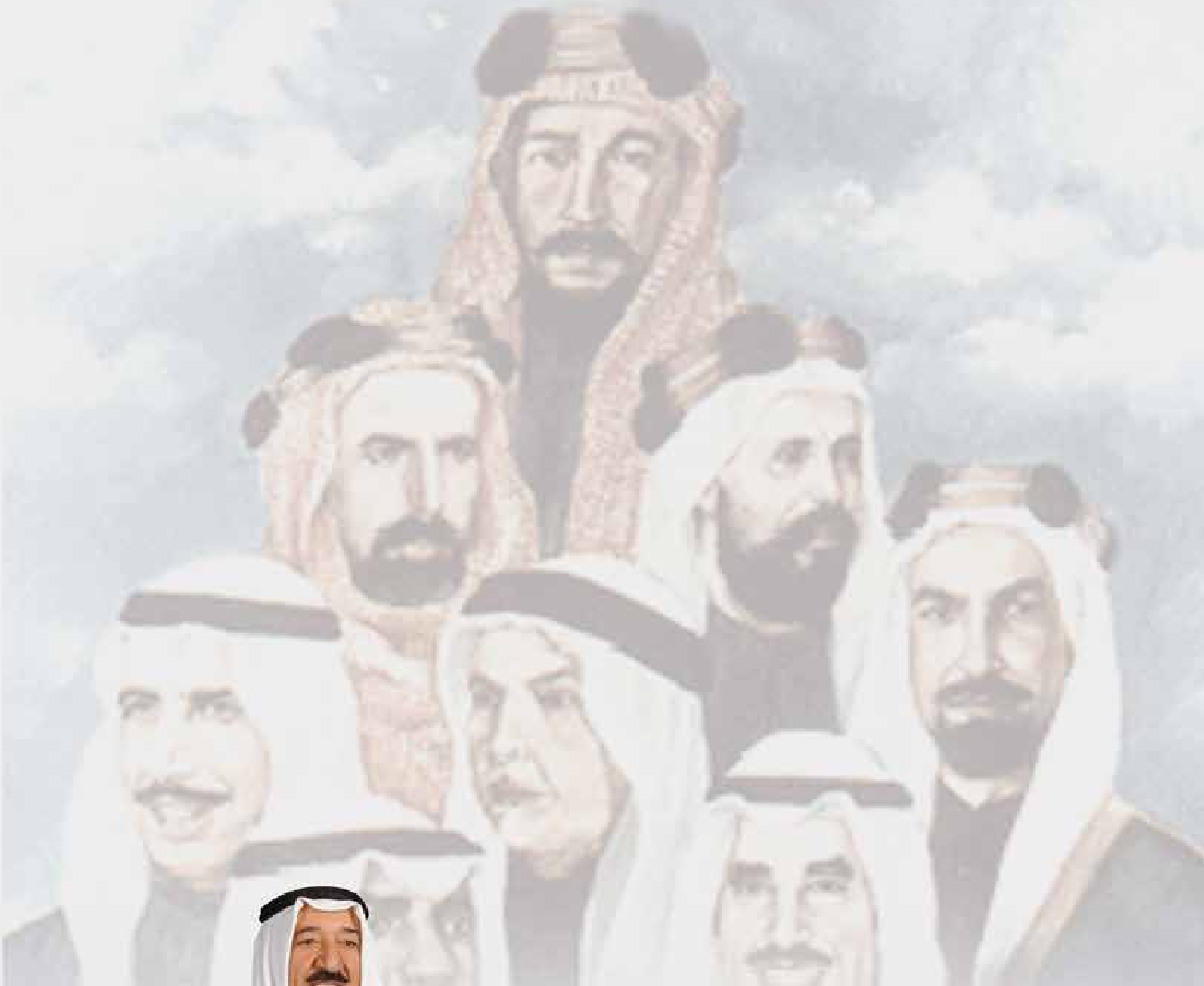
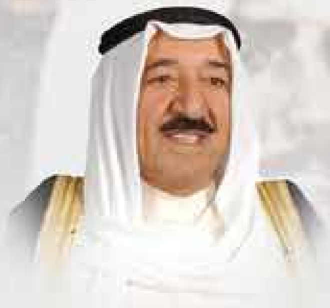
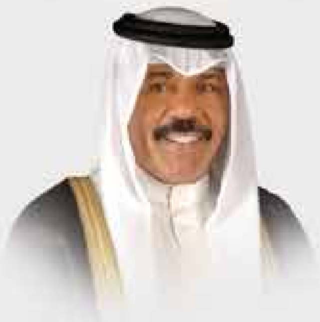




HIS HIGHNESS
SHEIKH SABAH AL-AHMED AL-JABER AL-SABAH
THE AMIR OF KUWAIT



HIS HIGHNESS
SHEIKH NAWAF AL-AHMED AL-SABAH
THE CROWN PRINCE

HIS HIGHNESS
SHEIKH JABER AL-MUBARAK AL-HAMAD ALSABAH
THE PRIME MINISTER

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CHAIRMAN'S MESSAGE

Dear Shareholders,

The global and regional economies faced significant challenges in 2018, as equity markets in all countries measured by Morgan Stanley World Index lost more than 11.2% in 2018. Although Crude Oil prices reached a 4-year high with Europe Brent Crude reaching a monthly average of USD 81.03 per barrel in October 2018, fear of global economic slowdown, coupled with increasing oversupply concerns and the US-China trade war, led to a steep decline in oil prices to end with an average of USD 57.6 per barrel in December 2018.

All the major regional equity indices registered a drop during the year with Europe and Asia recording a sluggish performance and US's S&P 500 declining by 6.24%. Emerging Markets Equity Index was affected the most losing 16.64% after being the best performer a year ago.

GCC Equity Markets

Unlike last year, geopolitical issues had minimal impact on GCC markets, as MSCI GCC Index rose by 16.71% in 2018 despite the drop in oil prices. While the Dubai and Muscat equity indices lost 26.7% and 14.8% in 2018, Qatar, Saudi Arabia and Kuwait equity indices registered gains of 20.7%, 7.2% and 5.4% respectively in 2018. One of the prominent factors that led to the surge in Saudi Arabia and Kuwait was the announcement by MSCI to upgrade Saudi Arabia to Emerging Market status during 2019 and affirmation that it would also consider upgrading Kuwait's status from Frontier Market to Emerging Market in its 2019 review.

In April 2018, the Capital Markets Authority of Kuwait introduced a new market structure of Premier, Main and Auction Markets with separate equity indices for Premier and Main along with the All Share Index. In totality, the All Share Index of Kuwait reported a gain of 5.4% in Year 2018, mainly due to the superior performance of Premier Market index which increased by 9.9% in 2018.

With regard to the overall economic outlook, recovery in oil prices combined with implementation of fiscal reforms by the GCC governments, such as introduction of the value-added tax in Saudi Arabia and the UAE along with the reduction in subsidies among others, is expected to improve the fiscal balance position across the GCC. Moreover, the implementation of public investment projects, including those consistent with the five-year development plan in Kuwait, infrastructure investment projects ahead of the FIFA 2022 Cup in Qatar, and ongoing preparations for Expo 2020 in the United Arab Emirates (UAE) will assist in growth of GCC economies.

Company's Performance

KMEFIC reported net profits in FY2018 after four years in the red due to better operational performance. The company's net profit attributable to shareholders of the company amount to KD 192 thousand for the FY 2018 as against loss of KD 588 thousand for previous year. This translated into basic and diluted profit per share of 0.7 fils in 2018 compared to basic and diluted loss per share of 2.2 fils in 2017.

The company reduced its expenses by 3.6% to KD 2.7 million from KD 2.8 million in the year before. 2018 has not witnessed any significant provision for loans and impairment of assets, which strengthened the profitability of the company.

The brokerage activities are managed primarily by the subsidiary Middle East Financial Brokerage Company "MEFBC". The total fiduciary assets managed by the Company decreased to KD 309 million in 2018 from 349 million in 2017. The result of the slowdown in market trading activities impacted MEFBC's commission income too which decreased to KD 330 thousand during 2018 compared to KD 547 thousand during previous year. Meanwhile, the management remained focused on its strategy of attracting new investment products and high value customers whilst ensuring diversification between portfolios, funds and individuals trading. During the year, MEFBC has successfully implemented the new Order Management System and Online Trading Platform, in addition to, registering on the new OTC market within Boursa Kuwait.

KMEFIC continues to focus on innovative products and strategies for the firm's local and regional clients. The Company is actively working on introducing innovative products for existing and prospective clients. Simultaneously, the Company is fully dedicated to maintaining stable asset management and cooperating with its associates and affiliates to realize the common objectives in investment.

Online Services

KMEFIC continues to offer the online trading for the GCC, MENA and the US markets. In order to support and enhance its online services, KMEFIC has initiated soft launch of a new global platform, which is expected to be fully implemented by May 2019. The new online trading platforms will let investors trade in US, Europe and Asia. In addition, the new platform supports trading in Derivatives, Fixed income and FX. Going forward, KMEFIC aims to stay at par with new technological advances to give its customers the best experiences in all services and interactions.

Closing Thoughts and Outlook

The outlook for GCC states remains stable supported by robust economic growth, uptrend in oil prices and strong corporate earnings. Stability in the region remains the critical point of growth for GCC states. The recent reforms by the GCC governments have attracted interest in the GCC economies not only as exporters of oil and gas, but also as investment destinations with major infrastructure projects, vibrant tourist destinations and robust financial services sectors.

We, at KMEFIC, continue our investment approach of targeting assets with acceptable risks and appropriate returns and of finding valuable opportunities that realize our clients' objectives. The company will maintain its strategy to disaffiliate from non-performing long-term assets, improve performances of its subsidiaries, reduce interest burden and focus on extending quality customer services, achieving profit growth, in addition to having a continued focus of introducing new products.

I would like to extend my appreciation and gratitude to KMEFIC management and its staff for their valuable support, which enabled the company to realize its strategic objectives and initiatives and maintain its position as a leading company in the investment and assets management sector in Kuwait. Finally, I would like to extend my gratitude, appreciation and kind wishes on behalf of the company to valued shareholders and clients for their confidence in KMEFIC and its vision

Hisham Zaghloul

Chairman

BOARD OF DIRECTORS

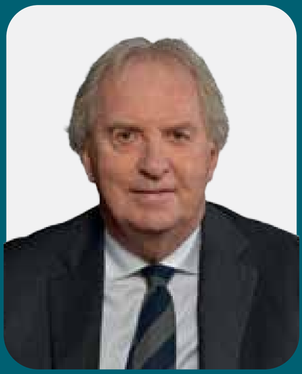
HESHAM ZAGHLOUL
CHAIRMAN

BASIL AL ZAID
VICE CHAIRMAN
INDEPENDENT DIRECTOR

ADEL AL HUMAIDHI
DIRECTOR & CEO

RAJEEV GOGIA
DIRECTOR

PRAKASH MOHAN
DIRECTOR



MICHAEL ESSEX
DIRECTOR

WAFA AL SHEHABI
INDEPENDENT DIRECTOR

Corporate Governance Report for 2018
Kuwait and Middle East Financial Investment Company

Chairman's Speech

Ladies and Gentlemen, shareholders of Kuwait & Middle East Financial Investment Company KSCP (KMEFIC).

On behalf of myself, the Board of Directors and my colleagues in the Company, I am pleased to present the Corporate Governance report of Kuwait & Middle East Financial Investment Company KSCP for the year 2018 to the esteemed shareholders.

Corporate Governance rules are represented in the principles, systems and procedures that encompass the best protection and balance between the interests of the Company's management and its shareholders as well as other stakeholders associated with the Company. The main objective behind the application of the Corporate Governance rules is to guarantee that the Company keep pace with the objectives of the shareholders, ensuring that the Executive Management of the Company is doing its responsibilities in the best way and in a manner that reinforces trust of the investors of the Company's efficient performance and ability to face crises and reinforces the competition to achieve high growth rates. Hence, the rules of Corporate Governance regulate the methodology of adopting all resolutions inside the Company to enhance transparency and credibility of such resolutions.

One of the most important rules of Corporate Governance, which is adopted by the Company is to achieve better performance and to create a balanced environment of compliance, independence and transparency, constructing a balanced structure of the Board of Directors, proper assignment of duties and responsibilities, selecting efficient persons, guaranteeing the integrity of financial reports, setting proper system for Risk Management and Internal Control, reinforcing professional conduct and moral values, disclosure and transparency, respecting shareholders' rights, recognizing the roles of stakeholders, enhancing and improving performance and focusing on the importance of social responsibility. This is to achieve the Company's objectives, to protect the interest of the stakeholders and to segregate the authorities exercised by the Executive Management that manages the Company's business and the authorities of the Board of Directors that prepares and reviews plans and policies of the Company in a manner that ensures fairness in dealing, transparency and enhances trust in dealing with all parties. Further, it enables shareholders and stakeholders to effectively monitor the Company through implementation and activation of the Business Relations' role and effective application of the transparency principle.

In line with the positive steps taken by the Capital Markets Authority through issuance of several bylaws, regulations and regulatory resolutions aiming at improving business environment, disclosure and protecting shareholders; and stressing on our interest to apply all the leading laws, regulations and practices that align with our principles and professional basis which would lead our business to realize the interests of our shareholders, we are always keen to focus on our efforts through employing integrated work team to comply with and apply of all the laws and resolutions in a professional and timely manner.

First Rule: Constructing a Balanced Structure of the Board of Directors

Board of Directors Structure

Overview of the Formation of Board of Directors

The Board of Directors is responsible for effective management of the Company and it is legally obliged to realize the interest of both the Company and the shareholders. Further, it represents the balance that endeavors to attain the objectives of the shareholders and to follow up with the Company's Executive Management. In this regard, the Board of Directors are always endeavoring to realize the strategic objectives of the Company via ensuring that the Executive Management is performing the duties entrusted to them satisfactorily. Whereas the resolutions of the Board of Directors greatly affect the performance of the Company and soundness of its financial position, the Company has paid attention to form an independent, balanced and qualified Board of Directors of various experiences, so that it shall have a positive impact on the Company and its performance and it shall reinforce its financial position and market share. Therefore, the Company is keen to ensure that the majority of the Board Members are non-executive members, elected members and include two independent directors. The Company has also paid attention to ensure that the Board of Directors must include members of diverse experiences in the field of Company's business and in the accounting, financial and banking fields to add skills and experiences that are required by the Company upon discussing the subjects presented to the Board of Directors. The Board of Directors has a business charter that includes all details related to the rules and responsibilities of the Board, its meetings, special committees, the responsibilities of the Chairman, Vice Chairman, Chief Executive Officer, and Directors in addition to the Board Secretary and the Executive Management. The Company's Board of Directors consists of seven members:

Mr. Hesham Zaghloul
Chairman

Mr. Hisham has vast experience for more than 20 years in the banking and financial services. He obtained a Bachelors Degree in Economics and Political Science from Cairo University in 2001 and has been employed in several banks and institutions in the Gulf States and North Africa. He has joined Ahli United Bank in 2007 and currently occupies the position of Senior General Manager for Banking services for financial companies and institutions at Ahli United Bank (Kuwait). Further, he is a Director at Iraqi Commercial Bank (Iraq) and a member of the Senior Credit Committee, Assets and Liabilities Management Committee at Ahli United Bank. Furthermore, he is a member at Credit and Risk Committees at Iraqi Commercial Bank and member of Credit and Investment Committee at United Bank, (Libya). He is a Director at KMEFIC since 2014 and he was elected as Vice Chairman in August 2016 and elected as Chairman of the current Board since September 2018. He is also a member of KMEFIC's Nominations and Remunerations Committee and Chairman of the Executive Committee of the Board.

Mr. Basil Abdulwahab Al-Zaid
Vice Chairman (Independent Member)

Mr. Basil Al Zaid has more than 31 years of administrative experience in addition to his experience in finance, treasury, international investment, real estates, accounts, purchases, development, IT, financial planning and accounting. He obtained a Masters Degree in business administration and international relations from Webster University, USA. He is currently a board member in several companies and he has been elected in August 2016 as a independant board member at KMEFIC. He was elected as Vice Chairman in September 2018. He is also a member of KMEFIC's Audit Committee and the Nominations and Remunerations Committee of the Board.

Mr. Adel Fahed Al-Humaidhi
Director and Chief Executive Officer

Mr. Adel has vast experience of more than 30 years in financial, investment and initial public offering fields in the local and international markets. Mr. Adel joined KMEFIC in 1997 in the Asset Management Department. He obtained a Bachelors Degree in Business Administration from Concordia University, USA and was a Director at Industrial Bank of Kuwait, Middle East Financial Investment co, KSA and Strategia Investment company. He is currently the Chairman of Middle East Financial Brokerage Company and has been elected as a Director at KMEFIC current board since August 2016. Mr. Adel is also member of the Board Executive Committee.

Mr. Wafa Haider Al-Shihabi
Independent Director

Over the past 40 years, Mr. Wafa had held various executive and advisory positions with several major organizations in the Middle East. From initial training at the International Finance Corporation in Washington DC to becoming an advisor to the Kuwait Investment Authority, Mr. Shihabi has obtained a Masters Degree in mechanical engineering from Wisconsin University, USA in 1976. He has leveraged his Engineering background and management training into launching and turning around several industrial and commercial projects around the Middle East. Such projects that include the SUMED pipeline, Arab Iron and Steel, Shuaiba Paper Products and a host of other large and medium sized industrial projects. He is a Director at KMEFIC since August 2016. He is also the Chairman of KMEFIC Board Risk Committee.

Mr. Rajeev Gogia
Director (Non-executive)

Mr. Rajeev is a professional with over 18 years of industry and management consulting experience in the Financial Services Sector. He also enjoys a vast experience in corporate finance and business structuring. He joined Ahli United Bank BSC in 2007 as Group Head of Strategic Development. His previous experience includes National Bank of Dubai, KPMG Consulting (UAE) and Industrial Finance Corporation of India. He is a Chartered Accountant from the Institute of Chartered Accountants of India. He is also a board member in Legal & General Gulf B.S.C and Legal &General Gulf Takaful B.S.C. He is a Director with KMEFIC since 2013. Mr. Rajeev is a member of the Board Audit and Compliance Committee and Board Risk Committee.

Mr. Michael Gerald Essex
Director (Non-Executive)

Mr. Michael has more than 40 years of experience in banking, investment and financial markets sectors. He is experienced in communication developments, customer relations management, financing infrastructure, capital investment, projects finance, banking services of companies and consulting services in the emerging markets. He is a Board member in many banks and funds in the Gulf, India, Egypt and London. He has been a Director and Head of Audit and Compliance Committee and Nominations and Remunerations Committee at Ahli United Bank since 2012. He holds a Masters Degree in the General Administration from Carlton University, Canada in 1975. Further, he has obtained a certificate in the Executive Development Program from Harvard business college, Boston, USA in 1997. He has been elected as Board member of KMEFIC since August 2016. He is also the Chairman of KMEFIC's Audit and Compliance Committee and Chairman of Nominations and Remunerations Committee.

Mr. Prakash Mohan

Director (Non-Executive)

Mr. Prakash Mohan has over 26 years of work experience in the financial and banking sector. He holds a MBA in Finance and Marketing from The University of Texas at Austin, USA.

He currently holds the position of Acting Head of Private Banking & Wealth Management area in Ahli United Bank BSC (AUB). He also is a board member in various companies outside the State of Kuwait. He was also elected as a reserve board member in August 2016 and was appointed as KMEFIC's Director in August 2018. Mr. Prakash Mohan is a member of the Board Executive Committee and Board Risk Committee.

Hereunder are the statements indicating the classification, qualification and experiences of the Directors:

Name	Director's classification (executive/non-executive/ independent), Secretary	Qualifications and practical experience	Election / appointment date
Ahmed Mohamed Zulficar	The Former Chairman – Non-Executive (resigned since 26th June 2018)	Bachelor degree in Commerce, Accounting major	4 August 2016
Hisham Zaghloul	Current Chairman – Non-Executive	Bachelor Degree in Economics	4 August 2016
Basil Abdulwahab Al-Zaid	Vice Chairman- Independent Director	Master degree in Business Administration and International Relations	4 August 2016
Adel Fahad Al-Humaidhi	Director & Chief Executive Officer	Bachelor Degree in Business Administration	4 August 2016
Michael Gerald Essex	Director- Non-Executive	Master Degree in General Administration	4 August 2016
Rajeev Gogia	Director- Non-Executive	Chartered Accountant	4 August 2016
Wafa Haidar Al-Shihabi	Director - Independent	Master Degree in Mechanical Engineering	4 August 2016
Prakash Mohan	Director- Non-Executive	Master of Business Administration- Finance and Marketing	Elected as a reserve director in 4th August 2016 appointed in 8th August 2018
Christy Kulathooran	Secretary of the Board	Master degree in Business Administration	28 Sept 2016

Meetings of the Company's Board of Directors

In accordance with the Company's Articles of Association, the meetings of the Board of Directors must not be less than six meetings annually to be held as per an invitation from the Chairman. It must not be less than one meeting on a quarterly basis or pursuant to a written application from two directors. A notice of the meeting shall be served to all directors along with the agenda at least 3 working days prior to the meeting with the consideration of the emergency or ad-hoc meetings accompanied with necessary documents that enable them to peruse all issues that will be discussed and decided. In 2018, Company's Board of Directors convened seven meetings and following is the table indicating attendance of the directors in the board meetings:

Board of Directors' Meetings during 2018:

Director's Name	Meeting no.1 dated 19/2/2018	Meeting no.2 dated 24/5/2018	Meeting no.3 dated 8/8/2018	Meeting no.4 dated 18/9/2018	Meeting no.5 dated 24/9/2018	Meeting no.6 dated 4/10/2018	Meeting no. 7 dated 19/12/2018	No. of Meetings
Ahmed Zulficar (Chairman)	✓	✓	Resigned on 26/6/2018	–	–	–	–	2
Hisham Zaghloul (Chairman)*	✓	✓	✓	✓	✓	✓	X	6
Basil Al-Zaid (Vice Chairman Independent)**	✓	✓	✓	✓	✓	✓	✓	7
Adel Al-Humaidhi (Director and CEO)	✓	✓	✓	✓	✓	✓	✓	7
Rajeev Gogia (Director)	✓	✓	✓	✓	✓	✓	✓	7
Wafa Al-Shihabi (Independent)	✓	✓	✓	✓	✓	✓	✓	7
Michael Essex (Director)	✓	✓	✓	✓	✓	✓	✓	7
Prakash Mohan (Director)	–	–	appointed 8/8/2018	✓	✓	✓	✓	4

* Vice Chairman till 23/9/2018 and Chairman since 24/9/2018
** Vice Chairman since 24/9/2018

Secretary of the Board of Directors :

The Board of Directors has appointed Mr. Christy Kulathooran as Secretary of the Board. Mr. Christy has joined KMEFIC in 1993 and is currently the General Manager of the Finance & Admin Department and acting Head of Human Resources Department. Mr. Christy has more than 30 years of experiences in the field of accounting and financial administration. Prior to KMEFIC he was employed by Burgan Bank (Kuwait) and Federal Bank (India). He has obtained a Masters Degree in Business administration from Mumbai University, India. and is a member of various Committees at KMEFIC. He has been appointed a secretary of the Board of Directors during the meeting of the board dated 26 May 2013 and re-appointed on 28 September 2016 by the current Board.

A summary of How to Apply to the Requirements of Registration and Coordination and Save the Minutes of Meetings of the Board of Directors of the Company.

The Secretary shall assist the members of the Board fully and continuously to ensure that they receive any information required in accordance with the decision of the Board of Directors or in consultation with the Chairman of the Board, and shall assist the Chairman of the Board in all matters related to preparing the agenda of Board meetings and issuing invitations to Board members.

The Secretary shall record all the Board's minutes of meetings in consecutive numbers throughout the year during which the meetings were held, along with indicating the place, date, hours and start and end of the meeting. Furthermore, he shall record all decisions and discussions of members of the Board of Directors, record the results of voting made during the meetings and sign the minutes of meetings from all the present board members. The minutes of meeting shall be classified and recorded in a special record for easy reference. Each board member shall be provided with a copy of the minutes of meeting after authenticating it along with preservation of related documents, decisions and correspondences of the Board and holding the register of meetings of the Board.

Second Rule: Proper Assignment of Duties and Responsibilities

Duties and Responsibilities of the Board of Directors

The Board of Directors has adopted the regulations of the Board that include the duties and responsibilities of the Board, including but not limited to:

- Approving the strategic objectives and key business plans and policies of the Company.
- Approving annual budgets, interim and annual financial statements.
- Supervising capital expenditures of the Company and acquisition and disposal of assets.
- Ensuring that the company is observing the policies and procedures in compliance with the internal bylaws and regulations adopted.
- Ensuring accuracy and validity of the statements and information to be disclosed in accordance with applicable disclosure and transparency policies and procedures.

Furthermore, the Board has also prepared and approved job descriptions, which clearly define the functions and responsibilities of each Board member. The Board adopted the authority matrix, which clarifies the powers of the Board of Directors, the Executive Management and the Committees.

Achievement of the Board of Director during the year:

"Achievements that attain aspirations of our customers and shareholders"

Based on the Board's responsibilities to achieve the best financial and operational results and achieve the strategic plan of the company to the fullest, the Board, during the current year, managed to achieve many goals, including but not limited to:

- Setting the key and financial objectives, strategies, plans and policies of the Company.
- Monitoring the implementation of the annual strategies, business plans and the budget and verify the shortcomings, if any, which enabled the Board of Directors to achieve the cost reduction as detailed in the message of the Chairman.
- Following up with the Executive Management to ensure the effectiveness of the internal control systems that protect the Company's assets, ensure the integrity and accuracy of financial statements, Company records, and comply with relevant rules, regulations and instructions.
- The Board of Directors has taken a number of measures to ensure compliance with corporate governance rules in accordance with the Executive Regulations of the Capital Markets Authority.
- Setting the Key Performance Indicators (KPIs) for both the Board Members and the Executive Management
- Ensuring delivery of the best services based on the best performance.

Committees of the Board of Directors

"Effective committees assisting the Board of Directors and protecting the rights of the stakeholders"

The Board of Directors formed committees affiliated to the Board, taking into consideration the instructions and rules of governance issued by the Capital Markets Authority upon formation of the Board Committees. The Committees at the Board level include the Executive Committee, Risk Management Committee, Audit and Compliance Committee and Nominations and Remunerations Committee. The details of the committees are listed below:

1. Name of Committee : Audit and Compliance Committee

The committee was established in 2011.

The Committee:	Date of Current Formation:	Term of the Committee:	Number of Members:
Audit & Compliance Committee	22/8/2016	Indefinite	3
Members of the Committee:	**Name**	**Role**	**Classification**
	Mr. Michael Essex	Chairman	Non-Executive
	Mr. Rajeev Gogia	Member	Non-Executive
	Mr. Basil Al Zaid	Member	Vice Chairman- Independent
The committee undertakes several duties including	• Reviewing of the periodical financial statements before being presented to the Board of Directors and giving opinion and recommendations concerning the same to the Board of Directors in order to guarantee validity and transparency of the financial statements and reports. • Studying the accounting issues and understand its impact on the financial statements. • Evaluating the efficiency and adequacy of the internal control systems adopted in the Company and preparing a report including the opinion and recommendations of the committee in this regard. • Reviewing the findings of the Internal Audit reports and the reports issued by the Compliance Department as well those issued by the regulatory bodies.		

Meetings of the Committee :

During 2018, the Audit and Compliance Committee convened eight meetings as follows:

Meeting no. 1 dated 12/2/2018	Meeting no. 2 dated 11/3/2018	Meeting no. 3 dated 9/5/2018	Meeting no. 4 dated 24/5/2018	Meeting no. 5 dated 18/7/2018
Meeting no. 6 dated 18/9/2018	Meeting no. 7 dated 30/10/2018	Meeting no. 8 date 28/11/2018		

Attendance during the meetings was as follows:

First Meeting			Second Meeting			Third Meeting			Fourth Meeting		
Michael	Rajeev	Basil	Michael	Rajeev	Basil	Michael	Rajeev	Basil	Michael	Rajeev	Basil
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓
Fifth Meeting			**Sixth Meeting**			**Seventh Meeting**			**Eighth Meeting**		
Michael	Rajeev	Basil	Michael	Rajeev	Basil	Michael	Rajeev	Basil	Michael	Rajeev	Basil
✓	✓	✓	✓	X	✓	✓	✓	X	✓	✓	✓

The Committee's achievements include:

1. Adopting a number of reports and internal control procedures to monitor Company's activities.
2. Limit the issues or factors that may represent any risks to the Company.
3. Develop mechanisms to ensure the rapid closure of any observations or issues produced by internal and external audit reports.
4. Review compliance reports and ensure that the Company complies with all laws & regulations
5. To conduct risk based audits as per the standards set by Institute of Internal Auditors (IIA).
6. Review and recommend the Company's internal audit policies and procedures.
7. Close all open high-risk audit findings & comments and fixed all internal control weaknesses across the Company.

2. Name of Committee : Board Nominations and Remunerations Committee

The Committee:	Date of Current Formation:	Term of the Committee:	Number of Members:
Nominations and Remunerations Committee	22/8/2016	Indefinite	3
Members of the Committee	**Name**	**Role**	**Classification**
	Mr. Michael Essex	Chairman	Non-Executive
	Mr. Basil Al Zaid	Member	Vice Chairman - Independent
	Mr. Hisham Zaghloul	Member	Chairman - Non - Executive
The committee undertakes several duties including	• Recommendation of accepting nominations and re-nomination of the Directors and members of the Executive Management. • Setting clear policy of the remuneration of the directors and members of the Executive Management. • Determining the required needs of appropriate skills for directorship and the Executive Management as well as reviewing such needs on annual basis. • Annual review of the performance of Board of Directors and the Executive Management		

Meetings of the Committee

During 2018, the Nominations and Remunerations Committee convened one meeting as follows:

Meeting no. 1 dated 29/4/2018

Attendance during the meeting was as follows:

First Meeting		
Michael	Basil	Hisham
✓	✓	✓

Achievements of the Committee:

- Approval of the remunerations and bonuses on the employees' salary, Bonus plan, hierarchy policy, and employees related bylaws as well as the Key Performance Indicators of the employees and Directors.

3. Name of Committee : Board Executive Committee

The committee was established in 1994.

The Committee:	Date of previous formation:	Term of the Committee:	Number of Members:
Executive Committee	22/8/2016	Indefinite	3
Members of the Committee	**Name**	**Role**	**Classification**
	Mr. Ahmed Zulficar	Chairman	Non-Executive
	Mr. Adel Al Humaidhi	Member	CEO (Executive)
	Mr. Hisham Zaghloul	Member	Vice Chairman (Non-Executive)

The Committee:	Date of current formation:	Term of the Committee:	Number of Members:
Executive Committee	24/9/2018	Indefinite	3
Members of the Committee	**Name**	**Role**	**Classification**
	Mr. Hesham Zaghloul	Chairman	Chairman (Non-Executive)
	Mr. Adel Al Humaidhi	Member	CEO (Executive)
	Mr. Prakash Mohan	Member	Non-Executive
◆The committee undertakes several duties including:	• Reviewing and approving the policies and resolutions related to business procedures in the company submitted by different executive divisions. • Discussing budget plan and follow up with Executive Management for achieving the objectives as per the plan by reviewing the company's performance. • Recommending appointment of experts and consultant to conduct studies. • Discussing investment proposals and approving or rejecting it. • Presenting recommendations to the Board of Directors concerning strategies and the social responsibility of the Company.		

Meetings of the Committee :
During 2018, the Committee convened no meetings.

4. Name of Committee : Board Risk Management Committee

The committee was established in 2001.

The Committee:	Date of previous formation:	Term of the Committee:	Number of Members:
Risk Management Committee	22/8/2016	Indefinite	3
Members of Committee	**Name**	**Role**	**Classification**
	Mr. Wafa Al Shihabi	Chairman	Independent
	Mr. Hisham Zaghloul	Member	Vice Chairman (Non-Executive)
	Mr. Rajeev Gogia	Member	Non-Executive

The Committee:	Date of Current Formation:	Term of the Committee:	Number of Members:
Risk Management Committee	24/9/2018	Indefinite	3
Members of Committee	Mr. Wafaa Al Shihabi	Chairman	Independent
	Mr. Prakash Mohan	Member	Non-Executive
	Mr. Rajeev Gogia	Member	Non-Executive
The committee undertakes several duties including:	• Preparing and reviewing risk management and risk strategies and policies before they are approved by the Board of Directors, ensure that these strategies and policies are implemented and that they are commensurate with the nature and size of the Company's activities. • Ensure availability of the adequate resources and systems for risk management. • Review the risk management periodical reports. • Ensure that risk management personnel have a full understanding of the risks surrounding the Company and work to increase employees' and awareness of risk and risk culture.		

Meetings of the Committee

During 2018, the Risk Management Committee convened four meetings as follows:

Meeting no. 1 dated 27/3/2018	Meeting no. 2 dated 29/4/2018	Meeting no. 3 dated 27/9/2018	Meeting no. 4 dated 19/12/2018

Attendance during the meetings was as follows:

First Meeting			Second Meeting			Third Meeting			Fourth Meeting		
Wafa	Rajeev	Hisham	Wafa	Rajeev	Hisham	Wafa	Rajeev	Prakash	Wafa	Rajeev	Prakash
✓	X	✓	✓	✓	X	✓	✓	✓	✓	✓	✓

The Committee's achievements include:

1. Preparing and following up risk management strategies and policies and evaluate systems and mechanisms for identifying and measuring different types of risks.
2. It also helped the Board identify and assess key risks to the Company and ensure that the
3. Company manages the risks efficiently and effectively.
4. Overseeing IT Risk including cyber attacks.
5. Review risk management reports periodically.
6. Identified Key Risk Indicators and established risk mitigation plan and the risk management register.
7. Preparing IT security policy and Procedure and conduct IT security awareness training to all employees.

A summary of how to apply the requirements that allow the Board Members to obtain accurate and timely information and data.

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

Executive Management

"One of the most essential elements that characterize us and guarantee our leadership in the market is the diversified expertise of the Executive Management members"

The company has job descriptions that define the functions and responsibilities of each job clearly, and the company has company approved policy of delegation of powers for all divisions within the company.

Executive Management functions include, but are not limited to:

- Implementation of all the internal policies, bylaws and regulations of the Company as approved by the Board of Directors.
- Implementation of the strategy and annual plan as approved by the Board of Directors.
- Preparation of the periodic reports (financial and non-financial) on the progress of the Company's activity in light of the Company's strategic plans and objectives and presenting them to the Board of Directors.
- Managing daily business and activities.
- Participate actively in building and developing a culture of ethical values within the Company.
- Develop internal control and risk management systems, ensure the effectiveness and adequacy of such systems and ensure compliance with risk appetite adopted by the Board of Directors.
- Setting the internal integrated reporting systems and developing it from time to time to be more comprehensive, with the aim of assisting the Board of Directors and the Executive Management to make decisions based on a systematic and proper mechanism and hence achieving the shareholders' interests.

The Company has a professional and qualified team of Executive Management members.

Mr. Adel Fahad Al Humaidhi

Chief Executive Officer

Mr. Adel is currently the CEO of KMEFIC. He joined KMEFIC in 1997 at the Asset Management Department. He has varied experience of more than 30 years in the financial and investment fields as well as IPO in the local and international markets. He obtained a Bachelors degree in Business Administration from USA. He was a Director at Industrial Bank of Kuwait "Middle East Financial Investememt Company KSA" and was a board member in Strategia Investment Company. He is the Chairman of Middle East Financial Brokerage Company (MEFBC).

Mr. Christy Kulathooran

General Manager - Finance & Administrative Affairs, Acting Head of HR

Mr. Christy has joined KMEFIC in 1993 and is currently the General Manager of the Finance & Admin Department, Treasury acting Head of Human Resources Department and Board's Secretary. He has more than 30 years' experience in the field of accounting and financial administration. Prior to joining KMEFIC he was employed with Burgan Bank (Kuwait) and Federal Bank (India). He obtained Master degree in financial administration from Mumbai University, India and is currently a member of various Committees at KMEFIC.

Mr. Tamer El Essawy

General Manager - Compliance and Anti- Money Laundering Division

Mr. Tamer El Essawy joined KMEFIC in January 2008 and is currently the Head of the Complaints Unit, FATCA & CRS and Corporate Governance Officer. Mr. Tamer has over 23 years of experience in banking, banking services, accounting, investment operations, customer service and Global custodian services. He has previously worked at Gulf Bank (Kuwait), Citibank (Egypt), American Express Bank (Egypt), Managing Director of Egypt and the Middle East Financial Brokerage (Egypt), Member of the Board of Directors of several financial and investment companies and funds. He holds a BA in Accounting from the University of Tanta - Egypt, and also holds several certificates of management, business administration and operations and is a member of many associations and financial institutions. He is also Board member of International Project Management Co. – Egypt, member of liquidation committee of several investment funds as well as member of multiple internal administrative and technical committees in the Company.

Mr. Ahmed Radaan AL-Radaan

Executive Director - Business Development Division

Eng. Ahmed Al-Radaan joined Kuwait and Middle East Financial Investment Company (KMEFIC) in 2006 as a director of the online trading department. He held several positions as: Head of Compliance Department, Regional manager and MEFBIC General Manager in Dubai and Abu Dhabi. He resigned from KMEFIC in 2011, and then rejoined KMEFIC in May 2018. He has more than 22 years of experience in various aspects of investment fields in local, GCC and international markets. He holds a bachelor's degree in Engineering from Kuwait University.

Mr. Ahmed Abdulwahab Al Fahad

Executive Director, Asset Management Group

Mr. Ahmed joined KMEFIC in 2012. Before being employed by KMEFIC Mr. Ahmed was employed by KAMCO Investment Company. He is currently the head of asset management division and has 20 years experience in the Investment field as well as investment funds management. He obtained a Bachelors degree in accounting from Kuwait University.

Mr. Raj S Dhanasekharan
Head of Risk Management Division

Mr. Raj has joined KMEFIC in May 2016. He has obtained Master Degree in Business Administration and a certified associate of the Indian Institute of Bankers. Further, he has 30 years of experience in the banking field within GCC countries and he has been employed in several banks, such as Bank of Bahrain and Kuwait, Qatar National Bank, Doha Bank, the Commercial Bank of Kuwait, Al Rajhi Bank and Warba Bank. He is also the Head of IT Security Unit of the Company.

Third Rule:
Selecting efficient persons for Directorship and Executive Management

Nominations and Remunerations Committee

"The nomination mechanism at the Company ensures attracting and selecting competent candidates to join the Board of Directors, Executive Management and other functions and the awarding mechanism has been identified to help achieve the Company's strategy and develop its performance continuously."

The Board of Directors formed the Nominations and Remunerations Committee ("BNRC") in accordance with the rules of corporate governance as stipulated in Article 4.1 of the Corporate Governance Rulebook. The Committee is also formed with an independent member. The Board of Directors adopted the BNRC's Charter which includes its duties and responsibilities. The BNRC is concerned with the following duties:

- Propose the nomination and re-nomination of Board Members for elections by the General Assembly and to ensure not curtailing the independence of independent Board Members.
- Recommend nomination and re-nomination members of the Executive Management.
- Develop a clear policy for the remuneration of members of the Board of Directors and Executive Management.
- Identify and annually review the required skills and requirements for Board membership and Executive Management.
- Attract, study and review applications from those wishing to hold executive positions or other functions, as needed.
- Defining the various segments of the bonuses to be awarded to employees, such as the fixed bonus, the performance bonus, the bonus in the form of shares and the end of service indemnity benefits.
- Develop job descriptions for executive members, non-executive members and independent members
- Determine mechanisms for evaluating the performance of the Board as a whole and the performance of each member of the Board and Executive Management.
- Determine and annually review of the indicators of measuring the performance of the Board.
- Review and propose training programs and workshops for members of the Board of Directors and Executive Management.
- Review the salary scale and function grades periodically.
- Supervise the nomination procedures for members during the General Assembly.
- Ensure that bonuses are awarded in accordance with the Company's approved reward policy.

- Prepare a detailed annual report on all the Remunerations granted to the members of the Board of Directors and the Executive Management, whether amounts, benefits or privileges, whatever their nature or name. Such report shall be presented to the General Assembly for approval.

Report of the bonus granted to Board Members and the Executive Management

As the company is committed to the highest standards of transparency as stipulated by the leading practices and corporate governance rules, the Company has committed to prepare a detailed report on all bonuses awarded to the Board Members and the Executive Management. Below is a detailed statement of the Board Members and the Executive Management remunerations:

Detailed Statement of the Board Members' Remunerations (Kuwaiti Dinars)

S. No.	Member	Position in Board	Allowances	Remunerations	Other	Total
1	Ahmad Zulficar	Chairman (Resigned)	Nil	Nil	Nil	Nil
2	Hisham Zaghloul	Chairman	Nil	Nil	Nil	Nil
3	Basil Al Zaid	Vice Chairman Independent Board Member	Nil	6,000	Nil	6,000
4	Adel Al Humaidhi	Board Member and CEO	Nil	Nil	Nil	Nil
5	Rajeev Gogia	Board Member	Nil	Nil	Nil	Nil
6	Michael Essex	Board Member	Nil	Nil	Nil	Nil
7	Wafa Al Shihabi	Independent Board Member	Nil	6,000	Nil	6,000
8	Prakash Mohan	Board Member	Nil	Nil	Nil	Nil
9	Christy Kulathooran	Board Secretary	Nil	Nil	Nil	Nil
Total	9		Nil	12,000	Nil	12,000

Detailed Statement of the Executive Management's Remunerations (Kuwaiti Dinars)

S. No.	Number	Salary	Benefits	Social Securities	Travel Tickets	End of Service	Total
Total KD	8	351,369	46,150	16,445	9,136	36,441	459,540

Fourth Rule: Guarantee of the Integrity of Financial Reports

Financial reports and external auditor's report:

Both Board of Directors and the Executive Management shall provide written undertaking of the validity and integrity of the financial reports already prepared.

The Board of Directors constituted Audit and Compliance Committee ("BACC") in accordance with the provisions of Article 5-6 of Corporate Governance Rulebook. The formation, objectives, functions and responsibilities of the BACC have been herein above mentioned.

The Company publishes set of financial reports on periodical basis that includes:

- Interim financial statements
- Profit statements
- Annual reports

As for the external auditor, BACC endeavors to:

- Recommend to the Board of Directors to appoint, reappoint, or propose changing the external auditor, propose its fees and review letter of appointment. Such external auditor shall meet all conditions as stipulated in the Capital Market Authority's resolution concerning auditors' registration system.

- Verify the independence of the external auditor on a regular basis before their appointment or reappointment, and to verify that the external auditor does not perform any additional tasks that do not fall within the duties of the external auditor prior to his appointment and may affect his independence as stipulated by the auditing profession.

In the event of a conflict between the recommendations of the BACC and the decisions of the Board of Directors, a statement shall be included detailing and clarifying the recommendations and the reason(s) behind the decision of the Board of Directors not to comply with the same.

Fifth Rule: Develop Proper Systems for Risk Management and Internal Controls

Internal Controls and Risk Management

The Company has created Risk Management Department to protect the Company from the various types of potential risks and to identify the risk appetite and tolerance through developing a set of internal control systems that are adequate and appropriate for the Company's business and the nature of its activities.

The head of Risk Management enjoys independence as he/she reports directly to the Board Risk Committee.

The Board of Directors has formed the Board Risk Committee ("BRC") in accordance with rules provided under article 6-4 of Corporate Governance Rulebook. The BRC's duties, formation of names of the members and achievements have been herein above mentioned.

Brief summary indicating internal control systems

- The Company develops effective systems, procedures and tools to manage risks and internal controls that cover all the Company's activities.
- The Company is continuously upgrading periodical reports system for all its departments due to their significant importance in the process of following up performance, control, and risk mitigation via applying dual control principle to ensure of the following.
- Proper assignment of duties and responsibilities
- Full Segregation of duties and to avoid conflict of interests.
- The Company has the Internal Audit Department. The Board of Director is keen to activate its role and support this department to achieve the highest level of internal control.
- The Company has also the Compliance Department that endeavors to ensure compliance with all laws and regulations. The department is considered as one of the most important internal control tools and it is working in parallel with Internal Audit Department and Risk Department to ensure applying of the inspection procedures of dual control as well as applying the dual signature. The Board of Directors is keen to activate its role continuously and effectively.

Internal Audit

The company has created the Internal Audit Department that enjoys complete technical independence being directly reporting to BACC and the Board of Directors. The department performs several duties, including:

- Control and review the performance of the various Company's departments to ensure proper applicability of the its internal systems, regulations and policies.
-
- Ensure the efficiency of internal control system of all departments of the Company and prepare relevant reports and present the same to the BACC and the Board of Directors.
- Review the observations raised by the external auditors concerning internal control systems and to ensure applying with the same.
- Ensure compliance of the Company with the related policies, systems and instructions.

Sixth Rule : Reinforcing Professional Conduct and Moral Values

Code of professional conduct and ethical values

Summary of the work charter, which includes the criteria and determinants of professional conduct and ethical values:

The Company, represented by the Board of Directors, the Executive Management and all employees believe that professional and ethical conduct is one of the most important elements of company's success to realize its objectives. Based on this belief, the Board of Directors adopted a policy to determine the standards of professional and ethical conduct in the Company, including the standards of professional and ethical conduct as well as the responsibilities of the Company, Board of Directors, Executive Management and employees. The policy also states that the responsibility of reporting in the event of observing any an incorrect action or misconduct falls on everyone without exception. The policy also addresses other important aspects such as the relationship with business partners, the integrity of financial statements, as well as information security and environmental health and safety. All Board members, Executive Management and employees must adhere to the policy in all their tasks and throughout their work times regardless of place and circumstances of work.

Summary of policies and mechanisms to limit cases of conflict of interest

The Company's Board of Directors adopted a policy related to conflict of interest. This policy is designed to guarantee the application of appropriate measures to find out essential cases of conflict of interests and to effectively deal with the same. Further to ensure that the Board of Directors dealt with cases of conflict of interests, whether it is outstanding, potential or expected. The policy is also designed to ensure that all resolutions are adopted in a manner that guarantees achievement of the Company's interests. This policy is considered as an integral part of the Company's commitment to the integrity and ethical values in dealing with the stakeholders. The policy describes the basis of dealing with and managing cases of conflict of interests, the concept of conflict of interests, parties whose interests are in conflict with the interests of the company, as well as the roles of the Board of Directors, Executive Management, Compliance Department and Internal Audit Department, and the Company's General Assembly concerning the conflict of interests. Further, the policy reviewed the procedures of managing cases of conflict of interests and the mechanism for disclosing the same.

Seventh Rule : Accurate and timely Disclosure and Transparency

Disclosure and Transparency:

Summary of applying mechanism of presentation, accurate disclosure and transparency that determines aspects, field and features of disclosure.

The Company is characterized by openness, credibility and cooperation. To realize the solid principles of the Company and the best governance practices and to observe all legal requirements, the Board of Directors has approved a policy related to disclosure and transparency that includes definition of some important legal terms. Further, the policy explains general policies, rules and procedure, and mechanism of disclosure. The policy also illustrates the Company's Disclosure Matrix. The Company's disclosures are published in its website. The objective of this policy is to develop general guidelines for Disclosure Department within the Company to perform operations effectively and efficiently. The Company has prepared special document indicating all periodical reports and records for regulatory entities.

Implementation the requirements of the disclosure record of members of the Board of Directors and Executive Management

- The Company has prepared a special register for the disclosures of the members of the Board of Directors, the Executive Management and the Insiders.
- The company verifies the implementation of the rules for disclosure of interest and disclosure of material information as well as disclosure of insiders.

Summary of applying the requirements of formation of the Investors Relations unit

- The company has created Investor Relations Unit and appointed thereto a competent employee who has wide experience in dealing with customers and investors.
- The Investor Relations Officer is responsible for managing the communication process and responding to shareholders' inquiries.
- He/she shall be fully and timely informed and familiar with developments and updates of the Company.

Overview of developing the infrastructure of information technology and depending on the same in the disclosure processes

- The Company uses information technology to facilitate disclosure procedures.
- The Company has developed its website to comply with the governance and disclosure rules. The Company publishes all its disclosures on its website immediately after issuance to enable all stakeholders to view the same.
- The Company also relies on the electronic system to determine the percentages of interest achievements and changes thereon.

Eighth Rule : Protecting Shareholder Rights

Summary of applying the requirements of determining and protecting shareholders' general rights to guarantee justice and equality among all shareholders.

The Company is responsible towards the shareholder. In this regard, the Company adopts the highest criteria of corporate governance and believes that proper application of corporate governance reinforces value of its shareholders and provides appropriate instructions for the Board of Directors, its committees and the Executive Management to perform their duties to the best interests of the Company and shareholders. Thus, the Company endeavors to realize the highest level of transparency, accountability and effective management via adopting and following up execution of strategies, objectives and policies that is designed to commit itself to its regulatory and moral responsibilities.

It is worth mentioning that we activated and reinforced channels of contact with investors and financial analysts as the shares of the Company are traded in Kuwait Stock Exchange. In addition, the Company observes transparency and provides financial information about the Company via the various communication channels in accordance with the best professional practices of disclosure and transparency. The Company is keen on opening contacts with local and foreign investors and financial analysts to meet them and answer their inquiries, if any. Further, the company takes part in the investor conferences to reinforce contact with all categories of shareholders and financial community. The website provides set of information concerning the Company's financial statements and reports related to the Company's performance. Also, the Company has an approved set of policies for protecting shareholders' rights.

Overview of the establishment of a special register maintained by the clearing agency, as part of the requirements for continuous follow-up of shareholders details

- Special register concerning shares and shareholders is maintained with Kuwait Clearing Company in accordance with the governance rules.
- The Investor Relations Officer keeps and maintains updated copy of shareholders register.
- The register is available to all shareholders for perusal from time to time as per the law without any charges.

Overview of encouraging shareholders to take part and vote in the Company's General Assemblies.

- The Company and the Board of Directors represented by Investor Relation Unit encourages shareholders to effectively participate and attend the Company's general assembly's meetings.
- The Company invites shareholders for the general assembly meeting in accordance with laws and regulations. Further, the Company enables the shareholders who have at least 10% of Company's capital to call for a general assembly meeting pursuant to the provision of the Company's Article of Associations.
- Sending invitations to shareholder to attend the meeting including the agenda, place and time of the meeting in accordance with the law.
- To assure that the shareholder has the right to delegate a third party to attend the general assembly meeting by virtue of a special power of attorney or authorization to be prepared by the Company.
- Before convening the general assembly with enough time, the Company provides shareholders with all information and statements related to the agenda, particularly the reports of the Board of Directors, auditors and financial statements.

Ninth Rule: Recognize the Roles of Stakeholders

Summary of the Systems and Policies guaranteeing protection and acknowledgement of the stakeholders' rights.

The Company is endeavoring to respect and protect the rights of the Stakeholders in all its internal and external dealings and transactions, as the contributions made by Stakeholders represent a very critical source for establishing the competitive advantage of the Company and reinforcing the levels of its profit. To avoid any conflict between the Stakeholders' interests, whether contracts or transactions with the Company, and those of the shareholders, the Company has taken the following into consideration:

- No Stakeholder may have any privilege arising out of his contracts and transactions that fall within the routine business of the Company.
- The Company shall set internal policies and regulations guaranteeing a clear mechanism for awarding different types of contracts and transactions.
- In addition, the Company has adopted a number of policies, including but not limited to:
- Protect the rights of Stakeholders policy.
- Conflict of interest policy.
- Whistle blowing policy.
- Transactions with related parties' policy.

A brief on of how to encourage stakeholders to participate in following up the Company's various activities

- The Company gives the opportunity to the Stakeholders to obtain the information and data related to their business through Investor Relations Unit, Customer Service Department, Complaints Unit, Company's website, continuous disclosures and through developing the performance methods and Stakeholders related services.
- The Company has set appropriate policies to enable Stakeholders to report to the Board of Directors any improper practices they are exposed to by the Company, while providing the appropriate protection to the reporting parties.

Tenth Rule: Enhance and Improve Performance

Improving Performance

Summary of the measures of implementation of the requirements for the development of mechanisms that allow for continuous access to training programs and courses by members of the Board of Directors and Executive Management.

- The Company has developed and prepared a plan to conduct courses and training programs for the members of the Board of Directors and the Executive Management to ensure that they have a full understanding of the Company's business and its operations as well as the obligations imposed on them.
- The said training courses include the financial and operational aspects relating to the Company's activities, the legal and regulatory obligations of the Board of Directors and the Executive Management, roles of the Board's committees as well as providing and training them on all the laws, resolutions and updates relating to the Company's activities and as issued by the regulatory bodies.

Summary on how to evaluate the performance of the board of directors and each member of the Board and the Executive Management.

- The Company has laid out policies and rules to measure and assess the performance of each member of the Board as well as of the Executive Management on periodical basis.
- The company has set a number of the performance indicators related to the extent of achieving the Company's strategic objectives, quality of risk management and adequacy of the internal control systems.
- Performance indicators allow the Company to specify the points of strength and weakness as well as rectification of the same in line with Company's interests.

Summary of the efforts made by the Board of Directors to create corporate values (value creation) among Company's employees through achieving the strategic objectives and improving performance rates.

- The Board of Directors endeavors to create values within the Company on the short, medium and long terms through setting the procedures and mechanism aiming at achievement of the strategic objectives of the Company and improving the performance rates
- Developing the Integrated Reporting System in order to create corporate values.
- Making the employees aware of the methodology of the Company's business as well as the improvements and updates on the same.

Eleventh Rule : Focus on the Importance of Corporate Social Responsibility

Social Responsibility:

Summary on setting a policy for creating balance between the objectives of the Company and those of the society.

The Company has created Corporate Social Responsibility (CSR) policy allowing the Company to achieve its objectives. This policy integrates with the objectives of the society through moral acts and contributing in achieving sustainable developments of the community in general and for Company's staff in particular. This has been achieved through improving living, social and economic conditions of the staff and their families in addition to the community as a whole, contributing in the reduction of levels of unemployment, ideal utilization of available resources, providing job opportunities as well as supporting and encouraging national labor force.

- The Company has prepared policies that guarantee disclosure of the objectives of social responsibility adopted by the Company in favor of its employees.
- Conducting awareness programs for the Company's employees to guarantee that they are aware of social responsibility's objectives carried out by the Company on continuous basis in order to promote the Company's position.
- The Company engages its employees in the performance of social responsibility programs in addition to their contribution in the different social activities carried out by the Company.
- The Company has conducted several social activities during the year 2018 with the aim of developing and strengthening the pillars of the social contributions and increasing the social, environmental and health awareness in the society.

Summary of the programs and mechanisms adopted to highlight the Company's efforts exerted in the social work domain:

- During the first quarter of the year and in collaboration with Zain Telecommunication Company, the company has arranged for a booth for Zain inside the premises of KMEFIC to provide exclusive offers to the Company's employees and its loyal customers.
- During the second quarter, the Company has established the world wide known Toast Master Club under its name to strengthen self-confidence, develop leadership skills and influence skills for all its employees, their families, guests and customers.
- KMEFIC has provided Iftar meals during the holy month of Ramadan in the mosque of Haya Ibrahim in Kuwait city.
- During the third quarter, Company's employees have made a field visit to the National Bank of Kuwait specialized children's cancer hospital during the feast time and distributed games and gifts.
- For the fourth consecutive year, KMEFIC has participated in the annual labor conference held in the Public Authority for Applied Education and Training to raise awareness and encourage the youth to work in the private sector, explaining advantages of such sector and to offer and present a number of job opportunities for the Kuwaiti youth to develop the pillars of social contributions and fight unemployment.

AUDITOR'S REPORT

AUDITOR'S REPORT

Independent Auditors' Report to the Shareholders of
Kuwait and Middle East Financial Investment Company K.S.C.P. (Continued)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait and Middle East Financial 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 profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the State of Kuwait.

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matters:

a) Impairment of intangible asset

Intangible asset represents a brokerage license in Kuwait acquired for KD 12.5 million. This license has an indefinite useful life and accordingly, management annually tests it for impairment by assessing the recoverability of its carrying value. Such assessment and the amount of impairment loss, if any, are significant to our audit because their determination requires considerable judgment on the part of management. Therefore, we identified the impairment assessment of intangible assets and its testing as a key audit matter. The Group's policy on assessing impairment of these items and the basis used in estimating the recoverable amount are given in note 2.4.11 and note 7 to the consolidated financial statements.

AUDITOR'S REPORT

Independent Auditors' Report to the Shareholders of
Kuwait and Middle East Financial Investment Company K.S.C.P. (Continued)

Management used the offer price made by a prospective buyer to the Ultimate Parent Company and Parent Company to acquire their majority stake in the equity share capital of the Company under a share purchase agreement (which is subject to regulatory approvals) to determine the implied fair value less cost to sell of the intangible asset. We performed a critical evaluation of this basis and validated it with related documentation, the knowledge and expertise of the management of the Group to perform such an evaluation, the appropriateness of the valuation techniques used and tested the key inputs forming the Group's estimate of the fair value less cost to sell.

b) Fair valuation of investments at fair value through other comprehensive income

The fair values of investments at fair value through other comprehensive income categorised in level 1, are determined by reference to market price; for level 2 investments, fair values are determined based on latest Net Assets Value (NAV) provided by the respective fund managers; and for level 3 investments, fair value is determined by reference to valuation techniques based on unobservable inputs. Due to the significance of investments at fair value through other comprehensive income in level 3 and the related estimation uncertainty and judgements, this is considered a key audit matter. The Group's policies on valuation of investments at fair value through other comprehensive income are given in note 2.4.6 to the consolidated financial statements.

For level 3 investments, we tested the appropriateness of the models or the basis and technique used by the Group and the reliability of the data that was used as input to these models. We compared the models or the basis or techniques used for the valuations with prior years and determined that they are consistently applied by the Group. The related disclosures are in note 4 and note 23 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.

AUDITOR'S REPORT

Independent Auditors' Report to the Shareholders of

Kuwait and Middle East Financial Investment Company K.S.C.P. (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 IFRS 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

AUDITOR'S REPORT

Independent Auditors' Report to the Shareholders of

Kuwait and Middle East Financial Investment Company K.S.C.P. (Continued)

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of 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 financial year ended 31 December 2018 that might have had a material effect on the business of the Company or on its financial position.

AUDITOR'S REPORT

Independent Auditors' Report to the Shareholders of
Kuwait and Middle East Financial Investment Company K.S.C.P. (Continued)

We further report that, during the course of our audit to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation 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 financial 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-Wazzan
Licence no. 62A
Deloitte & Touche
Al-Wazzan & Co.
Kuwait
10 March 2019

Consolidated Statement of Financial Position as at 31 December 2018

	Note	Kuwaiti Dinars 2018	Kuwaiti Dinars 2017
Assets			
Cash and bank balances	3	**4,074,859**	4,945,190
Investments	4	**8,412,963**	7,585,333
Loans and advances	5	**-**	5,730
Other assets	6	**647,577**	845,591
Intangible asset	7	**8,600,000**	8,600,000
Equipment	8	**409,583**	510,778
Total Assets		**22,144,982**	22,492,622
LIABILITIES AND EQUITY			
Liabilities			
Loan from bank	9	**2,456,300**	3,063,162
Accounts payable and other liabilities	10	**2,789,441**	2,981,460
Total Liabilities		**5,245,741**	6,044,622
Equity			
Share capital	11	**26,381,499**	26,381,499
Accumulated losses		**(12,994,249)**	(13,321,674)
Other reserves	12	**2,981,769**	2,900,991
Treasury shares	13	**(1,212,906)**	(1,174,880)
Equity attributable to shareholders of the Company		**15,156,113**	14,785,936
Non-controlling interest	14	**1,743,128**	1,662,064
Total Equity		**16,899,241**	16,448,000
Total Liabilities and Equity		**22,144,982**	22,492,622

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Hesham Zaghloul
Chairman

Adel Fahed Al Humaidhi
CEO

Consolidated Statement of Profit or Loss
For the year ended 31 December 2018

	Note	Kuwaiti Dinars	
		2018	2017
Income			
Management fees	20	**1,521,210**	1,617,535
Interest income		**74,734**	57,229
Commission income		**860,487**	1,112,212
Gain on investments at FVTPL		**340,693**	14,338
Gain on investments available for sale		**-**	161,966
Dividend income		**135,222**	99,034
Foreign exchange gain		**36,616**	2,065
Other income	15	**1,659**	135,480
Total income		**2,970,621**	3,199,859
Expenses			
Staff expenses		**(1,644,611)**	(1,687,772)
Other operating expenses		**(782,689)**	(838,453)
Depreciation	8	**(164,274)**	(160,981)
Interest expense	18	**(93,980)**	(104,998)
Total expenses		**(2,685,554)**	(2,792,204)
Profit before provisions		**285,067**	407,655
Provision and impairment losses	16	**58**	(945,375)
Profit/(loss) for the year before Directors fees & taxes		**285,125**	(537,720)
Taxation		**(3,832)**	-
Directors fees		**(12,000)**	(18,000)
Profit/(loss) for the year		**269,293**	(555,720)
Attributable to			
Shareholders of the Company		**192,124**	(587,490)
Non-controlling interest		**77,169**	31,770
		269,293	(555,720)
Basic and diluted profit/(loss) per share (fils)	17	**0.7**	(2.2)

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	Note	Kuwaiti Dinars 2018	Kuwaiti Dinars 2017
Profit/(loss) for the year		**269,293**	(555,720)
Other comprehensive income			
Other comprehensive income not to be reclassified to consolidated statement of profit or loss in subsequent periods:			
Changes in fair value of investments at fair value through other comprehensive income ("FVOCI")		**219,974**	-
Other comprehensive income to be reclassified to consolidated statement of profit or loss in subsequent periods:			
- Changes in fair value of investments available for sale		-	240,773
Net realised gain transferred to consolidated statement of profit or loss on sale of investments available for sale		-	(161,966)
Impairment loss on investments available for sale transferred to consolidated statement of profit or loss	16	-	5,435
Other comprehensive income for the year		**219,974**	84,242
Total comprehensive income for the year		**489,267**	(471,478)
Attributable to			
Shareholders of the Company		**408,203**	(514,633)
Non-controlling interest		**81,064**	43,155
		489,267	(471,478)

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity – For the year ended 31 December 2018

	Kuwaiti Dinars								
	Attributable to the shareholders of the Company								
			Other reserves						
	Share capital	Accumulated losses	Fair valuation reserve	Treasury shares reserve	Total other reserves	Treasury shares	Total	Non controlling interest	Total equity
Balance at 1 January 2018	26,381,499	(13,321,674)	858,731	2,042,260	2,900,991	(1,174,880)	14,785,936	1,662,064	16,448,000
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 2.6)	-	88,082	(88,082)	-	(88,082)	-	-	-	-
Balance as at 1 January 2018 (restated)	26,381,499	(13,233,592)	770,649	2,042,260	2,812,909	(1,174,880)	14,785,936	1,662,064	16,448,000
Profit for the year	-	192,124	-	-	-	-	192,124	77,169	269,293
Other comprehensive income for the year	-	-	213,729	-	213,729	-	213,729	6,245	219,974
Total comprehensive income for the year	-	192,124	213,729	-	213,729	-	405,853	83,414	489,267
Net gain on sale of investments at FVOCI	-	47,219	(44,869)	-	(44,869)	-	2,350	(2,350)	-
Treasury shares (Note 13)	-	-	-	-	-	(38,026)	(38,026)	-	(38,026)
Balance at 31 December 2018	**26,381,499**	**(12,994,249)**	**939,509**	**2,042,260**	**2,981,769**	**(1,212,906)**	**15,156,113**	**1,743,128**	**16,899,241**
Balance at 1 January 2017	26,381,499	(12,734,184)	785,874	2,042,260	2,828,134	(1,174,880)	15,300,569	1,589,052	16,889,621
Loss for the year	-	(587,490)	-	-	-	-	(587,490)	31,770	(555,720)
Other comprehensive income for the year	-	-	72,857	-	72,857	-	72,857	11,385	84,242
Total comprehensive income for the year	-	(587,490)	72,857	-	72,857	-	(514,633)	43,155	(471,478)
Ownership changes in a subsidiary during the year (Note 2.4.1)	-	-	-	-	-	-	-	29,857	29,857
Balance at 31 December 2017	26,381,499	(13,321,674)	858,731	2,042,260	2,900,991	(1,174,880)	14,785,936	1,662,064	16,448,000

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows - Year ended 31 December 2018

	Note	Kuwaiti Dinars 2018	2017
Operating activities			
Profit/(loss) for the year		**269,293**	(555,720)
Adjustments for:			
Interest income		**(74,734)**	(57,229)
Gain from sale of investment at FVPTL		**(340,693)**	(14,338)
Gain on sale of investments available for sale		**-**	(161,966)
Dividend income on investments at FVOCI/available for sale		**(37,677)**	(40,849)
Other income	15	**-**	(133,984)
Depreciation	8	**164,274**	160,981
Interest expense	18	**93,980**	104,998
Provision and impairment losses	16	**(58)**	945,375
Operating income before changes in operating assets and liabilities		**74,385**	247,268
Increase in investments at FVTPL		**(1,363,980)**	(31,356)
Decrease in loans and advances		**5,788**	257,249
Decrease in other assets		**164,802**	716,247
Decrease in accounts payable and other liabilities		**(224,058)**	(171,029)
Interest income received		**69,920**	54,219
Net cash flows (used in)/from operating activities		**(1,273,143)**	1,072,598
Investing activities			
Proceeds from maturity of term deposits		**-**	825
Application money paid for investments available for sale		**-**	(109,686)
Proceeds from sale of investments at FVOCI/available for sale		**1,097,017**	780,823
Purchase of equipment - net	8	**(23,437)**	(48,071)
Dividend income received on investments at FVOCI/available for sale		**37,677**	40,849
Proceeds from refund of broker deposit	15	**-**	383,984
Net cash flows from investing activities		**1,111,257**	1,048,724
Financing activities			
Repayment of loan from bank	9	**(606,862)**	(160,678)
Ownership changes in subsidiary	2.4.1	**-**	29,857
Interest expense paid		**(101,583)**	(109,776)
Net cash flows used in financing activities		**(708,445)**	(240,597)
(Decrease)/increase in cash and cash equivalents		**(870,331)**	1,880,725
Cash and cash equivalent at beginning of the year		**4,890,190**	3,009,465
Cash and cash equivalents at end of the year	3	**4,019,859**	4,890,190

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
Year ended 31 December 2018

1. Incorporation and activities

Kuwait and Middle East Financial Investment Company K.S.C.P. (the "Company") is a Kuwaiti shareholding company incorporated on 1 January 1984. The Company and its subsidiaries (collectively, the "Group") are engaged in carrying out financial investment activities in various economic sectors inside and outside the State of Kuwait directly or by contributing to the existing companies in the same activities through establishing subsidiaries or by participating with others in the establishment of specialized companies or by buying shares of these companies, portfolio management, investing and developing funds for its own account or for clients locally and internationally, trading of securities, issuance and managing securities, issuance of various types of bonds to third parties or otherwise, to exercise all types of brokerage activities, to do financing locally and internationally, acceptance and management of credit contracts and conducting studies, research and providing financial advices, according to the articles of association of the Company. The address of the Company's registered office is P.O. Box 819, Safat 13009, Kuwait.

The Company's shares are listed on the Boursa Kuwait. The Company is a subsidiary of Ahli United Bank K.S.C.P. (the "Parent Company"), which is listed on the Boursa Kuwait. The Parent Company is a subsidiary of Ahli United Bank B.S.C., a Bahraini bank (the "Ultimate Parent Company"), listed on the Bahrain Stock Exchange and Boursa Kuwait.

The Company is regulated by the Capital Market Authority ("CMA") and Central Bank of Kuwait ("CBK") as an investment company.

The consolidated financial statements of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 10 March 2019. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general meeting.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK and CMA.

These consolidated financial statements are prepared under the historical cost convention except for investments at fair value through profit or loss ("FVTPL") and investments at fair value through other comprehensive income ("FVOCI").

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

2.2 Impact of changes in accounting policies due to adoption of new standards

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018 as explained below.

2.2.1 Adoption of IFRS 9 'Financial Instruments'

The Group has adopted IFRS 9 Financial Instruments effective from 1 January 2018. IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

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 2.6.

Classification and measurement of financial assets and financial liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminated the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The Group's accounting policies for classification and measurement of financial assets under IFRS 9 is explained in note 2.4.4.

The adoption of IFRS 9 did not have a significant effect on the Group's accounting policies for financial liabilities.

Impairment of financial assets:

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, and debt investments at FVOCI but not to investments in equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Group is also required to calculate provision for credit losses on credit facilities in accordance with instructions issued by the CBK in respect of the classification of credit facilities and calculation of provisions. Impairment losses on credit facilities are recognised at the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions. The Group's accounting policies for impairment of financial assets under IFRS 9 is explained in note 2.4.5.

2.2.2 Adoption of IFRS 15 'Revenue from Contracts with customers'

The Group has also adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and 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 adoption of this standard did not result in any change in accounting policies of the Group and did not have any material effect on the Group›s consolidated financial statements.

The accounting policies for these new standards are disclosed in Note 2.4.

The following IFRS have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 16 'Leases'

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the Standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. Based on currently available information, the Group does not expect the adoption and application of IFRS 16 will have a material impact on the Group.

Other new standards or amendments to existing standard are not expected to have a material impact on the consolidated financial statements of the Group.

2.4 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

2.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries including special purpose entities. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee. 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 are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Notes to the Consolidated Financial Statements
Year ended 31 December 2018

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The subsidiaries of the Group are as follows:

Name of the Subsidiaries	Country of incorporation	Principal activity	Percentage of holding	
			2018	2017
Al Awsat Aloula Holding Company K.S.C.C.*	Kuwait	Investment	**99.9%**	99.9%
Middle East Financial Brokerage Company K.S.C.C ("MEFBC")	Kuwait	Brokerage	**90.0%**	90.0%
Gulf Gate Fund ("the Fund") * *	Kuwait	Fund	**77.6%**	77.6%

* Residual interest in the subsidiary is held through nominees.

* During the year 2017, there was subscription in the Fund amounting to KD 29,857.

2.4.2 Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash on hand and at banks, cash with brokers and term deposits.

For the purpose of cash flows, cash and cash equivalents comprise cash on hand and at banks, cash with brokers and term deposits with original maturity of three months or less.

2.4.3 Recognition and de-recognition of financial assets and financial liabilities

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Group receives or delivers the asset. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of profit or loss or in other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (in whole or in part) is derecognised either when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, an asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract 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 consolidated statement of profit or loss.

2.4.4 Classification of financial assets and financial liabilities –

Policy applicable from 1 January 2018

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

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. The Group's business model is assessed on an instrument-by-instrument basis 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.

The SPPI test

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI').

'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 interest 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 interest 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 interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies financial assets 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.

Measurement categories of financial assets and liabilities

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Financial assets at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the statement of profit or loss.
Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Financial assets 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.

Cash and cash equivalents, term deposits and other assets are classified as debt instruments at amortised cost.

Debt instruments categorized at amortised cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses, if any.

Debt instruments at FVOCI

A debt investment is carried at FVOCI if it meets both of the following conditions:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt Securities at FVOCI are subsequently measured at fair value. Financing income calculated using the effective interest method, foreign exchange gains and losses and impairment losses on these debt securities are recognised in the consolidated statement of profit and loss. Their fair value changes which are not part of an effective hedging relationship are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity until the debt security is derecognised or reclassified. When it is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit and loss.

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.

Gains and losses on these equity instruments are never recycled to statement of profit or loss. Dividends are recognised in the consolidated statement of profit or loss when the right to 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 instruments at

FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity. Equity investments at FVOCI are included in investment securities in the statement of financial position.

Financial asset at FVTPL

The Group classifies financial assets 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 fnancial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or signifcantly reduces an accounting mismatch that would otherwise arise.

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

Included in this classification are certain equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

Policy applicable before 1 January 2018

Financial assets and financial liabilities are classified as "investments at fair value through statement of profit or loss", "loans and receivables", "investments available for sale" and "financial liabilities other than at fair value through statement of profit or loss". Management determines the appropriate classification of each instrument at the time of acquisition.

Financial assets and liabilities are measured initially at fair value plus, in the case of a financial asset not at fair value through statement of profit or loss, directly attributable transaction costs. Transaction costs on investments at fair value through statement of profit or loss are expensed immediately.

Investments at fair value through profit or loss

Investments at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through statement of profit or loss. This includes all derivative financial instruments, other than those designated as effective hedging instruments. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

After initial recognition, investments at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with all changes in fair value recognised in the consolidated statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method, less any provision for impairment.

Balances with banks, term deposits, loans and advances, and certain other assets are classified as "loans and receivables".

Investments available for sale

Investments available for sale are those non-derivative financial assets that are not classified as investments at fair value through statement of profit or loss or loans and receivables and held to maturity.

After initial recognition, investments available for sale are measured at fair value with unrealised gains and losses recognised as other comprehensive income in a separate component of equity until the investments are derecognised or until the investments are determined to be impaired at which time the cumulative gain and loss previously reported in other comprehensive income is recognised in the consolidated statement of profit or loss. Investments whose fair value cannot be reliably measured are carried at cost, less any impairment.

Financial liabilities other than at fair value through statement of profit or loss

Financial liabilities other than at fair value through statement of profit or loss are measured at amortised cost using the effective interest rate method.

Loan from bank and certain other liabilities are classified as "financial liabilities other than at fair value through statement of profit or loss.

2.4.5 Impairment of Financial assets

Policy applicable from 1 January 2018

The Group recognizes ECL for cash and bank balances using the general approach and uses the simplified approach for other receivables.

Impairment of loans and advances shall be recognised 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.

The Group has established a policy to perform an assessment at the end of each reporting period, whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. To calculate ECL, the Group will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan.

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

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure the value of collaterals determined in accordance with the CBK guidelines.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the asset.

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition and back stop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

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.

Expected credit losses 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 the expected loss conditional on default, its expected value when realised and the time value of money.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and are taken to Stage 3.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative and qualitative information, back stop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

Objective evidence that a debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Policy applicable before 1 January 2018

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each reporting date to determine whether there is objective evidence that a specific 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. In the case of financial asset classified as investments available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for investments available for sale, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss, is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments classified as investments available for sale recognised in the consolidated statement of profit or loss are not reversed through the consolidated statement of profit or loss. Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated statement of income.

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

2.4.6 Fair value measurement

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

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

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

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

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

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

- Level 1 - 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 financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

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

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

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

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

2.4.7 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, the Group has a legally enforceable 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.

2.4.8 Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed and adjusted for impairment whenever there is an indication that an intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment and adjusted for the same, if any.

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2.4.9 Equipment

Equipment is stated at cost, net of accumulated depreciation and impairment losses, if any.

Capital work in progress is not depreciated. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	*4 – 5 years*
Computers	*4 years*
Software	*7 – 10 years*

The equipment' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.
Expenditure incurred to replace a component of an item of equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

Equipment is recognised when either it has been disposed of or when the equipment is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of equipment are recognized in the consolidated statement of profit or loss in the period of retirement or disposal.

2.4.10 Fair value measurement of non–financial assets

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.

2.4.11 Provision for impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In determining the fair value less costs to sell, an appropriate valuation model is used. An assessment is made at each reporting date to determine whether there is objective evidence that a specific asset, or a group of similar assets, may be impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of profit or loss.

2.4.12 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised, if they are directly attributable to a project, as part of projects under construction, over the period of the construction until the project concerned is completed and becomes ready for its intended use, on the basis of actual borrowings and actual expenditure incurred on the project. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the project for its intended use are complete.

2.4.13 Provisions

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

2.4.14 Employees' end of service indemnity

Provision is made for employees' end of service indemnity in accordance with the local laws based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of involuntary termination of staff at the reporting date. Employees' end of service indemnity is included under 'Accounts payable and other liabilities'.

2.4.15 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 prevailing 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 ruling at the reporting date. Any resultant gains or losses are recognised in the consolidated statement of profit or loss.

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. Translation differences on non-monetary investments at fair value through profit or loss are reported as part of the fair value gain or loss in the consolidated statement of profit or loss, whilst those for non-monetary assets whose change in fair values are recognised in other comprehensive income, translation differences are recognised directly in the consolidated statement of other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are not retranslated.

Assets and liabilities (both monetary and non-monetary), of foreign operations are translated into the Group's functional currency 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.

2.4.16 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, (the "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 then to the general reserve and statutory reserve. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.4.17 Revenue recognition

- Management fees relating to portfolios and fund management, custody and on-going advisory services are recognised as the Group satisfies the performance obligation by transferring the promised services to the customer.
- Commission income from brokerage business is recognised as the Group satisfies the performance obligation by transferring the promised services to the customer.
- Interest income and expense are recognised using the effective interest method taking into account the principal outstanding and the rate applicable.
- Dividend income is recognised when the right to receive payment is established.

2.4.18 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 these consolidated financial statements.

2.4.19 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.

2.4.20 Taxation

National Labour Support Tax (NLST)

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

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year, in accordance with the calculation based on the Foundation's Board of Directors resolution, which states that the Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group computed in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Classification of financial assets

Policy applicable 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. Refer note 2.4.4 classification of financial assets for more information.

Policy applicable before 1 January 2018

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

Impairment of financial instruments - applicable from 1 January 2018

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer note 2.4.5 impairment of financial assets for more information.

Impairment losses on loans and advances - applicable before 1 January 2018

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

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

The Group treats investments available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement and involves evaluating factors including industry and market conditions, future cash flows and discount factors.

Valuation of unquoted equity investments

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

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

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

Impairment of non-financial assets

The Group's management tests annually whether non-financial assets have suffered impairment. The recoverable amount of an asset is determined based on value-in-use method or fair value less cost to sell. Value in use method uses estimated cash flow projections over the estimated useful life of the asset discounted using a rate that reflect current market amounts of the time value of money and the risks specific to the amount for which further cash flow estimation has not been adjusted. The determination of cash flows and discount factors for value in use method requires significant estimation.

2.6 Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2018, 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 2017 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.

If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition. The following table analyses the impact of transition to IFRS 9 on investment fair valuation reserve and accumulated losses.

	Kuwaiti Dinars	
	Accumulated losses	Fair valuation reserve
Closing balance under IAS 39 (31 December 2017)	**(13,321,674)**	**858,731**
Impact on reclassification and re-measurements:		
Investment (Managed Equity Fund) from available-for-sale to FVTPL	**88,082**	(88,082)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**(13,233,592)**	**770,649**

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows a reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

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	Original classification 39 under IAS	New classification 9 under IFRS	Kuwaiti Dinars		
			Original carrying amount under 39 IAS	Re-measurement ECL	New carrying amount under 9 IFRS
Financial assets					
Cash and bank balances	Loans and receivables	Amortised Cost	**4,945,190**	-	**4,945,190**
Investments Funds	Investments at FVTPL	Investments at FVTPL	**176,181**	-	**176,181**
Investments - Equity Securities	Investments at FVTPL	Investments at FVTPL	**1,767,490**	-	**1,767,490**
Investments – Funds	Investments available for sale	Investments at FVTPL	**871,331**	-	**871,331**
Investments - Funds	Investments available for sale	Investments at FVOCI	**3,473,788**	-	**3,473,788**
Investments - Equity Securities	Investments available for sale	Investments at FVOCI	**1,296,543**	-	**1,296,543**
Loans and advances	Loans and receivables	Amortised Cost	**5,730**	-	**5,730**
Other assets	Loans and receivables	Amortised cost	**540,030**	-	**540,030**
Total financial assets			**13,076,283**	-	**13,076,283**

The adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.
The ECL charge as on 1 January 2018 and for the year ended 31 December 2018 are not material.

3. Cash and bank balances

	Kuwaiti Dinars	
	2018	2017
Cash on hand	**1,750**	1,750
Cash at banks	**1,249,109**	1,588,440
Short-term deposits with bank	**2,769,000**	3,300,000
Cash and cash equivalents in statement of cash flows	**4,019,859**	4,890,190
Term deposits with original maturity period exceeding 3 months	**55,000**	55,000
	4,074,859	4,945,190

Certain balances included in cash at banks and short-term deposits are placed with the related parties (Note 18). The effective interest rate on short-term deposit range from 1.50% to 2.19% (2017:1.25% to 1.48%) per annum.

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The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include:

a) *Short-term deposits with bank of KD 2,619,000 (2017: KD 2,619,000) are under lien against the loan from bank (Note 9), and;*

b) *Cash at bank of KD 428,369 (2017: KD 287,228) is subject to restrictions and is therefore not available for general use.*

4. Investments

	Kuwaiti Dinars	
	2018	2017
Investments at FVTPL		
Quoted equity securities	**2,405,994**	1,767,488
Managed funds	**2,107,688**	176,183
	4,513,682	1,943,671
Investments at FVOCI		
Quoted equity securities	**393,691**	-
Unquoted equity securities	**160,969**	-
Funds	**3,344,621**	-
	3,899,281	-
Investments available for sale		
Quoted equity securities	**-**	1,084,987
Unquoted equity securities	**-**	211,556
Funds	**-**	4,345,119
	-	5,641,662
	8,412,963	7,585,333

Certain investments amounting to KD 3 million (2017: KD 3.4 million) are pledged as security against the loan (Note 9).

5. Loans and advances

	Kuwaiti Dinars	
	2018	2017
Loans to customers	**7,500,000**	7,500,000
Advances to staff	**-**	5,788
	7,500,000	7,505,788
Less: General provision	**-**	(58)
Less: Specific provision	**(7,500,000)**	(7,500,000)
	-	5,730

Movement in the provisions relating to loans and advances is as follows:

	Kuwaiti Dinars	
	2018	2017
At 1 January	**7,500,058**	6,752,631
(Reversal)/net provision (Note 16)	**(58)**	747,427
At 31 December	**7,500,000**	7,500,058

Loans and advances include a loan amounting to KD 7,500,000 which is secured by a real estate property. The title of the property was transferred in the Company's name to secure the repayment of the loan and accordingly is considered as collateral against the loan.

6. Other assets

	Kuwaiti Dinars	
	2018	2017
Management fee receivable	**335,095**	320,643
Commission income receivable	**122,334**	145,154
Application Money	**-**	109,184
Prepaid expenses	**109,923**	158,634
Others	**80,225**	111,976
	647,577	845,591

Average credit period for other financial assets is 30 to 90 days. None of the receivables are past due nor impaired.

The Group has determined that the ECL allowance for other financial assets is not material.

7. Intangible asset

Intangible asset represents a brokerage license in Kuwait acquired for KD 12,500,000 stated net of an impairment loss of KD 3,900,000 (2017: KD 3,900,000). This license has an indefinite useful life.

Impairment testing

The Group determines whether the brokerage license is impaired at least on an annual basis. The recoverable amount is determined based on the higher of the value-in-use calculations or fair value less cost to sell. The Group has used the price stated in the disclosure on 10 February 2019 to the Boursa Kuwait, by a prospective buyer regarding a share purchase agreement (subject to regulatory approvals) to acquire a majority stake in the equity shares of the Company in order to assess the implied fair value less cost to sell of the brokerage license as of 31 December 2018. Based on this information and after taking into consideration the strategic intent of the proposed share purchase transaction mentioned above, Group management has determined that there is no indication that the intangible asset is impaired as of 31 December 2018. (2017: The value in use calculations used pre-tax cash flow projections over a five year period based on the historical pattern of trade volume, revenue growth, market share, a relevant terminal growth rate and discount rate. The terminal growth beyond the five-year period was determined by extrapolation using a growth rate which did not exceed the long term average growth rate of Kuwait. The discount rate used was pre-tax and reflects specific risks relating to the relevant CGU. A discount rate of 9.3% to 10% and terminal growth rate of 3% were used to estimate the recoverable amount of the CGU. The Group performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors resulted in the intangible assets being impaired. Based on the above analysis, there was no indication that the intangible asset was impaired.)

8. Equipment

	Kuwaiti Dinars				
	Furniture and equipment	**Computers**	**Software**	**Capital work in progress**	**Total**
Cost					
At 1 January 2018	1,566,649	1,288,563	2,011,822	48,187	4,915,221
Additions/Transfers	4,885	45,310	26,564	(13,605)	63,154
Disposals	(1,785)	(260,491)	-	-	(262,276)
At 31 December 2018	**1,569,749**	**1,073,382**	**2,038,386**	**34,582**	**4,716,099**
Accumulated depreciation					
At 1 January 2018	1,532,878	1,286,483	1,560,381	24,701	4,404,443
Depreciation	13,609	5,715	144,950	-	164,274
Disposals	(1,778)	(260,423)	-	-	(262,201)
At 31 December 2018	**1,544,709**	**1,031,775**	**1,705,331**	**24,701**	**4,306,516**
Net book value at 31 December 2018	**25,040**	**41,607**	**333,055**	**9,881**	**409,583**
Cost					
At 1 January 2017	1,563,016	1,290,076	1,992,510	32,701	4,878,303
Additions/Transfers	9,634	3,741	19,312	15,486	48,173
Disposals	(6,001)	(5,254)	-	-	(11,255)
At 31 December 2017	**1,566,649**	**1,288,563**	**2,011,822**	**48,187**	**4,915,221**
Accumulated depreciation					
At 1 January 2017	1,522,002	1,288,962	1,418,950	24,701	4,254,615
Depreciation	16,796	2,754	141,431	-	160,981
Disposals	(5,920)	(5,233)	-	-	(11,153)
At 31 December 2017	**1,532,878**	**1,286,483**	**1,560,381**	**24,701**	**4,404,443**
Net book value at 31 December 2017	33,771	2,0w80	451,441	23,486	510,778

9. Loan from bank

Loan from bank represents secured loan from the Parent Company. It is secured by mortgaging assets of the Company comprising shares of investment in subsidiaries (Note 2.4.1), short-term deposits with the bank (Note 3), certain investments (Note 4), and loans and advances (Note 5).

The loan was carried at effective interest rate of 3.43% (2017: 3.25%) per annum.

During the year, loan of KD 606,862 (2017: KD 160,678) has been repaid.

10. Accounts payable and other liabilities

	Kuwaiti Dinars	
	2018	2017
End of service benefits	**1,092,735**	1,245,242
Other staff payables	**115,310**	111,854
Loan interest payable	**15,307**	22,910
Others	**1,566,089**	1,601,454
	2,789,441	2,981,460

11. Share capital

The authorised, issued and paid capital of the Company is as follows:

	Kuwaiti Dinars	
	2018	2017
Authorised, issued and fully paid up: 263,814,991 (2017: 263,814,991) shares of 100 fils each paid in cash	**26,381,499**	26,381,499

The issued and fully paid up share capital includes 15,837,638 shares amounting to KD 1,583,764 (2017: 15,837,638 shares amounting to KD 1,583,764) on account of share option plan for employees.

12. Other reserves

Statutory reserve

Under the Companies Law and the Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Company before directors' fees and contribution to Zakat, Kuwait Foundation for Advancement of Science (KFAS) and National Labour Support Tax (NLST), must be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the paid up share capital. No transfer has been made to the reserve during the year due to accumulated losses.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

General reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Company before directors' fees and contribution to Zakat, KFAS and NLST, must be transferred to general reserve. Such annual transfers may be discontinued by a resolution of the Company's shareholders general assembly upon a recommendation by the Board of Directors. General reserve is available for distribution. No transfer has been made to the reserve during the year due to accumulated losses.

Treasury shares reserve

The balance of treasury shares reserve is not available for distribution.

13. Treasury shares

	Kuwaiti Dinars	
	2018	2017
Number of own shares	**4,524,810**	2,623,500
Percentage of issued shares	**1.7%**	1.0%
Book value (KD)	**1,212,906**	1,174,880
Market value (KD)	**144,794**	57,717
Weighted average market value per treasury share (fils)	**24.7**	29.9

Treasury shares are not entitled to any cash dividends and are not pledged. Treasury shares reserve balance of KD 2,042,260 (2017: KD 2,042,260) is not available for distribution. An amount equivalent to the cost of purchase of treasury shares (unpledged) have been earmarked as non-distributable throughout the holding period of treasury shares.

During the year 1,901,310 shares representing unexercised employee stock option shares, were acquired by the Company as treasury shares, based on shareholder and regulatory approvals.

14. Non-controlling interest

The table below shows details of partly owned subsidiaries of the Group that have material non-controlling interest:

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Name of the Subsidiaries	Proportion of ownership interest and voting rights		Profit (loss) allocated to non-controlling interest		Accumulated non-controlling interest	
	2018	2017	**2018**	2017	**2018**	2017
MEFBC	**10.0%**	10.0%	**10,920**	30,494	**1,215,431**	1,200,616
The Fund	**22.4%**	22.4%	**66,249**	1,276	**527,697**	461,448
Total			**77,169**	31,770	**1,743,128**	1,662,064

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	Kuwaiti Dinars			
	2018		2017	
	MEFBC	**The Fund**	MEFBC	The Fund
Total assets	**12,583,479**	**2,382,298**	12,413,212	2,068,690
Total liabilities	**304,688**	**6,227**	282,566	4,783
Total income	**594,716**	**359,269**	763,895	45,042
Total expenses	**(485,514)**	**(62,972)**	(458,959)	(39,859)
Total profit for the year	**109,202**	**296,297**	304,936	5,183
Net (decrease)/increase in operating activities	**(1,168,127)**	**308,363**	110,377	406,370
Net increase in investing activities	**778,914**	**-**	883,788	-
Net decrease in financing activities	**-**	**-**	-	(437,692)
Net (decrease)/increase in cash and cash equivalents	**(389,213)**	**308,363**	994,165	(31,322)

15. Other income

During 2017 other income included a gain of KD 133,984 on the refund of the broker deposit of KD 250,000.

16. Provisions and impairment losses

	Kuwaiti Dinars	
	2018	2017
(Reversal) / net provision on loans and advances (Note 5)	**(58)**	747,427
Impairment of other assets	**-**	192,513
Impairment loss on investments available for sale	**-**	5,435
	(58)	945,375

17. Basic and diluted loss per share

Basic and diluted loss per share for the year attributable to the shareholders of the Company presented in the consolidated statement of profit or loss is calculated as follows:

	Kuwaiti Dinars	
	2018	2017
Profit/(loss) for the year attributable to the shareholders of the Company (KD)	**192,124**	(587,490)
Weighted average number of shares outstanding during the year	**260,217,395**	261,191,491
Basic and diluted profit/(loss) per share (fils)	**0.7**	(2.2)

The weighted average number of shares outstanding during the year is calculated after adjusting for treasury shares.

	Kuwaiti Dinars	
	2018	2017
Weighted average number of issued and paid up shares (Note 11)	**263,814,991**	263,814,991
Less: Weighted average number of treasury shares	**(3,597,596)**	(2,623,500)
Weighted average number of shares	**260,217,395**	261,191,491

18. Related party transactions

Related parties represent major shareholders, managed funds, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out at arm's length on terms approved by the Company's management.
The related party transactions included in the consolidated financial statements are as follows:

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	Kuwaiti Dinars	
	2018	2017
Related party balances		
Cash and bank balances with the Parent/ Ultimate Parent Company (Note 3)	**3,581,210**	4,749,409
Investments in funds managed by the Company	**3,905,573**	3,119,301
Investments in quoted equity securities of Ultimate Parent Company	**553,377**	-
(Payable)/ receivable from the Parent / Ultimate Parent Company	**(409)**	12,066
Receivable from other related parties	**112,937**	125,728
Loan from the Parent Company (Note 9)	**2,456,300**	3,063,162
Off balance sheet items		
Guarantees taken from the Parent Company	**-**	500
Investments and funds managed in a fiduciary capacity for Parent/Ultimate Parent Company	**11,120,219**	12,382,758
Related party transactions		
Management fees from the Parent / Ultimate Parent Company	**10,638**	11,224
Commission income from the Parent / Ultimate Parent Company	**57,132**	61,811
Interest income from the Parent / Ultimate Parent Company	**73,059**	44,644
Loss on investment in Ultimate Parent Company	**(9,313)**	-
Gain on funds managed by the Company	**114,575**	129,655
Interest expense on loan from the Parent Company	**(93,980)**	(104,998)
Key management compensation		
Salaries and other benefits to key management personnel	**(459,540)**	(488,386)

19. Commitments and contingent liabilities

	Kuwaiti Dinars	
	2018	2017
Commitments		
Uncalled capital contributions relating to investment at FVOCI	**48,445**	-
Uncalled capital contributions relating to investments available for sale	**-**	48,197
Contingent liabilities		
Guarantees	**50,000**	150,500

Guarantees issued by the Group noted above exclude a corporate guarantee of KD 46.25 million (2017: KD 46.02 million) since this guarantee is backed by an irrevocable counter corporate guarantee of an equal amount issued in favour of the Group by a sovereign authority of Kuwait.

20. Fiduciary assets

Fiduciary assets comprise investments and funds managed by the Company on behalf of clients. These are not assets of the Company and accordingly are not included in the consolidated financial statements. As at 31 December 2018, total fiduciary assets managed by the Company amounted to KD 309 million (2017: KD 349 million). Management fee of KD 1,521,210 (2017: KD 1,617,535) and commission income of KD 462,832 (2017: KD 509,889) has been recognised by the Company for management of fiduciary assets.

21 .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 investments, other assets, intangible assets and equipment is based on management›s estimate of liquidation of these financial assets.

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

	Kuwaiti Dinars							
	Up to 3 months		3 to 12 months		Over one year		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Assets								
Cash and bank balances	**4,074,859**	4,945,190	**-**	-	**-**	-	**4,074,859**	4,945,190
Investments	**4,513,682**	1,943,671	**-**	-	**3,899,281**	5,641,662	**8,412,963**	7,585,333
Loans and advances	**-**	-	**-**	5,730	**-**	-	**-**	5,730
Other assets	**530,369**	634,328	**102,923**	192,686	**14,285**	18,577	**647,577**	845,591
Intangible assets	**-**	-	**-**	-	**8,600,000**	8,600,000	**8,600,000**	8,600,000
Equipment	**-**	-	**-**	-	**409,583**	510,778	**409,583**	510,778
	9,118,910	7,523,189	**102,923**	198,416	**12,923,149**	14,771,017	**22,144,982**	22,492,622
Liabilities								
Loan from bank *	**2,456,300**	3,063,162	**-**	-	**-**	-	**2,456,300**	3,063,162
Accounts payable and other liabilities	**204,884**	152,920	**248,112**	234,788	**2,336,445**	2,593,752	**2,789,441**	2,981,460
	2,661,184	3,216,082	**248,112**	234,788	**2,336,445**	2,593,752	**5,245,741**	6,044,622
Net liquidity gap	**6,457,726**	4,307,107	**(145,189)**	(36,372)	**10,586,704**	12,177,265	**16,899,241**	16,448,000

* This represents loan from the Parent Company and is renewed upon maturity.

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22. Segment information

The Group is organized into segments that engage in business activities which earns revenue and incurs expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. For the purposes of segment reporting, the management has grouped the business units into the following operating segments:

- Asset management: engaged in providing third party fund and portfolio management services on a fiduciary basis.
- Brokerage and online trading: engaged in on-line and brokerage services across Middle East and North Africa (MENA) and United States of America (USA) based stock exchanges.
- Credit operations: engaged in providing margin loans to the clients trading in Boursa Kuwait and commercial loans to the clients.
- Investment and treasury: engaged in money market placements, real estate activities and proprietary trading in equity stocks and funds across Gulf Cooperation Countries (GCC) and International markets.

Segment revenue and expenses includes operating revenue and expenses directly attributable to a segment. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

Segment information for the year ended 31 December is as follows:

	Kuwaiti Dinars				
	Asset management	**Brokerage and online trading**	**Credit operations**	**Investment and treasury**	**Total**
2018					
Segment revenue	**1,888,557**	**860,425**	**-**	**221,639**	**2,970,621**
Segment operating expenses	**(772,347)**	**(1,013,315)**	**(103,730)**	**(796,162)**	**(2,685,554)**
Reversal of provision on loans and advances, director fees and taxes	**-**	**-**	**58**	**(15,832)**	**(15,774)**
Segment results	**1,116,210**	**(152,890)**	**(103,672)**	**(590,355)**	**269,293**
Segment assets	**2,809,919**	**9,007,600**	**-**	**10,327,463**	**22,144,982**
Segment liabilities	**(362,356)**	**(400,819)**	**(2,481,621)**	**(2,000,945)**	**(5,245,741)**
2017					
Segment revenue	1,663,036	1,255,403	5,971	275,449	3,199,859
Segment expenses	(842,702)	(1,013,828)	(114,748)	(820,926)	(2,792,204)
Provisions and impairment losses and director fees	-	-	(939,940)	(23,435)	(963,375)
Segment results	820,334	241,575	(1,048,717)	(568,912)	(555,720)
Segment assets	2,543,715	9,061,713	5,730	10,881,464	22,492,622

Segment liabilities	(438,969)	(436,771)	(3,094,679)	(2,074,203)	(6,044,622)

23.Fair values of financial instruments

The following table provides the fair value measurement hierarchy of the Group's investments.

	Kuwaiti Dinars			
	Level: 1	**Level: 2**	**Level: 3**	**Total**
2018				
Investments at FVTPL				
Quoted equity securities	**2,405,994**	**-**	**-**	**2,405,994**
Managed funds	**1,977,778**	**129,910**	**-**	**2,107,688**
	4,383,772	**129,910**	**-**	**4,513,682**
Investments at FVOCI				
Quoted equity securities	**393,691**	**-**	**-**	**393,691**
Unquoted equity securities	**-**	**-**	**160,969**	**160,969**
Funds	**-**	**171,866**	**3,172,755**	**3,344,621**
	393,691	**171,866**	**3,333,724**	**3,899,281**
2017				
Investments at FVTPL				
Quoted equity securities	1,767,488	-	-	1,767,488
Managed funds	-	176,183	-	176,183
	1,767,488	176,183	-	1,943,671
Investments available for sale				
Quoted equity securities	1,084,987	-	-	1,084,987
Unquoted equity securities	-	-	211,556	211,556
Funds	871,331	167,494	3,306,294	4,345,119
	1,956,318	167,494	3,517,850	5,641,662

There have been no transfers between level 1, level 2 and level 3 during the year.
The management has used the following methods and assumptions to estimate the fair values of financial assets:

- Quoted equity securities have been fair valued based on their bid price on the respective stock exchange at the reporting date.
- Fair values of unquoted equity securities are derived through valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). *Fair values of unquoted funds are measured based on their latest net asset values provided by the respective fund manager.*

The fair value of financial instruments which are carried at amortized cost, are not materially different from their carrying values and are classified under Level 3. Their fair value is based on discounted cash flows, with the most significant input being the discount rate that reflects the credit risk of counterparties.

Level 3 fair value measurements

The Group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in the statement of profit or loss and other comprehensive income or total assets.

The Group's investments within the Level 3 can be reconciled from beginning to ending balances as follows:

	Kuwaiti Dinars	
	2018	2017
At 1 January	**3,517,850**	4,162,240
Net realised gain recognized in consolidated statement of equity/profit or loss and other comprehensive income	**(70,970)**	(116,370)
Cost of investments sold	**(291,080)**	(584,842)
Change in fair value	**177,924**	56,822
At 31 December	**3,333,724**	3,517,850

24. Risk management

The Group in the normal course of business uses various types of financial instruments. Due to this, the Group is exposed to variety of financial risks which are: credit risk, liquidity risk and market risk. Market risk is being subdivided into interest rate risk, equity price risk, currency risk and prepayment risk. The Group's risk management team focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by senior management under the policies that are approved by the Board of Directors. The senior management is responsible for the independent review of risk management and the control environment.

The use of financial instruments also brings with it associated inherent risks. The Group recognizes the relationship between returns and risks associated with the use of financial instruments and the management of risks forms an integral part of the Group's strategic objectives.

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Group's major risk-based lines of business. The Group's risk management policies are designed to identify and analyze these risks, to set appropriate controls and to monitor risks by means of reliable and up to date information system.The Group continuously reviews its risk management policies and practices to ensure that it is not subject to large asset valuation or earnings volatility.

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2017.

24.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on bank balances, loans and advances and other outstanding receivables. The maximum exposure to credit risk is the carrying amount as at the reporting date.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with individual counterparties, and continually assessing the creditworthiness of counterparties.

Gross maximum exposure to credit risk

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

	Kuwaiti Dinars	
	2018	2017
Cash at banks	**4,073,109**	4,943,440
Loans and advances	**-**	5,730
(Other assets (excluding prepaid expenses	**537,654**	686,957
Gross maximum credit risk exposure	**4,610,763**	5,636,127

The maximum credit exposure to any single client or counterparty was KD 3,580,566 (2017: KD 4,749,041) before taking account of collateral or other credit enhancements.

Collateral and other credit enhancements

Loans and advances are secured against property. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

The Group can sell the collateral in case of default by the borrower in accordance with the agreements entered with the borrowers. The Group has an obligation to return the collateral on the settlement of the loan or at the closure of the borrowers' portfolio with the Group.

The fair value of collateral that the Group holds relating to loans and advances and other assets amounts to KD 9,500,000 (2017: KD 9,500,000).

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 seeks to manage its credit risk exposure through diversification of lending activities, to avoid undue concentrations of risks with individuals or groups of customers in specific industries or business. It also obtains security when appropriate. All the loans are granted after assessing the credit quality of customers and taking into account their portfolio position, in case of margin loans, and in case of commercial loans the collateral which will be the shares traded on Stock Exchanges. All these collaterals are constantly monitored by the respective departments.

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 and industry sectors as follows:

	Kuwaiti Dinars			
	Assets		**Contingent liabilities and commitment**	
	2018	2017	**2018**	2017
Geographic region:				
Kuwait	**4,173,808**	5,498,701	**50,000**	150,500
Other Middle East*	**436,955**	137,426	**-**	-
Rest of the World	**-**	-	**48,445**	48,197
	4,610,763	5,636,127	**98,445**	198,697

*Other Middle East countries includes GCC countries excluding Kuwait.

Industry sector:				
Banks and financial institutions	**4,577,786**	5,606,030	**50,000**	150,500
Other	**32,977**	30,097	**48,445**	48,197
	4,610,763	5,636,127	**98,445**	198,697

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

In accordance with the instructions of the CBK dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Group has internal credit committees which are composed of competent professional staff and which have as their purpose the study and evaluation of the existing credit facilities of each customer of the Group. These committees are required to identify any abnormal situations and difficulties associated with a customer's position, which might cause the loan to be classified as irregular and to determine an appropriate provisioning level.

The credit quality of all financial assets exposed to credit risk that were neither past due nor impaired is classified as standard grade.

Impaired financial assets

As at 31 December 2018, other assets, and loans and advances exposed to credit risk of KD 7,500,000 (2017: KD 7,500,000) were fully impaired against which the Group carries a provision of KD 7,500,000 (2017: KD 7,500,000).

24.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an adequate balance of cash and balances with banks, and readily marketable securities. Due to the dynamic nature of business, the Group's treasury department maintains flexibility in funding by maintaining available funds under various credit lines. Management monitors rolling forecasts of the Group's liquidity reserves on the basis of expected cash flows. The maturity profile is monitored by management to ensure adequate liquidity is maintained

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

	Kuwaiti Dinars							
Financial liabilities	Up to 3 months		3 to 12 month		Over one year		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Loan from bank	**2,456,737**	3,064,253	**-**	-	**-**	-	**2,456,737**	3,064,253
Accounts payable and other liabilities	**204,884**	152,920	**248,112**	234,788	**2,336,445**	2,593,752	**2,789,441**	2,981,460
Total undiscounted financial liabilities	**2,661,621**	3,217,173	**248,112**	234,788	**2,336,445**	2,593,752	**5,246,178**	6,045,713
Contingent liabilities and commitments	**-**	-	**50,000**	150,500	**48,445**	48,197	**98,445**	198,697

Refer to Note 21 'Maturity analysis of assets and liabilities' for maturities of the financial liabilities shown above; which exclude future interest payments.

24.3 Market risk

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

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

24.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the underlying financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities which include short term deposits, term deposits, loans and advances, and loan from bank.

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

		Kuwaiti Dinars	
Currency	**Increase in basis points by**	**Effect on statement of profit or loss**	
		2018	2017
Kuwaiti Dinar	25	**919**	730

Sensitivity to interest rate movements will be on a symmetric basis, as financial instruments giving rise to non-symmetric movements are not significant.

24.3.2 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Group. The equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. Diversification of the portfolio is based on the Group's policies and the legal requirements of State of Kuwait.

The effect on consolidated statement of profit and loss (as a result of equity price risk on investments at FVTPL) and on equity (as a result of a change in the fair value of investments at FVOCI), with all other variables held as constant is as follows:

Market indices	Increase in equity price	Kuwaiti Dinars			
		2018		2017	
		Effect on statement of profit or loss	**Effect on other comprehensive income**	Effect on statement of profit or loss	Effect on other comprehensive income
Kuwait Index	5%	**122,493**	**18,617**	16,016	117,724
Other GCC Indices	5%	**78,283**	**-**	73,283	-

Sensitivity to equity price movements will be on a symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

24.3.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates regionally and internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and GCC currencies.

Currency risk is managed primarily through borrowings in the relevant foreign currencies. The Group's exposure to currency risk is equal to the carrying amount of net assets denominated in foreign currencies.

Net assets denominated in foreign currencies

As at the reporting date, the Group had the following significant net asset exposures denominated in foreign currencies:

	Kuwaiti Dinars	
Currency	**2018**	2017
US Dollar	**1,331,229**	1,214,737
GCC currencies	**2,255,355**	1,695,131
Other currencies	**705**	2,373

3,587,289	2,912,241

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

Currency	**Change in currency rate**	Kuwaiti Dinars			
		2018		2017	
		Effect on statement of profit or loss	**Effect on equity**	Effect on statement of profit or loss	Effect on equity
US Dollar	5%	**(3,328)**	**(63,233)**	(5,182)	(55,555)
GCC currencies	5%	**(112,768)**	**-**	(84,757)	-
Other currencies	5%	**(36)**	**-**	(118)	-

24.3.4 Prepayment risk

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

25. Capital management

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

No changes were made in the objectives, policies or processes during the year ended 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, interest bearing loan from bank and other financial institutions, other liabilities, less cash and balances with bank and term deposits. Total capital represents equity attributable to the shareholders of the Company.

26. Subsequent event

As disclosed on 10 February 2019 to Boursa Kuwait, the Ultimate Parent Company and the Parent Company have signed an agreement with a local Kuwaiti bank to sell their respective shareholding in the Company, subject to regulatory approvals and fulfilling conditions of the signed agreement by the contracting parties.