	-
Net acquisition of non-controlling interests		**35,373**	(237,531)
Net cash flows from (used in) financing activities		**25,055,896**	(3,159,844)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,621,111**	381,491
Foreign currency translation adjustments		**153,719**	332,951
Cash and cash equivalents at 1 January		**9,706,026**	8,991,584
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**34,480,856**	9,706,026

The attached notes 1 to 30 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 19 March 2019. 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 Boursa Kuwait.

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, financial assets at fair value through other comprehensive income and investment property. The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Company.

The comparative information for the previous year ended 31 December 2017 has been reclassified to conform to classification in the current year. This reclassification does not have any effect on profit and equity of the Company. Such reclassification has been made to improve the quality of information presented.

2.2 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

2.3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The nature and the impact of each new standard and amendment is described below:

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 - *Financial Instruments*
The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018, with the exception of requirements of the expected credit losses on financing facilities as noted below. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The Group has not restated comparative information for 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 and are disclosed in Note 3.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

a) Classification and measurement
The IAS 39 measurement categories of financial instruments have been replaced by new classification of financial instruments as: at amortised cost ("AC"); at Fair Value through Other Comprehensive Income ("FVOCI") and at Fair Value Through Profit or Loss ("FVTPL"). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows ("CCC") represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The accounting policies for financial liabilities will largely be the same as the requirements of IAS 39.

The Group's accounting policies for classification and measurement of financial assets under IFRS 9 is explained in Note 3.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9: Financial Instruments (continued)

b) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The credit losses are based on ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of Purchased or Originated Credit Impaired (POCI), the credit loss is based on the change in ECLs over the life of the asset. The Group is also required to calculate provision for credit losses on financing facilities in accordance with the instructions issued by the CBK. Impairment of credit facilities shall be recognised at the higher of ECL under IFRS 9 per CBK guidelines, and the provision required by the CBK instructions.

The Group's accounting policies for impairment of financial assets is explained in Note 3. The quantitative impact of adoption of IFRS 9 as at 1 January 2018 is disclosed under 'Transitional provisions' below.

c) Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The Group has no hedges and accordingly these changes did not have any impact on its consolidated financial position.

Transitional provisions

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

The total impact on the Group's retained earnings and reserves as at 1 January 2018 is as follows:

	Retained earnings KD	*Fair value reserve KD*
Closing balance under IAS 39 (31 December 2017)	**1,257,451**	**(1,047,880)**
Impact on reclassification and re-measurements:		
Investment securities - equity from available-for-sale to FVTPL	(1,006,364)	1,053,338
Fair value measurement of equity investments previously carried at cost less impairment	63,152	-
	(943,212)	1,053,338
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**314,239**	**5,458**

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2.3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9: Financial Instruments (continued)

Transitional provisions (continued)

Classification of financial instruments on the date of initial application of IFRS 9:

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows reconciliation of original measurement categories and carrying amount in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial instruments as at 1 January 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39*	*Transition adjustment*	*New carrying amount under IFRS 9*
Financial assets:			*KD*	*KD*	*KD*
Cash and cash equivalents	Loans and receivable	Amortised cost	9,706,026	-	**9,706,026**
Loans and advances	Loans and receivable	Amortised cost	214,528	-	**214,528**
Financial assets at fair value through profit or loss	FVTPL	FVOCI	1,110,088	-	**1,110,088**
Financial assets at fair value through profit or loss	FVTPL	FVTPL	4,255,597	-	**4,255,597**
Financial assets available for	AFS	FVOCI	16,130,932	60,544	**16,191,476**
Financial assets available for	AFS	FVTPL	12,511,199	46,973	**12,558,172**
Other assets	Loans and receivable	Amortised cost	4,293,502	-	**4,293,502**
			48,221,872	**107,517**	**48,329,389**

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

IFRS 15 - *Revenue from Contracts with Customers*

The Group adopted IFRS 15 *Revenue from Contracts with Customers* on its effective date of 1 January 2018. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. The adoption of this standard will result into change in accounting policies as discussed below:

Performance-based fees

For revenue from performance-based fees for the provision of services over a period of time, the Group previously accrued revenue over that period. Under IFRS 15, performance-based fees will not be recognised until it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The recognition of performance-based fees will require significant judgement and are unlikely to be recognised in full until they have crystallised or are no longer subject to clawback.

Advisory income

For revenue from advisory fees for the provision of services over a period of time, the Group previously accrued revenue over that period. Under IFRS 15, the Group applied significant judgement to identify the performance obligations in an advisory service contract and whether each service is capable of being distinct in the context of contract. Revenue from these performance obligations are recognized either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer. The changes in above accounting policies does not have any material effect on the Group's consolidated financial information.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

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 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to IAS 28: *Long-term interests in associates and joint ventures*
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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 2018. 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.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

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 2018. The subsidiaries of the Group are:

Name of company	*Country of incorporation*	*Equity interest as at 31 December*	
		2018	*2017*
Subsidiaries			
Kuwait Private Equity Opportunities Fund ("KPEOF")	Kuwait	72.82%	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	37.51%	70.82%
Al Jazi Money Market Fund	Kuwait	50.86%	50.86%
Al Tadamun United Holding Company K.S.C. (Closed)	Kuwait	96%	96%
Nawasi United Holding Company K.S.C. (Closed)	Kuwait	96%	96%
Global Investment House K.S.C. (Closed) ("GIH") (Note 22)	Kuwait	71.18%	-
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	Jersey	100%	100%
Buckeye Power Advisory Company LLC	USA	50%	50%
Flint Manager Limited	Jersey	100%	100%
Flint Advisory Company LLC	USA	45.88%	45.88%
Carnation Manager Limited (Note 21)	Jersey	100%	-
Carnation Advisory Company LLC (Note 21)	USA	74.89%	-
S17P02V Holding Limited	UAE	100%	-

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

Measurement categories of financial assets and liabilities

From 1 January 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Before 1 January 2018, the Group classified its financial assets as loans and receivables, financial assets at FVTPL, financial assets available for sale and derivative financial instruments. Whereas, the Group financial liabilities included interest bearing loans and other liabilities.

Financial liabilities, other than commitments and guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial assets

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

The Group classifies its financial assets upon initial recognition into the following categories:

Debt instruments at amortised cost

A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Balances with banks and financial institutions and other assets are classified as debt instruments at amortised cost.

Debt instruments at amortised cost are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividends are recognised in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity investments at FVOCI are not subject to impairment assessment.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

Equity instruments at FVTPL
The Group classifies equity instruments at fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, interest income and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain equity securities and funds.

Financial assets available for sale (AFS) – Policy applicable before 1 January 2018
Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or held for trading. After initial measurement, financial assets available for sale are measured at fair value with unrealised gains or losses being recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss recorded in other comprehensive income is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss previously recorded in other comprehensive income is recognised in 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. Interest earned whilst holding financial assets available for sale is reported as interest income using the effective interest rate method.

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.

Loans and receivables – Policy applicable before 1 January 2018
Loans and receivables are 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 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 effective interest rate. The effective interest rate amortisation is included in interest income in the statement of comprehensive income. The losses for loans and receivables arising from impairment are recognised in the consolidated statement of income.

Reclassification of financial assets
The Group does not reclassify its financial assets subsequent to their initial recognition except under circumstances in which the Group acquires, disposes of, or terminates a business line.

Derivatives
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The Group enters into derivative financial instruments including foreign exchange forward contracts. Derivatives are stated at fair value. The fair value of a derivative includes unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Foreign currency derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in accounts payable and accruals in the consolidated statement of financial position.

The resultant gains and losses from derivatives are included in the consolidated statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

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

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.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include due to bank and other liabilities.

The Group has determined the classification and measurement of its financial liabilities as follows:

Loans and bonds
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.

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

Offsetting of financial instruments
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.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

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 statement of income.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

Policy applicable from 1 January 2018

The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL.

The Group applies impairment at the higher of ECL computed based on CBK guidelines for measurement of ECL under IFRS 9, and the provision required by the CBK instructions for loans and advances.

The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses for other assets at amortised cost. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

The Group applies three-stage approach to measuring ECL on loans and advances. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Groups methodology for specific provisions remains largely unchanged.

Determining the stage of Expected Credit Loss

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

KAMCO Investment Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Impairment of financial assets (continued)
Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)
ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The management considers a financial asset in default when the contractual payments are 365 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Provisions for credit losses in accordance with CBK instructions
The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due but not impaired and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions.

Category	***Criteria***	***Specific provisions***
Watch list	Irregular for a period of up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

Policy applicable before 1 January 2018
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. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Policy applicable before 1 January 2018 (continued)
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, all investment properties are carried at fair value that is determined based on valuations performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Transfer from properties under development are made upon completion of the work and the property being ready for the its intended use at carrying value and subsequently fair valued at reporting date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Property and equipment

Property and equipment including capital work in progress are stated at cost, net of depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is provided on all property and equipment, except land and capital work in progress, at rates calculated to write off the cost of each asset on a straight-line basis to their residual values over its expected useful life which is between 3 to 5 years for all property and equipment except for certain building fixtures and fittings which are depreciated over expected useful life of 10 years and building civil structure which is depreciated over its expected useful life of 20 years.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation of these assets commences when the assets are ready for their intended use.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Licenses	Indefinite
Customer relationships	10 years

Licenses renewable at the end of the expiry period at little or no cost to the Group are assumed to have indefinite useful life.

Intangible assets with finite lives are amortised to their residual values over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss within other expenses. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

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
The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 statement of income.

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 statement of income are recognised in the consolidated statement of income.

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 statement of income.

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 and commission income

The Group earns fee and commission income from diverse range of asset management, custody and advisory services provided to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include management fees and advisory fees. Incentive fees is recognised when crystallised or are no longer subject to clawback.

Dividend income

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

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

Interest income

Interest and similar income are considered as an integral part of the effective interest of a loan receivable and is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The 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.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

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 assets
Effective from 1 January 2018
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Effective before 1 January 2018
Management has to decide on acquisition of financial assets whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance.

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.

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4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Classification of real estate property

Management decides on acquisition of real estate whether it should be classified as trading or investment property.

The Group classifies property as trading if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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 also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of available for sale equity investments - applicable before 1 January 2018

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In making this judgement, the Group evaluates among other factors, historical share price movement, duration and extent to which the fair value of investment is less than cost

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of intangible assets

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

Valuation of unquoted investments

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

- Recent arm's length market transactions;
- Price to book value or earnings model;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

Impairment of financial assets at amortised cost – loans and advances

Effective before 1 January 2018

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions (Continued)

Effective from 1 January 2018 (IFRS 9)
The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

Business combinations
Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

5 CASH AND CASH EQUIVALENTS

	2018 *KD*	*2017* *KD*
Cash at banks and on hand	**14,317,207**	6,075,031
Deposits with Banks	**24,873,649**	3,630,995
	39,190,856	9,706,026
Less: Deposits with banks with original maturity of more than three months	**(4,710,000)**	-
Cash and cash equivalents in the consolidated statement of cash flows	**34,480,856**	9,706,026

6 LOANS AND ADVANCES

	2018 *KD*	*2017* *KD*
Gross amount	**9,538,338**	216,276
Less: Provision for credit losses	**(3,253,748)**	(1,748)
	6,284,590	214,528

Loans are granted to GCC companies and individuals and are secured against investments in the funds and securities held in fiduciary portfolios by the Group on behalf of the borrowers.

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6 LOANS AND ADVANCES (continued)

The movement in the provision for credit losses relating to loans and advances during the year is as follows:

	2018 KD	2017 KD
At 1 January	1,748	1,748
Provision arising on acquisition of subsidiary	3,353,000	-
Write back of provision*	(106,000)	-
Provision charge	5,000	-
At 31 December	3,253,748	1,748

*Write back of provision for credit losses for the year include KD 106 thousand (2017: KD Nil) written back as a result of settlement agreement with borrowers.

The ECL determined under IFRS 9, as adopted by CBK for financing receivables as of 31 December 2018 is KD 3,244 thousand which is lower than provision for credit losses calculated in accordance with CBK instructions.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 KD	2017 KD
New classification under IFRS 9		
Financial assets designated at fair value through profit or loss		
Quoted equity securities	2,919,425	-
Managed funds	18,327,456	-
Unquoted equities	351,978	-
Quoted debt securities	2,022,424	-
	23,621,283	-
Original classification under IAS 39		
Held for trading		
Quoted equity securities	-	1,842,339
Quoted debt securities	-	3,523,346
	-	5,365,685

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ FINANCIAL ASSETS AVAILABLE FOR SALE

	2018 KD	2017 KD
Fair value through other comprehensive income		
Quoted equities	4,384,037	-
Unquoted equities	15,842,829	-
Managed funds	306,666	-
	20,533,532	-
Financial assets available for sale		
Quoted equities	-	20,462
Unquoted equities	-	17,948,560
Managed funds	-	10,673,109
	-	28,642,131

Managed funds and managed portfolios amounting to KD 306,666 (2017: KD 10,673,109) are carried at the latest net assets value provided by the respective fund managers based on underlying assets of the funds.

9 INVESTMENT IN ASSOCIATES

Details of associates are as follows:

Name of company	*Country of incorporation*	*Effective interest as at 31 December* 2018	2017	*2018* KD	*2017* KD
Manafae Holding Company K.S.C.	Kuwait	**32.67%**	32.67%	**3,401,205**	3,885,505
United Capital Transport Company K.S.C. (Closed)	Kuwait	**39.80%**	39.80%	**2,814,345**	4,696,825
KAMCO Real Estate Yield Fund ("KREYF") (i)	Kuwait	**30.14%**	-	**4,417,564**	-
Kuwait Education Fund ("KEF")	Kuwait	**34.35%**	34.35%	**41,236**	4,268,551
Leadership Academy	Kuwait	-	15.00%	-	125,000
NS 88 SPC	Bahrain	**20.00%**	20.00%	**3,513,160**	3,707,271
KAMCO Investment Fund ("KIF")	Kuwait	**22.88%**	22.98%	**7,395,495**	6,868,137
Adhari Park Development Company B.S.C. (Closed) ("APDC") (ii)	Bahrain	**20.00%**	-	**54,000**	-
FINA Corp SA ("FCSA") (ii)	Tunisia	**49.00%**	-	**70,000**	-
				21,707,005	23,551,289

	2018 KD	*2017* KD
At 1 January	**23,551,289**	22,247,173
Additions on acquisition of subsidiary (Note 22)	**128,625**	-
Share of results	**(231,870)**	(882,172)
Share of reserves	**(16,109)**	(27,259)
Foreign currency translation adjustment	**(491,518)**	230,055
Dividend received	**(1,223,218)**	(2,005,465)
Disposals/Capital redemption	**(4,302,805)**	(1,084,242)
Transfer to FVOCI/financial assets available for sale	**(125,000)**	(2,334,427)
Transfer from financial assets available for sale	-	7,407,626
Transfer from financial assets through profit or loss (i)	**4,417,611**	-
	21,707,005	23,551,289

i. During the year, the effective ownership of the Group in KREYF increased from 19.26% to 30.15%. The Group determined that it exercises significant influence over KREYF and hence became an associate of the Group.

ii. During the year, the Group determined that it exercised significant influence on APDC and FCSA upon acquisition of GIH.

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

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9 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates is as follows:

	Manafae Holding Company K.S.C.		United Capital Transport Company K.S.C. (Closed)		KAMCO Real Estate Yield Fund	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
Total assets	**10,165,940**	11,666,635	**8,174,003**	14,211,267	**14,883,968**	-
Total liabilities	**42,499**	27,500	**1,127,908**	2,859,707	**231,046**	-
Net assets	**10,123,441**	11,639,135	**7,046,095**	11,351,560	**14,652,922**	-
Proportion of the Group's ownership	**32.77%**	32.67%	**39.80%**	39.80%	**30.15%**	-
Group's share in the equity	**3,401,205**	3,885,505	**2,814,345**	4,696,825	**4,417,564**	-
Share of associates' revenue and (loss) profit for the year:						
Revenues	**(89,225)**	5,772	**164,242**	68,207	**41,895**	-
Profit (loss)	**(128,502)**	(51,801)	**(590,333)**	(647,610)	**6,618**	-

9 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates is as follows:

	KAMCO Investment Fund		Kuwait Education Fund		NS 88 SPC	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
Total assets	**32,448,347**	30,067,787	**121,222**	13,083,204	**17,590,962**	18,555,242
Total liabilities	**148,696**	138,656	**2,500**	655,491	**25,154**	19,444
Net assets	**32,299,651**	29,929,131	**118,722**	12,427,713	**17,565,808**	18,535,798
Proportion of the Group's ownership	**22.88%**	22.98%	**34.35%**	34.35%	**20%**	20%
Group's share in the equity	**7,395,495**	6,868,137	**41,236**	4,268,551	**3,513,160**	3,707,271
Share of associates' revenue and profit (loss) for the year:						
Revenues	**672,884**	(482,949)	**164,402**	3,099,401	**(117,636)**	-
Profit (loss)	**527,357**	(539,489)	**71,850**	318,596	**(118,860)**	(739)

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

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10 OTHER ASSETS

	2018 *KD*	*2017* *KD*
Due from related parties (Note 25)	**1,164,011**	1,528,045
Due from portfolio clients	**1,108,628**	1,039,544
Accrued income	**2,559,715**	473,146
Other receivables	**12,652,764**	1,276,008
	17,485,118	4,316,743
Less: provision for credit losses	**(3,907,874)**	(23,241)
	13,577,244	4,293,502

Movement in the provision for impairment of other assets was as follows:

	2018 *KD*	*2017* *KD*
As at 1 January	**23,241**	23,241
Additions upon acquisition of GIH	**2,957,000**	-
Charge for the year	**922,633**	150,925
Reversal /(Write off)	**5,000**	(150,925)
As at 31 December	**3,907,874**	23,241

During the year, the Group has written off KD Nil (2017: KD 150,925) from other assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

11 PROPERTY AND EQUIPMENT

	Land KD	*Building* KD	*Furniture and fixtures* KD	*Office equipment, computers & vehicles* KD	*Capital work in progress* KD	*Total* KD
Cost:						
As at 1 January 2018	-	-	716,187	1,067,869	138,161	1,922,217
Additions on acquisition of subsidiary (Note 22)	5,082,833	16,719,355	4,326,000	3,227,461		29,355,649
Additions	-	-	24,126	61,624	257,145	342,895
As at 31 December 2018	**5,082,833**	**16,719,355**	**5,066,313**	**4,356,954**	**395,306**	**31,620,761**
Depreciation:						
As at 1 January 2018	-	-	501,544	949,507	-	1,451,051
Additions on acquisition of subsidiary	-	10,626,000	4,246,000	3,105,000	-	17,977,000
Charge for the year	-	182,456	88,260	84,500	-	355,216
Disposals	-	-	-	-	-	
As at 31 December 2018	-	**10,808,456**	**4,835,804**	**4,139,007**	-	**19,783,267**
Net book value:						
As at 31 December 2018	**5,082,833**	**5,910,899**	**230,509**	**217,947**	**395,306**	**11,837,494**

	Land KD	*Building* KD	*Furniture and fixtures* KD	*Office equipment, computers & vehicles* KD	*Capital work in progress* KD	*Total* KD
Cost:						
As at 1 January 2017	-	-	500,172	1,001,884	-	1,502,056
Additions	-	-	216,015	65,985	138,161	420,161
As at 31 December 2017	-	-	716,187	1,067,869	138,161	1,922,217
Depreciation:						
As at 1 January 2017	-	-	441,978	867,926	-	1,309,904
Charge for the year	-	-	59,566	81,581	-	141,147
As at 31 December 2017	-	-	501,544	949,507	-	1,451,051
Net book value:						
As at 31 December 2017	-	-	214,643	118,362	138,161	471,166

KAMCO Investment Company K.S.C.P. and Subsidiaries
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12 INTANGIBLE ASSETS

	Customer relationships KD	*License KD*	*Total KD*
Arising on acquisition of subsidiary (Note 22)	3,424,000	1,100,000	4,524,000
Amortization charge for the year	(114,133)	-	(114,133)
Net carrying amount as at 31 December 2018	**3,309,867**	**1,100,000**	**4,409,867**
Net carrying amount as at 31 December 2017	-	-	-

Intangible assets of the Group are allocated to GIH. License represents brokerage license with indefinite useful life and is annually tested for impairment by estimating the recoverable amount of GIH using value-in-use calculations.

Customer relationships represent intangible assets with finite life and is amortized on a straight line basis over its useful life of 10 years.

13 LOANS

	2018 KD	*2017 KD*
Kuwaiti Dinars	**17,080,391**	26,458,731

As at 31 December 2018, loans are denominated in Kuwaiti Dinars and US Dollars, and due within 1 to 3 years of the reporting date and carry interest rate ranging from 4.75% to 5.25% (2017: 2.60% to 4.75%).

14 BONDS

	2018 KD	*2017 KD*
Issued by the Parent Company:		
Fixed interest of 6.00% per annum and maturing on 26 July 2023	**14,900,000**	-
Floating interest of 2.75% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 26 July 2023	**25,100,000**	-
	40,000,000	-

15 OTHER LIABILITIES

	2018 KD	*2017 KD*
Employees' end of service benefits	**6,318,770**	3,370,302
Due to related parties (Note 25)	**16,689**	50,679
Accrued expenses	**4,390,313**	1,119,369
Taxation	**126,571**	80,254
Dividend payable	**21,561**	29,393
Deferred income	**4,222,375**	-
Other payable	**10,073,856**	250,262
	25,170,135	4,900,259

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

16 EQUITY

a) Share capital

The authorised, issued and fully paid share capital comprises of 263,301,750 shares (2017: 263,301,750 shares) of 100 fils per share (2017: 100 fils per share). This consists of 208,540,000 shares (2017: 208,540,000 shares) which are fully paid in cash and 54,761,750 shares (2017: 54,761,750 shares) issued as bonus shares.

b) Share premium

The share premium is not available for distribution.

c) Treasury shares

	2018	*2017*
Number of treasury shares	**25,853,425**	25,853,425
Percentage of capital	**9.82%**	9.82%
Market value – KD	**1,783,886**	1,861,447
Weighted average market value	**1,691,245**	1,859,774

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 statement of income 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 nil (2017: 5 fils per share) on outstanding shares (excluding treasury shares) in respect of the year ended 31 December 2018. 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 equity holders held on 25 March 2018 approved the consolidated financial statements of the Group for the year ended 31 December 2017 and approved a cash dividend of 5 fils per share (31 December 2016: 5 fils per share).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17 FEE INCOME

	2018 KD	2017 KD
Fees from fiduciary activities	8,082,518	4,547,469
Advisory fees	2,138,091	2,452,879
	10,220,609	7,000,348

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

	2018 KD	2017 KD
Unrealised loss	(973,001)	(189,656)
Realised gain	540,864	1,249,815
	(432,137)	1,060,159

19 GENERAL AND ADMINISTRATIVE EXPENSES

The profit for the year is stated after charging:

	2018 KD	2017 KD
Staff costs	7,625,316	4,504,928
Depreciation	355,216	141,147
Amortisation	114,133	-
Rent - operating leases*	334,386	307,275
Administrative & other expenses	4,369,951	1,871,211
	12,799,002	6,824,561

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

20 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:

	2018	2017
Basic and diluted earnings per share:		
Earnings for the year attributable to the equity holders of the Company (KD)	2,557,812	1,140,023
	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	(25,853,425)	(25,830,200)
Weighted average number of outstanding shares	237,448,325	237,471,550
Basic and diluted earnings per share (fils)	10.77 fils	4.80 fils

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

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

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21 INVESTMENT IN SUBSIDIARIES

During the year, the Company acquired 71.18% effective equity interest of GIH (Note22).

In September 2018, the effective ownership of the Group in KMPFIF increased from 70.82% to 78.13% as other unit holders redeemed units in KMPFIF. This resulted in a decrease of non-controlling interests amounting to KD 343,101. Subsequently, the effective ownership of the Group in KMPFIF decreased from 78.13% to 37.51% as the Group redeemed its units in KMPFIF.

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

a. The effective ownership of the Group in 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. 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. The Group acquired 96% interest in Al Tadamun United Holding Company K.S.C. (Closed) & Nawasi United Holding Company K.S.C. (Closed).

Material partly owned subsidiaries

The Group has concluded GIH, KPEOF and 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:

	Global Investment House K.S.C. (Closed)	
Summarised statement of profit or loss	***2018 KD***	*2017 KD*
Income	**3,575,000**	-
Expenses	**3,620,000**	-
Net loss	**(45,000)**	-
Summarised statement of financial position	***2018 KD***	*2017 KD*
Total assets	**78,338,000**	-
Total liabilities	**12,385,000**	-
Total equity	**65,953,000**	-
Attributable to:		
Equity holders of Parent Company	**45,875,375**	-
Non-controlling interests	**20,077,625**	-
Summarised cash flow information		
Cash flow from operating activities	**6,054,000**	-
Cash flow used in investing activities	**(1,201,000)**	-
Cash flow used in financing activities	**(10,345,000)**	-
Net (decrease) increase in cash and cash equivalents	**(5,492,000)**	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

21 INVESTMENT IN SUBSIDIARIES (continued)

	Kuwait Private Equity Opportunities Fund		KAMCO MENA Plus Fixed Income Fund	
Summarised statement of profit or loss	***2018***	*2017*	***2018***	*2017*
	KD	*KD*	***KD***	*KD*
Income	**88,851**	52,661	**76,506**	191,202
Expenses	**125,991**	129,815	**30,241**	35,816
Net (loss) profit	**(37,140)**	(77,154)	**46,265**	155,386

	Kuwait Private Equity Opportunities Fund		KAMCO MENA Plus Fixed Income Fund	
Summarised statement of financial position	***2018***	*2017*	***2018***	*2017*
	KD	*KD*	***KD***	*KD*
Total assets	**4,679,072**	5,294,963	**1,159,361**	3,622,192
Total liabilities	**198,759**	115,759	**2,300**	3,682
Total equity	**4,480,313**	5,179,204	**1,157,061**	3,618,510
Attributable to:				
Equity holders of Parent Company	**3,262,366**	3,768,356	**434,019**	2,562,457
Non-controlling interests	**1,217,675**	1,410,848	**723,042**	1,056,053
Summarised cash flow information				
Cash flow (used in) from operating activities	**(131,885)**	(150,407)	**2,516,278**	(195,519)
Cash flow (used in) from investing activities	**(632,480)**	53,048	**-**	-
Cash flow (used in) from financing activities	**-**	(59,733)	**(2,526,306)**	309,669
Net (decrease) increase in cash and cash equivalents	**(764,365)**	(157,092)	**(10,028)**	114,150

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

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22 BUSINESS COMBINATION

During September 2018, the Company acquired 71.18% effective equity interest of Global Investment House K.S.C (Closed) ("GIH"), a Kuwaiti Shareholding Company, regulated by CMA as an investment company and CBK for financing activities. GIH is principally engaged in provision of asset management, investment banking and brokerage activities. The Group was able to control the investee and therefore, the entity became a subsidiary of the Group. Accordingly, GIH has been consolidated from the date of exercise of control. The acquisition has been accounted for in accordance with IFRS 3: Business combination ("IFRS 3").

GIH was consolidated based on the provisional values assigned to the identifiable assets and liabilities as on the acquisition date, since management was in the process of determining the fair values of assets acquired and liabilities assumed. During the year ended 31 December 2018, the Group finalised the purchase price allocation exercise of GIH, and adjusted the provisional values of assets acquired and liabilities assumed as following:

	Previously reported provisional value	***Fair value recognized on acquisition date***
Assets	*KD*	***KD***
Bank balances and deposits	32,894,607	**32,894,607**
Financial assets designated at fair value through profit or loss	19,346,271	**19,233,117**
Financial assets designated at fair value through other comprehensive income	6,991,712	**6,901,403**
Financial assets designated at amortised cost	149,274	**149,274**
Loans and advances	5,992,453	**5,992,453**
Investment in associates	128,625	**128,625**
Investment properties	689,475	**656,663**
Intangible assets	-	**4,524,000**
Property and equipment	7,562,461	**11,378,649**
Other assets	11,020,841	**11,020,841**
	84,775,719	**92,879,632**
Liabilities		
Other liabilities	14,645,666	**14,137,851**
	70,130,053	**78,741,781**
Non-controlling interests	1,507,158	**1,507,158**
Net assets acquired	68,622,895	**77,234,623**
Consideration paid in cash	(40,024,287)	**(40,024,287)**
Deferred consideration payable	(7,714,591)	**(7,714,591)**
Non-controlling interests in acquire	(19,775,746)	**(22,257,474)**
Bargain purchase gain	1,108,271	**7,238,271**
Cash flows on business combination		
Consideration paid in cash	(40,024,287)	**(40,024,287)**
Cash and bank balances in subsidiary acquired	32,894,607	**32,894,607**
Net cash outflow on business combination	(7,129,680)	**(7,129,680)**

In accordance with requirements of IFRS 3, the Group has carried out a purchase price allocation ("PPA") exercise which resulted in a gain from business combination, since the fair value of the assets acquired and liabilities assumed exceeded the purchase consideration. Non-controlling interest has been recognised at the proportionate share of GIH's identifiable net assets.

Acquisition-related costs are charged to the consolidated statement of income of the Group.

22 BUSINESS COMBINATION (continued)

Had the business combinations taken place at the beginning of the year, revenue of the Group and profit attributable to equity holders of the Company, would have been higher by KD 10,704,708 and KD 3,386,429, respectively.

The Group is required to pay deferred consideration of KD 2,500 thousand after 180 days of the acquisition and remaining amount of KD 5,215 thousand payable by January 2019 as per agreement terms agreed between the parties.

Subsequent to the reporting date, the Group has settled KD 5,215 thousand as per the agreement.

23 NON CURRENT ASSETS HELD FOR SALE

During the year, the Group acquired interest in certain special purpose vehicles (the "Entities"), for a consideration of KD 9,508,733 and the Entities obtained financing of KD 15,002,435. Through these Entities, the Group acquired a property in the Unites States of America and classified it as "disposal group held for sale".

Subsequently, the Group disposed a majority interest in certain Entities for a consideration of KD 9,229,098. Accordingly, a net gain on disposal of these Entities amounting to KD 159,130 is recognized in the consolidated statement of income and the remaining interest amounting to KD 285,632 is classified as financial assets at fair value through other comprehensive income.

The Group considered the above Entities meet the criteria to be classified as held for sale for the following reasons:

- These Entities are available for immediate sale and can be disposed of in their current condition.
- The actions to complete disposal were initiated and are expected to be completed within one year from the date of acquisition.

Further, the Group had acquired shareholding in Carnation Manager Limited and Carnation Advisory Company LLC to provide management services for the property.

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

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 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.

24 CONTINGENT LIABILITIES

	2018	*2017*
	KD	*KD*
Commitments		
Commitments to invest in private equity funds	**516,000**	-
Uncalled share capital	**75,000**	-
Contingent liability		
Irrevocable and unconditional bank guarantee	**611,000**	-

Commitments to invest in private equity funds

Commitments to invest in private equity funds represent the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion. Further, the Group in its capacity as an investment manager for a fund has given a guarantee to a foreign bank for future investment obligations in connection with a real estate transaction of the fund. The additional investment, which is highly unlikely in the event of the guarantee being exercised, is estimated to be maximum of KD 2,000,000 (2017: KD Nil).

The Group is engaged in litigation cases, which involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Parent Company and Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the consolidated financial statement of the Group.

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25 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 2018 KD***	*Total 2017 KD*
Consolidated statement of financial position					
Cash and cash equivalents	3,868,064	-	5,279,722	**9,147,786**	4,153,307
Financial assets at fair value through profit or loss	-	-	187,825	**187,825**	666,991
Financial assets at fair value through other comprehensive income	-	-	4,109,653	**4,109,653**	17,409,896
Other assets (Note 10)	480,864	414,862	268,285	**1,164,011**	1,528,045
Loans	-	-	-	-	4,250,000
Other liabilities (Note 15)	-	-	16,689	**16,689**	50,679
Consolidated statement of income					
Fee income	1,166,881	998,872	1,621,669	**3,787,422**	3,927,781
Dividend income	-	-	60,371	**60,371**	108,172
Interest income	7,009	-	69,497	**76,506**	10,524
Administration expenses	-	-	319,044	**319,044**	307,275
Finance costs	-	-	31,947	**31,947**	398,105

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25 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2018 *KD*	*2017* *KD*
Short-term employee benefits	**1,357,946**	766,900
Termination benefits	**169,723**	277,264
	1,527,669	1,044,164

26 SEGMENTAL INFORMATION

For management purposes, the Group is organised into four major business segments based on the internal reporting provided to the chief operating decision maker. The Group does not have material inter-segment transactions. On acquisition of GIH, the Group has realigned its operating segments and therefore brokerage related activities are reported as separate segment. The principal activities and services under these segments are as follows:

Financial services : Financial services provide 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.

Brokerage : Quoted and unquoted equity and debt instruments brokerage activities and margin financing

Strategic investments and corporate overheads : Strategic investments include investments which are long term in nature and are aligned with the Group's long-term strategy. Corporate overheads include all support services.

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 2018

	Financial services *KD*	*Asset management* *KD*	*Brokerage* *KD*	*Strategic investments and corporate overheads* *KD*	*Total* *KD*
Total revenue	1,385,525	4,498,696	490,000	11,990,154	18,364,375
Profit	659,680	1,224,958	607,000	3,979	2,495,617
Total assets	-	19,401,888	19,693,000	102,873,983	141,968,871
Total liabilities	-	11,925,355	764,000	69,561,171	82,250,526
Other disclosures:					
Investment in associates				21,707,005	21,707,005
Share of results of associates				(231,870)	(231,870)

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26 SEGMENTAL INFORMATION (continued)

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)

The Group's total assets include KD 20,316,045 (2017: KD 6,173,160) as non-current assets located outside Kuwait, which mainly include plant and equipment, investment in associates, FVTPL and FVOCI.

27 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

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

31 December 2018	***Level 1 KD***	***Level 2 KD***	***Level 3 KD***	***Total KD***
Financial assets at fair value				
Financial assets designated at fair value through profit or loss:				
Quoted equities	2,919,425	-	-	2,919,425
Quoted debts	2,022,424	-	-	2,022,424
Unquoted equities	-	-	351,978	351,978
Managed funds	-	12,947,000	5,380,456	18,327,456
	4,941,849	12,947,000	5,732,434	23,621,283
Financial assets at fair value through other comprehensive income:				
Equities	4,384,037	-	15,842,829	20,226,866
Managed funds	-	-	306,666	306,666
	4,384,037	-	16,149,495	20,533,532

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

Fair value hierarchy (continued)

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
	5,365,685	-	-	5,365,685
Financial assets at fair value through other comprehensive income/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
	20,462	7,454,268	5,554,527	13,029,257

ii) Non-financial assets
Non-financial asset carried at fair value comprise of investment properties. These are classified under level 3 fair value hierarchy.

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 2018 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 2018 KD***
Financial assets designated at fair value through profit or loss:					
Equities	-	(37,613)	389,591	-	351,978
Managed funds	-	23,894	5,356,562	-	5,380,456
	-	(13,719)	5,746,153	-	5,732,434
Financial assets at fair value through other comprehensive income:					
Equities	2,335,686	-	17,480,271	(3,973,128)	15,842,829
Managed funds	3,218,841	-	(2,912,175)	-	306,666
	5,554,527	-	14,568,096	(3,973,128)	16,149,495
Non-financial assets					
Investment properties	-	(32,475)	689,475	-	657,000

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

Fair value hierarchy (continued)

	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

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%.

28 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 2018	*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	36,515,856	2,675,000	39,190,856	-	-	39,190,856
Loans and advances	551,000	5,449,000	6,000,000	284,590	-	6,284,590
Financial assets at fair value through profit or loss	4,602,916	732,367	5,335,283	18,286,000	-	23,621,283
Financial assets at fair value through other comprehensive income	-	143,701	143,701	20,389,831	-	20,533,532
Financial assets at amortised cost	-	-	-	150,000	-	150,000
Investment in associates	-	-	-	124,017	21,582,988	21,707,005
Other assets	374,709	13,202,535	13,577,244	-	-	13,577,244
Investment properties	-	-	-	657,000	-	657,000
Property and equipment	-	-	-	656,762	11,180,732	11,837,494
Intangible assets	-	-	-	-	4,409,867	4,409,867
TOTAL ASSETS	42,044,481	22,202,603	64,247,084	40,548,200	37,173,587	141,968,871
LIABILITIES						
Loans	7,080,391	5,000,000	12,080,391	5,000,000	-	17,080,391
Bonds	-	-	-	-	40,000,000	40,000,000
Other liabilities	2,520,421	19,045,231	21,565,652	3,604,483	-	25,170,135
TOTAL LIABILITIES	9,600,812	24,045,231	33,646,043	8,604,483	40,000,000	82,250,526

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28 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

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

29 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.

29.1 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 selectively provides credit facilities in form of short-term (maturity up to 12 months) loans and advances on a fully collateralized basis to its customers of the asset management and investment banking products. The credit sanction process typically involves customers' credit appraisal in accordance with the Group's credit policies. The Group's credit risk management associated with the lending activities is governed by the Group's credit policies. The Group's credit policies cover the customer eligibility criteria for credit, large exposure and concentration limits, eligible collateral, collateral valuation methodology, minimum collateralisation requirement, credit quality monitoring processes and escalation and foreclosure processes in the event of default.

In accordance with the Group's credit policies all loans and advances with past due interest or principal obligations are considered as non-performing and are subject to specific provisions for credit losses on basis of amount of impairment determined.

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.

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29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.1 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.

	2018 *KD*	*2017* *KD*
Cash and cash equivalents (Note 5)	**39,190,856**	9,706,026
Loans and advances (Note 6)	**6,284,590**	214,528
Financial assets at amortised cost	**150,000**	-
Other assets	**13,577,244**	4,293,502
Gross maximum credit risk exposure before consideration of credit risk mitigation	**59,202,690**	14,214,056

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 2018 amounts to KD 22,000,700 (2017: KD 2,201,746).

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 2018				
Cash and cash equivalents	**25,283,884**	**10,132,898**	**3,774,074**	**39,190,856**
Loans and advances	**6,284,590**	**-**	**-**	**6,284,590**
Financial assets at amortised cost	**-**	**150,000**	**-**	**150,000**
Other assets	**4,244,482**	**1,104,555**	**8,228,207**	**13,577,244**
Maximum exposure to credit risk assets	**35,812,956**	**11,387,453**	**12,002,281**	**59,202,690**

	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

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.1 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:

	2018 *KD*	*2017* *KD*
Banks and financial institutions	**39,189,856**	9,706,026
Others	**20,012,834**	4,509,030
	59,202,690	14,215,056

As at 31 December 2018, the maximum credit exposure to a single counterparty amounts to KD 3,868,064 (2017: KD 3,694,658).

Credit quality of financial assets that are neither past due nor impaired

In accordance with the Group's credit risk management policies all performing credits are graded as: high or medium grade. Credit exposures are classified as 'high grade' when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be extremely remote to low. Credit exposures are classified as 'medium grade' when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be moderate. Whereas, the performing credit exposures when the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be high are classified as "low grade". The Group does not have any low grade financial asset at the reporting date. Non-performing credit exposures are graded as past due or impaired.

Analysis of past due but not impaired

The Group does not have any past due but not impaired financial assets as at 31 December 2018 and 31 December 2017.

29.2 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 2018, 70.73% of the Group's debt will mature in less than one year (2017: 62.21%) 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 2018					
Loans	2,132,307	5,007,902	5,103,425	5,376,095	17,619,729
Bonds	-	-	-	50,680,913	50,680,913
Other liabilities	2,520,421	-	19,045,230	3,604,483	25,170,134
TOTAL LIABILITIES	4,652,728	5,007,902	24,148,655	59,661,491	93,470,776

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29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.2 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 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

29.3 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.

29.3.1 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 statement of income 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 2018 and 2017. 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	
	2018 KD	*2017 KD*
Kuwaiti Dinar	**196,175**	53,990

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29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.3 MARKET RISK (continued)

29.3.2 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	
	2018	*2017*
	KD	*KD*
US Dollar	**1,520,277**	383,513
GCC and the rest of the Middle East currencies	**163,446**	50,418

29.3.3 Equity price risk
The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at FVOCI or FVTPL (Note 8). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. Equity price risk is managed by the direct investment department of the Group mainly through diversification of investments in terms of geographical distribution and industry concentration. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. 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 2018				
Financial assets at fair value through profit or loss	**12,388,456**	**6,548,840**	**4,683,987**	**23,621,283**
Financial assets at fair value through other comprehensive income	**14,587,312**	**5,331,435**	**614,688**	**20,533,435**

	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

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29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.3 MARKET RISK (continued)

29.3.3 Equity price risk (continued)

Industry concentration

	Trading and manufacturing	*Banks and financial institutions*	*Construction and real estate*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
31 December 2018					
Financial assets at fair value through profit or loss	**43,522**	**21,428,971**	**545,493**	**1,603,297**	**23,621,283**
Financial assets at fair value through other comprehensive income	**2,130,069**	**10,290,109**	**3,903,712**	**4,209,642**	**20,533,532**

	Trading and manufacturing	*Banks and financial institutions*	*Construction and real estate*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*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

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:

	2018		*2017*	
Market indices	***Effect on other comprehensive income KD***	***Effect on result KD***	*Effect on other comprehensive income KD*	*Effect on result KD*
Market indices	**1,674,027**	**145,971**	373,736	268,284

29.4 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.

29.5 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018

30 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 pay-out 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 2018 and 31 December 2017.

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, bonds, bank overdraft and other payables, less bank balances and cash. Total capital represents equity attributable to the shareholders of the Company.

	2018	*2017*
	KD	*KD*
Interest bearing loans including bank overdraft	**17,080,391**	26,458,731
Bonds	**40,000,000**	-
Other liabilities	**25,170,135**	4,900,259
Less: Bank balances and cash	**(39,190,856)**	(9,706,026)
Net debt	**43,059,670**	21,652,964
Equity attributable to the equity holders of the Company	**35,690,377**	37,963,007
Gearing ratio (%)	**121%**	57%

تركت هذه الصفحة عمداً
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