

Annual Report & Financial Statements

2017

كويت بيلارز
للاستثمار المالي (ش.م.ك. مغلقة)
Kuwait Pillars
for Financial Investment (KSC Closed)





His Highness Sheikh
Sabah Al-Ahmed Al-Jaber Al-Sabah
Amir of Kuwait



His Highness Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of Kuwait

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Board of Directors



Mr./ Ghazi Ahmed Al-Oseimi
Chairman



Mr./ Mishal Naser Habib
Vice Chairman & CEO



Mr./ Soud Abdulaziz Al-Mansour
Board Member



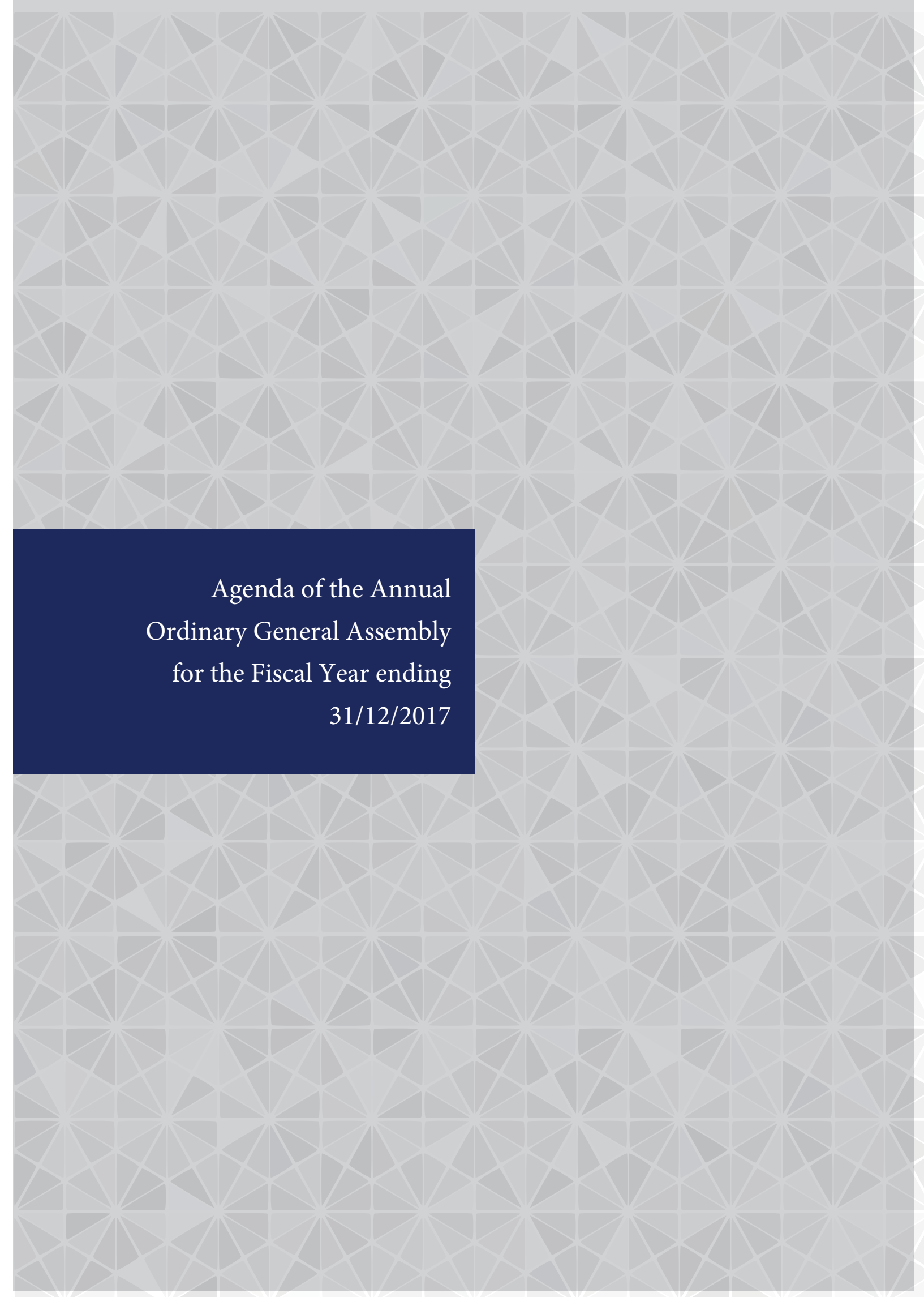
Mr./ Jamal Abdullah Al-Saleem
Board Member



Mr./ Hassan Kamal Caedbey
Board Member



Mr./ Bandar Abdullah Al-Ghemlas
Board Member



Agenda of the Annual
Ordinary General Assembly
for the Fiscal Year ending
31/12/2017

- Item 1: Listening to the Board of Directors' Report for the financial year ending 31/12/2017 and approving the same.
- Item 2: Listening to both the Governance Report and the Audit Committee Report for the financial year ending 31/12/2017 and approving the same.
- Item 3: Reciting penalties (financial or non-financial) that was imposed on the company by regulators during the financial year ending 31/12/2017 (if any).
- Item 4: Listening to the auditors report / Deloitte & Touche for the financial year ending 31/12/2017 and approving the same.
- Item 5: Discussing the financial statement for the financial year ending 31/12/2017 and approving the same.
- Item 6: Discussion of deduction of KD 200,824 (10%) for the compulsory reserve.
- Item 7: Discussion of deduction of KD 20,082 (1%) for the optional reserve.
- Item 8: Approving the board of director's proposal of not distributing cash dividends for the financial year ending 31/12/2017 and posting profits to shareholders equity.
- Item 9: Approving the board of director's recommendation of not distributing remuneration to be board members for the financial year ending 31/12/2017.
- Item 10: Authorizing the board of directors to buy or sell company shares not exceeding 10% of the total number of the company's shares in accordance with the articles of law no. 7 for the year 2010 and its implementing regulations and amendments.
- Item 11: Listening to the transactions report with related parties during the year ending 31/12/2017, and authorizing the board of directors to deal with relevant parties until the next general assembly meeting date for the financial year ended 31/12/2018.
- Item 12: Releasing the members of the board of directors of all matters relevant to their actions for the financial year ending 31/12/2017.
- Item 13: Approving appointing or re-appointing of company's auditor for the financial year ending 31/12/2017 and authorize the board of directors to determine their fees. From within the approved auditors name list in Capital Markets Authority.
- Item 14: Approval of the appointment of one of the members of the Board of directors in a position in Kuwait Financial Center pursuant to article 197 of firms' law.

Chairman Message

Dear Valued Shareholders,

I am pleased to present to you, on behalf of my fellow Board Members, the annual report and financial statements of the company for the fiscal year ended 31 December 2017. The year 2017 was a positive year for the global economies and markets, which had a positive impact on the local economy and the performance of the capital market in Kuwait, which has achieved indicators of a significant increase accompanied by high liquidity and trading volumes. The company achieved a net profit of KD 1.99 million, representing an increase of 113.87% of net profit for 2016. Shareholders' equity stood at KD 34.03 million at the end of the current year. The Board of Directors has recommended not to distribute dividends for the financial year ended 31/12/2017. The Board also recommended not to distribute remuneration to the Board of Directors for the financial year ended 31/12/2017.

The Board of Directors, in coordination with the Executive Management, followed up the company's investment strategy and risk management policy, in which the company focused in the past two years on financial instruments and fixed income investments characterized by high credit rating to ensure continuous cash flow and maintaining the invested capital. In addition to international and regional investments, company's portfolio management in and customers' portfolios management. The fourth quarter of last year saw the start of Emirates project of Sharjah, and the project is expected to be completed in two and a half years, God willing.

Following the uncertainty surrounding the future economic outlook in the past years, it is expected that the coming period will witness a relative improvement, especially in light of the stability of oil prices and the expected decrease in the fiscal deficit. This will reinforce the need to accelerate the diversification of economic activity through the implementation of strategic development plans and economic reform on the long term.

On behalf of the Board of Directors and on my own behalf, I would like to extend my sincere thanks and gratitude to H.H. Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah the Amir of Kuwait, H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of Kuwait; H.H. Sheikh Jaber Al-Mubarak Al-Sabah, the Prime Minister; and all the regulators, asking God, to safeguard them all and bless their continuous endeavors and support aimed at achieving prosperity and progress of our country's economy at all levels. I would also like to extend my thanks to our valued shareholders for their confidence and continuous support to the company management. Also, I extend my thanks to the company's staff members for their efforts to achieve the business plans.



Ghazi Ahmed Al-Osaimi
Chairman

Executive Management Report

Dear Valued Shareholders,

KPFI's Management is pleased to present you the annual report and financial statements of the company for the fiscal year ending on 31 December 2017.

Key Financial Highlights in 2017

Statement	2016	2017	Percentage Change%
Investment income	1,646	2,764	67.92%
Interest income	245	383	56.33%
Total assets	33,236	34,718	4.46%
Total liabilities	610	686	12.46%
Shareholders' equity	32,626	34,032	4.31%
Retained earnings	2,586	4,355	68.41%
Net profit	930	1,989	113.87%
Earnings per share (fils)	3.11 fils	6.88 fils	121.22%
Book value	109 fils	113 fils	3.67%

* Figures in thousands

Key Events in 2017

During the past two years, the Company has invested in managed securities to achieve stable cash flows over the long term, in accordance with the strategy approved by the Board of Directors to achieve superior returns to its shareholders.

- During the year, the company diversified its fixed income investments, which holds a large part of its liquidity and consist of bonds issued by local institutions. These bonds bear fixed and floating interest rates of 5.75% and have a high credit rating. The Company guarantees stable cash flows with low credit risk. The total volume of company's fixed income investments is approximately KD 2.25 million.
- Thankfully, as noted in our annual report last year, the company signed a construction contract during the third quarter with one of the contracting companies with a high technical rating from Sharjah Municipality. The project was started in December and the construction process takes a period of approximately 30 months. The project will be a residential tower consisting of a ground floor and five floors dedicated for parking and 18 residential floors (Total of 24 floors) in a distinctive location of Emirates.
- At the end of the year, the real estate company's portfolio reached approximately KD 9.8 million. It is a real estate investment owned directly and indirectly. This portfolio is characterized by its geographical diversity (North America, Europe and Middle East).

Overview of the Kuwaiti Economy

The Kuwaiti economy has achieved positive real growth for the sixth year in a row, although this growth has slowed to a certain extent. The Economist Information Unit (EIU) reported Kuwait's GDP growth at 3.0 per cent in 2016 which considered as an improvement over the 2015 growth rate. This slowdown in the growth of economic performance was greater than the decline in public expenditures to meet the consequences of fiscal shortage of the general budget, which remained significant KD 4.61 billion for the year 2016, and exacerbated its impact on the continued events of geopolitical violence in the region, which led to pressure on the liquidity of domestic assets and its prices, especially the liquidity and prices of real estate assets.

For the oil sector, at the beginning of 2017 the agreement was implemented between the OPEC oil producers and the outside exporters by reducing production. Kuwait committed an average of 2.7 million barrels per day of oil production in 2017. The price of Kuwaiti oil stick up at \$ 50.3 for the first five months of the year ongoing. This has led to a reduction in the level of the fiscal deficit. Care must be taken not to cause this relative improvement in the fiscal deficit to lead to a state of hesitation in the implementation of economic reform plans. With regard to the investment sector, it should be considered as a key sector in the development of Kuwait's long-term development plan, "Kuwait Vision 2035", which includes a wide-ranging use of public-private partnership to increase the participation of the investment sector in economic growth.

Financial Sector

After the US Federal Reserve announced in December 2016 that the low interest rate would expire, its last interest rate slog was in March 2017. The Central Bank of Kuwait raised interest rates as Kuwait's interest rate stabilized at 2.75%.

KSE Data	2017	2016	Change during the year
Price Index	6,408.01	5,748.09	11.48%
Weight Index	401.42	380.09	5.61%
Kuwait 15 Index	914.87	885.02	3.37%
Market Value (billion K.D)	27.62	26.19	5.46%
Trading Volume (billion share)	50.20	30.20	66.23%

The year 2017 was a good year in terms of the Kuwaiti market performance, where all the market indices increased from their levels at the end of 2016, accompanied by an increase in the average daily volumes and values of trading. Kuwait's general price index closed up 11.5 per cent. While the weighted index increased by 5.6% and the Kuwait 15 index increased by 3.4%. During the year 2017, the market witnessed a 4.3% increase in its market capitalization compared with a marginal increase of 0.4% during 2016.

Source: Bloomberg

Overview of the Global Economy

After global economic growth reached its lowest level since the global financial crisis, registering growth of 3.2 per cent in 2016, global activity began to improve in the second half of 2016 and gained additional push in the first half of 2017. International Monetary Fund (IMF) reports note that global economic growth is about 3.6 per cent in 2017 and is expected to rise slightly in 2018 to 3.7 per cent.

Despite the growing growth rates of the global economy, this recovery is considered relative and incomplete. Economic growth is still weak in many countries, and inflation is below its target level in most advanced economies. Therefore, the relative improvement of the global economy is a good opportunity to face the challenges of the economic policies in many countries and regions of the world.

With regard to the global financial markets, there is a general atmosphere of optimism in these markets due to continued gains in the stock markets in both advanced economies and emerging market economies.

In the United States, the S & P 500 index increased by 19.40 per cent during the year. In Britain, the FTSE 100 index gained 7.60 per cent, the French CAC 40 index gained 9.30 per cent and the German stock market DAX index gained 12.50 per cent.

Performance of the Company

The company achieved a net profit of KD 1,989,484 for the year 2017, representing a 113.87% increase over the profits achieved in 2016. The increase was due to the significant growth in the company's investment profits, in addition to the fact that during the year the company exited some of the investments with attractive return. As well as the increase in interest income realized by the company from fixed income investments and credit facilities granted. This remarkable improvement in the company's net profit comes despite the slight decline in the company's share of the associate's profits. The company also generated KD 168,000 in profits from subsidiaries and foreign exchange earnings. On the other hand, the total expenses of the company decreased by 3.75% as a result of the prudent management approach in monitoring the overall business of the company.

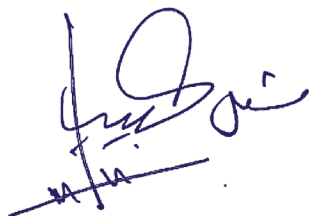
Performance of the Associate

The main investment of the Company - classified as an associate - remains its shareholding in Kuwait Financial Center (MARKAZ). During the year, the company increased its ownership in Kuwait Financial Center Company through purchase of 23.60 million additional shares. The company's total shares in the Kuwait Financial Center Company is approximately 136.40 million shares representing 28.40% of the company's shares. The company achieved net profit of KD 4.30 million for the shareholders of the mother company in 2017 (compared to KD 4.03 million in 2016). The company's share of the results of the associate company's activities for the year reached KD 910 thousand. Since our acquisition of this investment, our company has been able to achieve consolidated cash returns of KD 3.26 million. The management expects that MARKAZ will maintain stable returns from working capital and distribute a good percentage of profits to their shareholders in the coming years, which reflects the quality of this strategic investment to achieve

long-term balanced returns to our shareholders. The assets under management by the company on behalf of others reached KD 1.03 billion at the end of 2017 (KD 935 million in 2016), and has achieved a fee of KD 6.2 million from the management of these assets (KD 6.3 million in 2016). Kuwait Financial Center was able to achieve growth in its profits and the volume of assets under management due to its highly qualified and efficient management and its technical staff and good reputation in the market, which had the greatest impact on achieving profitable returns at elaborated risk rates for all its shareholders and customers.

Thanks and Gratitude

At the end, I would like to extend my sincere thanks and gratitude to H.H. Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, the Amir of Kuwait; H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of Kuwait; H.H. Sheikh Jaber Al-Mubarak Al-Sabah, the Prime Minister; and all the regulators for their endeavors to achieve the good of our country and its progress in all aspects. I extend my thanks also to our valued shareholders for their support which we hope will continue and increase in the future; and to our clients for their confidence. Also, I would like express my thanks to the company's staff members for their efforts to achieve our current and future objectives.

A handwritten signature in blue ink, appearing to read 'Mishal Nasser Habib', with a horizontal line underneath.

Mishal Nasser Habib
Vice Chairman & CEO



Governance Report
(Kuwait Pillars for Financial Investment (K.S.C.C
for the Financial Year Ending 31/12/2017

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NOTE:

The Report of corporate governance, disclosure and transparency is an exclusive property of (Kuwait Pillars) as it has been prepared to demonstrate company's commitment to corporate governance matrix and Kuwait Pillars do not mind using this report or any part of it to outside parties or to public in condition to insert the name of "Kuwait Pillars for Financial Investment Co." / Essam Abdurrahman Al-Yousef – Executive Vice President – Compliance

Chairman Message

Dear KPFI shareholders,

I am pleased to present to you the annual corporate governance report for the year 2017.

The annual corporate governance report for the year confirms our commitment to provide the best value for our shareholders and this rises from our recognition as a closed joint stock company to sustain the good practices of corporate governance which has become a moral and economic necessity in modern business development world.

In this regard, we support the need for strict adherence to principles that help establish the concept of transparency, accountability, integrity and ethics and honesty in our business which form without a doubt the cornerstone of any successful organization. Precisely for this reason comes our promise to ourselves and our investors and all our stakeholders to uphold the highest standards of probity and integrity in the management of the company.

In the light of the growing concern of our shareholders, including potential shareholders and investors, Kuwait Pillars decided to strengthen its corporate governance system in line with the finest local and international practices in this area. In this regard, Kuwait Pillars planned to strengthen the role of independent Board members and adopted sophisticated and distinguished work ethics in its sector as well as creating new regulatory laws and applying the delegation of authority system and integrate the role of the board of directors and committees at the heart of our business.

We also are looking to achieve the desired objectives to improve existing practices and procedures in addition to implement developed governance framework for Kuwait Pillars and its affiliates so we can take a prestigious position in our business areas and thus achieve the vision of our shareholders.

Finally we would like to take this opportunity to thank all the authorities and regulators that have contributed to better support the principles and practices of corporate governance and their implementation in State of Kuwait.



Ghazi Ahmed Al-Oseimi

Chairman

Our vision with governance

The Board of Directors of Kuwait Pillars is keen to develop a strategy that reflects the company's vision in accordance with the principles of complete governance. The Board of Directors of Kuwait Pillars seeks to maintain the highest standards and integrity standards in all transactions in addition to compliance with the regulatory standards issued by the Capital Market Authority and other regulatory bodies.

To this end, the Board has restructured the organizational structure with a complete vision and objectives aimed at achieving comprehensive management and the highest standards of complete governance. We believe in the importance of complete compliance with all laws and regulations that control the company's business, in addition to the continuous work on the upgrading and continuous development of regulatory policies in the areas of governance, disclosure and transparency.

In this regard, our company is continuously providing adequate support to all regulatory and regulatory functions to ensure the effectiveness of our operations and to verify the adequacy and efficiency of internal control and control systems related to the operations of related parties and to ensure that all operations are consistent with the policies adopted in this regard. Our company has policies regulating the nature of the relationship and business with the relevant parties in accordance with the regulatory laws and regulations issued by the regulatory authorities. Taking care not to participate a member of the Board of Directors in the vote or even attend to discuss any item of the agenda in the event of a relation between what is being discussed and the relevant member, either directly or indirectly.

We also refer to the rules of professional conduct approved by the Board of Directors, which prohibits the members of the Board of Directors and the executive management and employees from the exploitation of internal information about the conditions of the company in order to achieve any self-interest.

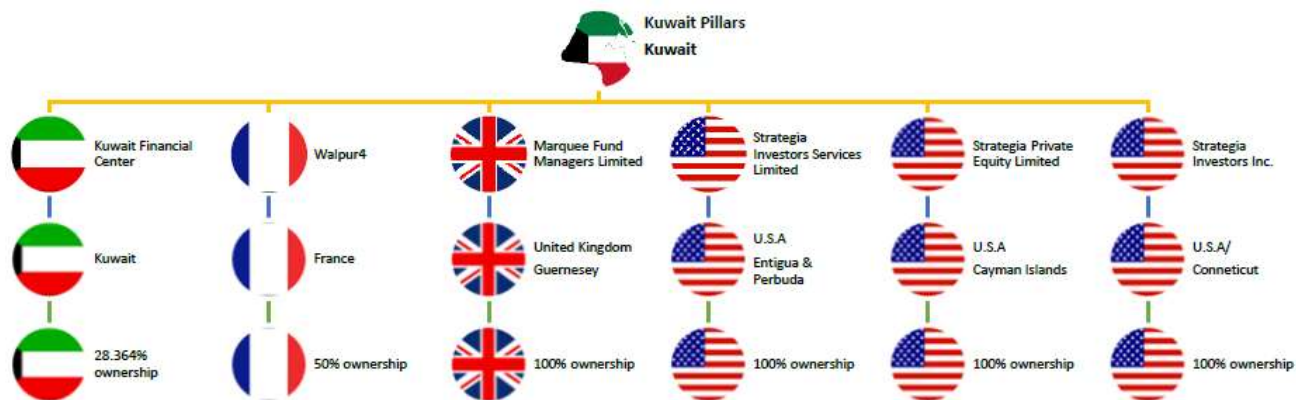
Kuwait Pillars is always keen to protect the interests of its customers and investors by setting up the appropriate mechanism to deal with customer complaints and optimizing the instructions of the Capital Market Authority and other regulatory bodies to protect customers and investors and to meet the requirements of all segments of our clients without any discrimination or preference.

Finally, Kuwait Pillars complies with all laws and regulations issued by the Capital Market Authority and other regulatory bodies. The company's management is also committed to the governance manual approved by the Board of Directors, as the application of governance is a key framework and approach of our company.

Major Shareholders of Kuwait Pillars that own 5% and more

Major Shareholders		Percentage
1	Privatization Holding Company	16.667
2	National Industries Group Holding	6.426

KPFI and its subsidiaries & associates



Percentage referred to as statements of 30/12/2017

Corporate Governance

Corporate governance (corporate governance system) is a set of rules that control the relationships between employees, the company's board of directors, shareholders and stakeholders inside and outside the company. Corporate governance provides the structure through which the objectives and the instruments needed to achieve them, and the performance monitoring is determined accordingly.

The board of KPFI is aware of the importance of compliance with the rules of good governance and essential role in controlling and stimulating corporate governance framework and related practices. In this regard, the board of directors is reviewing its framework and practices regularly to meet the requirements of “Capital Markets Authority” and all regulators and comply with all applicable laws and regulations.

The current governance system provides a comprehensive governance framework for corporate companies subject to Capital Markets Authority and Central Bank of Kuwait. This system contains principles that deal with general direction and composition of the board of directors, duties and responsibilities of directors, chairman and board secretary.

Implementation of Corporate Governance

Governance rules and corporate discipline standards enhance the levels of confidence in our ability to honor our commitment towards professional efficiency, and generate returns that contribute to the development of the Kuwait economy.

Overview of Corporate Governance

KPFI abides by the corporate governance rules stipulated in CMA’s resolution No. 7 of 2010 and its executive bylaw issued in November 2015 Book 15 about Capital Market Authorities and corporate discipline standards set forth in the corporate governance manual covering the duties and responsibilities of the chairman, and the CEO, as the governance rules do not allow the chairman to assume the responsibilities of the same company’s CEO. Additionally, duties and responsibilities of the board of directors have been specified including the company’s internal control system and assurance of its effectiveness. The powers, responsibilities and functions of each of the board members and the members of the executive committees have been determined. The powers and functions of the Executive Management have been separated through the policy of the governance guide, the external auditor appointment policy, the disclosure policy and the communication with the shareholders in order to comply with and adhere to the highest standards.

We have taken positive actions in terms of corporate governance, as we have launched a governance portal on the company’s website, including the annual governance report, the board structure, and information on the main founder shareholders, it also highlights all governance policies applicable in the company. In light of our keenness to apply the highest standards of transparency and disclosure, the board of directors communicates with the shareholders, inside or outside Kuwait, via the corporate governance related email address in a way that complies with the practices of the board of directors, executive management and employees.

The governance manual includes policies and rules which are based on transparency and responsibility, and emphasizes compliance with the highest standards of behavioral, professional and ethical discipline. It summarizes the following:

Corporate social responsibility policy which indicates our commitment to contribute to the development of the living quality of the company's employees which will reflect positively on the society, policy of profit distribution to shareholders, which seeks to achieve sustainable value for shareholders, code of conduct and a statement of the general principles that need to be complied with by the employees, the executive management, and the board of directors, share trading policy, related parties' transactions policy which specifies the acceptance requirements of transactions that involve the company and the related parties, whistleblowing policy, disclosure and transparency policy, assurance and integrity of financial reports policy, confidentiality of internal information (Chinese Walls), the shareholders' disclosure and communication policy, external auditor appointment policy, and the Board advisors' appointment policy; to provide advisory services to the board members and support the board's resolutions in order to achieve value for shareholders.

Our Shareholders

The board of directors is responsible for setting overall business strategy for KPFI and ensure adherence to the highest standards of corporate governance in all sectors of the company and its business. It is also fully responsible for the company management and its performance and adhere to exercise objective opinions on all matters of the company independent of the Executive management and the board of directors is responsible towards the shareholders for proper functioning of the business, responsible for ensuring the company's compliance with the relevant laws and regulations as well as the company's statute and regulations. The board is also responsible for protecting the company from illegal or abusive or improper acts and practices, the company also adopted a formal charter for the board of directors which determines its composition, mechanism and duties, responsibilities, and procedures for its meetings.

Rule 1: Construct a balanced board composition

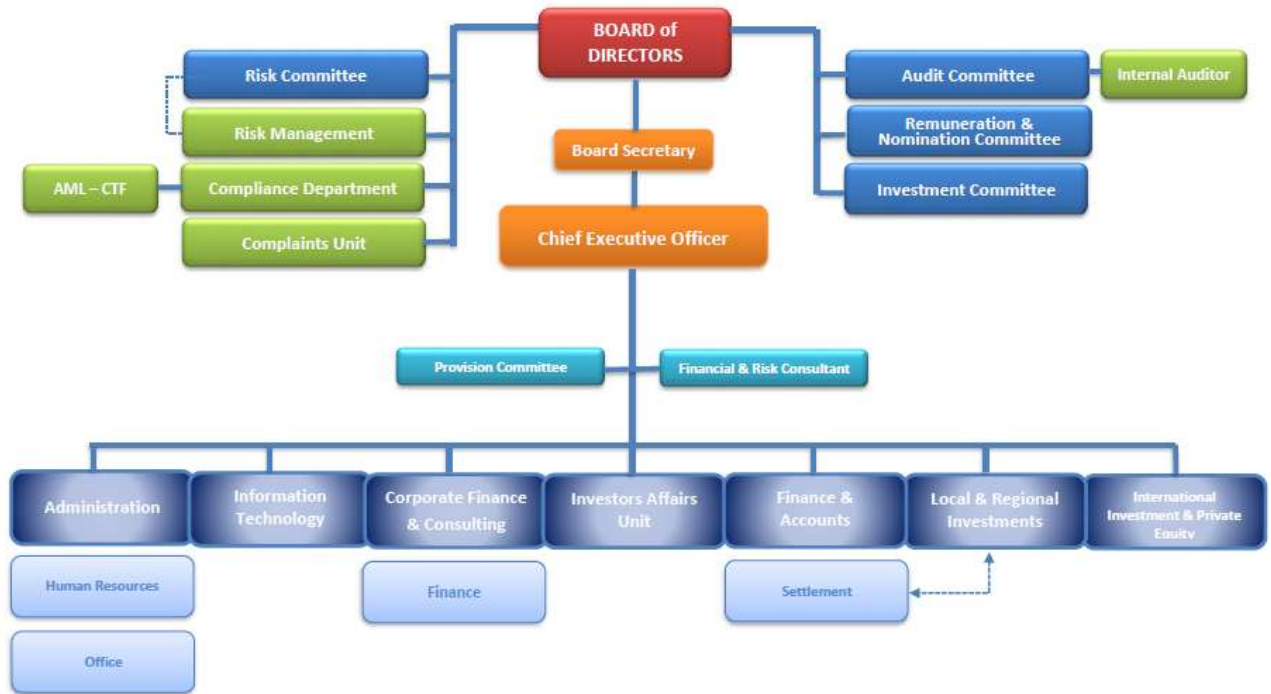
Chairman

It is the responsibility of the chairman to ensure the proper and effective functioning of the board, including the receipt of accurate and complete information from board members and committees in due time.

Board of Directors

Our organizational governance is clearly evident from the principles of conduct and compliance that are imposed by the Board of Directors in line with the international standards.

Corporate Governance Chart



Board of Directors



Mr./ Ghazi Ahmed Al-Oseimi
Chairman



Mr./ Mishal Naser Habib
Vice Chairman & CEO



Mr./ Soud Abdulaziz Al-Mansour
Board Member



Mr./ Jamal Abdullah Al-Saleem
Board Member



Mr./ Hassan Kamal Caedbey
Board Member



Mr./ Bandar Abdullah Al-Ghemlas
Board Member



Mr./ Mohamed Al-Sayed Taha
Board Secretary

Composition of the Board of Directors

The Board of Directors consists of executive, non-executive and independent members. They are elected through the General Assembly. The board of directors has sufficient members to form committees within the framework of corporate governance.

The board of directors is composed of six elected members. The election and the renewal of board of directors' membership shall be renewed every three years in accordance with the applicable rules, regulations and the instructions issued by the Capital Markets Authority and other regulatory bodies.

The board of directors shall exercise its functions through the committees emanating from it. The board of directors shall be responsible for putting all policies and decisions in place and ensuring the implementation of the appropriate strategy that serves the interests of the shareholders.

In the belief of the role of the board members in the leadership and the need to follow up the latest developments, the board of directors is keen to join the various training courses and technical workshops related to their work and their functions.

The position of the Chairman and Chief Executive Officer shall also be completely severed and there is no liaison, relationship or family relationship that would affect the independence of their respective decisions.

Name	Member Classification (Executive, Non-executive, Independent) Board Secretary	Qualifications & Professional experience	Date of election/ Appointment of board secretary	Representative of
Ghazi Ahmed Al-Oseimi	Chairman Non-executive	BA in Business Administration – Finance / Gulf University for Science and Technology - 2006	13 July 2017	Global Profession General Trading Company
Mishal Nasser Habib	Vice Chairman & CEO Executive	BA in Accounting / Kuwait University 1996 - Computer science Diploma / Commercial Institute “Public Authority for Applied Sciences” - 1992	13 July 2017	Elected
Soud Abdulaziz Al-Mansour	Board Member Non-executive	BA in Business Administration & Finance- California – USA/ 2000	13 July 2017	Elected
Hassan Kamal Caedbey	Board Member Non-executive	BA in Business Administration / Saint Louis University – USA - 1993	13 July 2017	Commercial Global Privatization Company
Jamal Abdullah Al-Saleem	Board Member Non-executive	BA in Accounting - Kuwait University- Master's degree in Accounting with first class honors – Oklahoma City University USA - 1987	13 July 2017	Combined Trust Real Estate Company
Bandar Abdullah Al-Ghemlas	Board Member	BA in Accounting - Kuwait University - 1994	13 July 2017	First Equilease for Equipment & Transportation Company
Mohamed El-Sayed Taha	Board Secretary	Bachelor of Arts English Literature	Appointed 11 March 2014	

Board Meetings

Meetings of the Board of Directors shall be held by the quorum of the majority of the members. The members of the board of directors were keen to carry out the duties of leadership and responsibility through extensive meetings to supervise the management of the company in various fields and work on the proper utilization of the company's human and financial resources. The board held 14 meetings during the past year, while the articles of association states to meet at least 6 times. Details of the meetings are as follows:

Board Meeting Attendance Table in 2017

Statement of Board meetings		Board of Directors Members					
Serial	Date of Meeting	Ghazi Ahmed Al-Osaimi	Mishal Nasser Habib	Jamal Abdullah Al-Saleem	Hassan Kamal Caedbey	Soud AbdulAziz Al-Mansour	Amani Ebrahim Al-Omani
1	07/02/2017	✓	✓	✓	✓	✓	Resigned
2	23/02/2017	✓	✓	✓	✓	✓	Resigned
3	16/03/2017	✓	✓	✓	✓	✓	Resigned
4	28/03/2017	✓	✓	✓	x	✓	Resigned
5	24/05/2017	✓	✓	✓	✓	✓	Resigned
6	03/07/2017	✓	✓	✓	✓	✓	Resigned

* The members of the board of directors were elected for a period of three years in accordance with the General Assembly Resolution of 13 July 2017.

Statement of Board meetings		Board of Directors Members					
Serial	Date of Meeting	Ghazi Ahmed Al-Osaimi	Mishal Nasser Habib	Jamal Abdullah Al-Saleem	Hassan Kamal Caedbey	Soud AbdulAziz Al-Mansour	Bandar Abdullah Al-Ghemlas
7	23/07/2017	✓	✓	✓	✓	✓	✓
8	07/08/2017	✓	✓	✓	✓	✓	✓
9	15/08/2017	✓	✓	✓	✓	✓	✓
10	22/08/2017	✓	✓	✓	✓	✓	✓
11	03/10/2017	✓	✓	✓	✓	✓	✓
12	27/11/2017	✓	✓	✓	✓	✓	✓
13	12/12/2017	x	✓	✓	✓	✓	✓
14	17/12/2017	✓	✓	✓	x	✓	✓
Attendance Percentage		93%	100%	100%	86%	100%	100%

Number of meeting during the year is 14 meetings as listed in above table.

Documentation & record of board meetings

All minutes of the meetings are recorded through the board secretary, who in turn prepares all the items related to the meetings, communicates with all the members and coordinates with them for all meetings. It also provides board members with immediate and quick access to meetings minutes, information, documents and records that help them make the right decisions in the right time and format.

The most important achievements of the Board of Directors during 2017

Approval and review Risk Report, Compliance Report and Money Laundering and Terrorism Financing Report.

Restructuring the Board of Directors and its committees.

Review quarterly financial statements.

Review and approve meetings minutes of the committees (Nominations and Remuneration - Investment - Risk - Audit) for 2017.

Review the AGM agenda for the financial year ending 31/12/2017 and Assembly invitation.

Changes in the Board of Directors during the year

Pursuant to the resolutions of the General Assembly held on 13 July 2017, the above mentioned board members were elected.

Rule 2: Establish appropriate roles & responsibilities

Brief on how the company defines the policy of functions, responsibilities and duties of each of the board members and executive management, as well as the authorities and powers delegated to the executive management.

The responsibilities and tasks policy of the Board of Directors was updated in 2017, which defines the authorities of the Board of Directors and the powers granted or delegated to the executive management, where a matrix of financial and administrative authorities has been approved for all levels of the executive body and the Board of Directors and to separate them from each other in contravention of the functions of any person having authority or delegation in the members of the executive body. The system determines the dual control of powers and there is no authority or absolute delegation for any person in the board members or the executive body.

Board Committees

The Board of Directors has approved the formation of its committees in order to enhance the effective supervision and control of all its operations and the activities of the company to ensure best practices.

The Board of Directors delegated a part of its duties, responsibilities and tasks to a number of its emanating committees. The instructions and rules of governance issued by the Capital Market Authority have been taken into consideration when forming the committees of the Board of Directors. The committees include: Audit Committee, Risk Management Committee, Remuneration & Nomination Committee, and Investment Committee. The following is a summary of the meetings and achievements of these committees.

Audit Committee

The Audit Committee is consisting of (3) members. The committee member should have the appropriate scientific qualifications and knowledge of the financial and administrative aspects and the nature of the company's business and activities. The Audit Committee should convene periodic meetings with the external auditors and at least four meetings with the internal auditor.

Audit Committee Functions

The Committee's functions are to establish appropriate standards to verify enhancement and status of internal audit by providing greater support and assurance of its independence from management and that external audit operations are carried out in a manner that achieves the principle of double auditing. The Committee also shall verify the company compliance with internal policies, laws, regulations and instructions and that the internal control systems for financial and administrative matters are comprehensive, monitored and reviewed in a timely manner. The Committee also assists the Board of Directors in reviewing the financial reports and ensuring the company's

compliance with legal and regulatory requirements, and also to ensure the adequacy of the qualifications, experience of independent auditors and their independency and to ensure an environment of discipline and internal control of the company.

Based on the Board of Directors' decision, the Audit Committee was re-formed on 23/7/2017 of the following Board of Directors members:

Name	Position within the Committee	Membership
Mr. / Jamal Abdullah Al-Saleem	Chairman	Non-Executive
Mr. / Soud Abdulaziz Al-Mansour	Member	Independent
Mr. / Bandar Abdullah Al-Ghemlas	Member	Non-Executive

The committee held (9) meetings during 2017.

The most important achievements of the Audit Committee during 2017

Recommendation to the Board of Directors to approve quarterly financial statements during 2017.

Supervision and review of the internal audit work of the company.

Appointing an auditor to perform audit work on client portfolios.

Appointing an external auditor to review and prepare annual internal control systems.

Reviewing the annual internal audit plan.

Changes in the membership of the Committee during the year

Based on the Ordinary General Assembly Meeting held on 13 July 2017 in which the Board of Directors was elected for a three-year term 2017-2019, the Audit Committee was re-formed on 23/07/2017.

Risk Management Committee

The Risk Management Committee is consisting of (3) members. The committee member should have the appropriate scientific qualifications and knowledge of the financial and administrative aspects and the nature of the company's business and activities. The Risk Management Committee should held meetings periodically 4 times during the year.

Risk Management Committee Functions

The functions of the Risk Management Committee are to oversee the risk management function of the company and to ensure that the company's policy includes sound risk management practice and implementation. It also reviews and evaluates the adequacy of the company's capital and its distribution as well as the adequacy, sufficiency of risk management, assurance of levels of risk orientation, as well as ensuring that senior management is fully aware and continuously monitors the risks that the company may face.

Based on the Board of Directors' decision, the Risk Management Committee was re-formed on 23/7/2017 of the following Board of Directors members:

Name	Position within the Committee	Membership
Mr. / Soud Abdulaziz Al-Mansour	Chairman	Independent
Mr. / Jamal Abdullah Al-Saleem	Member	Non-Executive
Mr. / Bandar Abdullah Al-Ghemlas	Member	Non-Executive

The committee held (4) meetings during 2017.

The most important achievements of the Risk Management Committee during 2017

Recommendation to the Board of Directors to approve the risk policy.

Reviewing and approving risk reports for regulatory bodies.

Reviewing periodic reports on possible risks that may be exposed to the company.

Changes in the membership of the Committee during the year

Based on the Ordinary General Assembly Meeting held on 13 July 2017 in which the Board of Directors was elected for a three-year term 2017-2019, the Risk Management Committee was re-formed on 23/07/2017.

Remuneration & Nomination Committee

The remuneration & nomination Committee is consisting of (3) members. The committee member should have the appropriate scientific qualifications and knowledge of the financial and administrative aspects of the company's business. And it should meet at least once a year.

Remuneration & Nomination Committee Functions

The role of the committee is to recommend to the Board of Directors on candidacy for Board of Directors membership in accordance with the approved policies and standards, the instructions issued by the Capital Market Authority and other regulatory bodies on the rules related to candidacy for the Board of Directors membership. The Committee also periodically reviews the required skills requirements for Board membership, conducts an annual evaluation of the performance of the Board as a whole, the performance of each member individually, the review and approval of the selection criteria and the appointment procedures of the Chief Executive Officer and the Executive Directors. It also ensures the establishment and implementing the remuneration framework for the Chief Executive Officer and executive functions. The committee also reviews and makes recommendations on matters related to changes in wage policy and bonuses, including end-of-service policies.

Based on the Board of Directors' decision, the Remuneration & Nomination Committee was re-formed on 23/7/2017 of the following Board of Directors members:

Name	Position within the Committee	Membership
Mr. / Soud Abdulaziz Al-Mansour	Chairman	Independent
Mr. / Ghazi Ahmed Al-Oseimi	Member	Non-Executive
Mr./ Jamal Abdullah Al-Saleem	Member	Non-Executive

The committee held (3) meetings during 2017.

The most important achievements of the Remuneration & Nomination Committee during 2017

Reviewing the results of the employees' annual assessment, the employees' bonuses and increases, remuneration of the CEO and the board secretary, and remuneration of the members of the committees.

Discussion of the Board's self-performance evaluation for 2016.

Discussion of candidacy applications for Board of Directors membership for the next three years 2017-2019.

Changes in the membership of the Committee during the year

Based on the Ordinary General Assembly Meeting held on 13 July 2017 in which the Board of Directors was elected for a three-year term 2017-2019, the Remuneration & Nomination Committee was re-formed on 23/07/2017.

Investment Committee

The investment Committee is consisting of (3) members. The committee member should have the appropriate scientific qualifications and knowledge of the financial and administrative aspects of the company's business. The Investment Committee should held meetings periodically 4 times during the year.

Investment Committee Functions

The role of the committee is to protect and ensure the quality of assets in the company through its diversified investments, the implementation of the approved investment strategy and control of investment activities through the approved policies related to the company and its activities and that the investment operations ensure the highest returns and have no negative impact on the financial stability of the company and take appropriate corrective measures maintaining company interests and asset quality.

Based on the Board of Directors' decision, the Investment Committee was re-formed on 23/7/2017 of the following Board of Directors members:

Name	Position within the Committee	Membership
Mr. / Mishal Nasser Habib	Chairman	Executive
Mr. / Hassan Kamal Caedbey	Member	Non-Executive
Mr. / Jamal Abdullah Al-Saleem	Member	Non-Executive

The committee held (5) meetings during 2017.

The most important achievements of the Investment Committee during 2017

Monitoring the performance of the company's investment portfolio.

Ensuring continuous compliance by the company with all applicable instructions and regulations as well as the policies and procedures approved by the company.

Reviewing and approving recommendations made by Asset Management regarding investment operations.

Reviewing and evaluating risk reports on investment risk in the company's assets.

Changes in the membership of the Committee during the year

Based on the Ordinary General Assembly Meeting held on 13 July 2017 in which the Board of Directors was elected for a three-year term 2017-2019, the Investment Committee was re-formed on 23/07/2017.

Summary of how to apply the requirements that allow board members to obtain information's in an accurate and timely manner

The Board members are provided with all information and data through e-mail and by sending them comprehensive reports for viewing. Communication is done through e-mail and all ways of communication. Through board secretary all documents, minutes of board meetings, and minutes of committees meetings are kept in files that are easy for the board members to request and to have access to, and copies of these minutes are sent via e-mail after completing the necessary signatures to of Board of Directors.

Rule 3: Recruit highly qualified candidates for members of a board of directors

Delegation and Authorities of the Executive Management

The board of directors is keen to support and guide the executive management with a view to achieve the company's objectives clearly and transparently under the umbrella of corporate governance.

Matters Retained for the Board

According to the instructions of all regulatory bodies and CMA's resolution No. 7 of 2010 and its executive by law issued in November 2015 – Book 15 – Corporate Governance Rules and Corporate Discipline Standards, the board of directors may delegate certain matters, retained for the board, for the board committees or the executive management. If necessary, the executive management is delegated according to general or specific delegations, with clear instructions on the authorities of the executive management. Matters retained for the board are summarized as follows:

Review and approve the company's annual budget and strategy, board membership, total salaries and remunerations of the executive management, the company's capital structure, financial reports and controls, internal control, general risks, approve the contracts and expenditures (which exceed the authority limit of the executive management) as per the applicable policy, approve the company's governance policy, and review and approve the general policies.

Application of Remuneration & Nomination Committee requirements

The Committee periodically reviews the suitable required skills for Board of Directors membership and prepares a description of the capabilities and qualifications required for Board of Directors membership in accordance with the interest of the company and the shareholders. The Committee also conducts an annual evaluation of the performance of the board as a whole and the performance of each member individually, reviews and approves the selection criteria and appointment procedures of the Chief Executive Officer and Executive Directors. It also ensures the establishment and application of the remuneration framework for the Chief Executive Officer and Executive Functions. The Committee also reviews and makes recommendations on matters related to changes in salary and remuneration policy including end-of-service policies.

Executive Management

The Company's executive management handles the day to day activities. It is headed by the Chief Executive Officer who is responsible, towards the board of directors, for the company's operating management, development, recommendations, as well as the application of strategies, policies and internal control framework.

The members of the Executive management are professionals with an extensive investment experience in local and international investment markets, with strong International Academy certifications and practical experience are grouped roughly 171 years as shown in below table:

Executive Management Members



Mr. Mishal Nasser Habib
Vice Chairman & CEO



Mr. Vijay Kulkarni
Financial & Risk Consultant



Mr. Harry Milne
International Investment Consultant
USA



Mr. Ahmed Mohamad Sobhy
Executive Vice President
Finance



Mr. Essam Abdulrahman Al-Yousef
Executive Vice President
Compliance



Mr. AbdulAziz Jassem Al-Jassem
Senior Vice President
Business Development
& Private Equity



Mr. Raed Ibrahim Al-Sadhan
Executive Vice President
Administration & HR



Mr. Burhan Kamali
Senior Vice President
International Investments



Mr. Fahad Mohamad Al-Osaimi
Vice President
Local & Regional Investment

Mr. Mishal Nasser Habib

Vice Chairman & CEO

Mr. Mishal has joined Kuwait Pillars since March 2011. He has appointed as Managing Director by the Board of Directors to manage the company daily business. He has succeeded to highlight his effective role in the company's growth plans moving forward. Mr. Mishal Habib is the Chief Executive of the company since August 2014.

Mr. Habib holds a Diploma in Computer Science and Bachelor in Accounting from Kuwait University. He has also completed the Intensive Credit Program in 1998 and the Harvard Executive Program for Leadership Development in 2007. From 2000, Mr. Habib serves as a Guest Speaker in the Institute of Banking Studies. His experience in the field of investments and financial services is more than 18 years.

Mr. Vijay Kulkarni

Financial & Risk Consultant

Mr. Vijay has joined Kuwait Pillars since May 2012 as a risk consultant for the executive team.

He has got master in Business Administration and finance from one of the greatest school in India. He has an extensive experience up to 38 years in executive and risk management in many of Kuwaiti and Indian banks. He also has many other academic certificates.

Mr. Harry Milne

International Investment Consultant - USA

Mr. Harry has joined Strategia Investors Inc. since 2007 as a consultant.

Member of the global real estate consultancy group (CRE). He has 25 years of experience in the field of investment in real estate, fixed income and equity.

Mr. Ahmed Mohamad Sobhy

Executive Vice President - Finance

Mr. Ahmed has joined Kuwait Pillars since 2012 as chief financial officer. He is responsible for monitoring all financial operations, financial planning and records. He is also responsible for applying financial reports to top management.

He got Bachelor in Accounting from Cairo University in 1995 and CMA in 2004 and many other certified courses and certificates in financial sciences, financial analysis, internal audit and accounting.

Mr. Essam Abdulrahman Al-Yousef

Executive Vice President - Compliance

Mr. Essam has joined Kuwait Pillars since July 2009 as Chief of Risk Management & Compliance Officer. He is also responsible for Anti Money Laundering, fighting financing terrorism and corporate governance to ensure the company's compliance to the highest standards in the risk management field through his experience spanning more than 19 years.

He got Bachelor in Accounting from Al-Balqa University- Jordan- in 1993, in addition to CPA, CCAML from Henly London, Corporate Governance Program - London (CG), MBA from University of Baylor, a certificate in Certified Operational Risk Management (CORM) from International Academy in 2014, and a certificate in Certified Risk & Compliance Management. He has attended numerous training courses in the area of Finance, Risk Management, and Business Administration.

Mr. AbdulAziz Jassem Al-Jassem

Senior Vice President – Business Development & Private Equity

Mr. AbdulAziz has joined Kuwait Pillars since November 2007 as Senior Vice President – Business Development. He is responsible for international real estate assets management as well.

He holds Bachelor of Science in Business Administration (BSBA) from Sufflok University (U.S.A). He has more than 10 years extensive experience in international investments.

Mr. Raed Ibrahim Al-Sadhan

Executive Vice President - Administration & HR

Mr. Raed has joined Kuwait Pillars in 2006; he started as a Vice President in the Administration & HR Division and was promoted as a Senior Vice President in January 2011. He manages all activities related to Human Resources, Information Systems Management and all ongoing administrative issues of the company.

Mr. Raed Al-Sadhan graduated from Helwan University (Egypt) in 1996 with Bachelor in Business Administration. He has attended many academic courses in his field. He also brings with him rich previous experience of nine years in other prestigious organizations.

Mr. Burhan Kamali

Senior Vice President – International Investments

Mr. Burhan Kamali joined Kuwait Pillars in January 2011 as a Senior Investment Analyst and was promoted as a Vice President – International Investments Department in November 2012. In his role, he analyzes and evaluates the various investment opportunities as needed by the clients and strengthen the products platform offered by the company.

Mr. Burhan received his Bachelor of Arts Degree, majoring in Banking and Financial Management from Applied Science University in Jordan in 2004. He got his CFA charter in 2012.

Mr. Fahad Mohamad Al-Osaimi

Vice President – Local & Regional Investment

Mr. Fahad has joined Kuwait Pillars in October 2013 as a Vice President / Local & Regional Investments Division.

Mr. Fahad received his Bachelor in Accounting from the College of Business Administration - Kuwait University in 2004, in addition to many training courses in the field of financial analysis and investment and CIM.

He also has extensive experience in the Local & Regional markets and in the field of analysis and trading.

Bonuses System

Bonuses, incentives and allowances policy

Kuwait Pillars provides several bonuses and incentives to its employees in line with the employee's annual assessment, which is in accordance with specific technical and professional standards. These bonuses are allocated in amounts that are appropriate to the employee's performance and are motivated and encouraged to continue and raise the level of performance. The company, through the Nomination and Remuneration Committee in cooperation with administrative affairs, has established and developed short and long-term bonuses plans that seek to create an attractive business environment and focus on encouraging employees at various levels of the company. It also works to develop a plan that will determine the role of each employee within the company's team, indicating its duties, duties and responsibilities, specifically the goals to be applied and explained to all employees.

Bonuses, incentives and allowances criteria for staff categories:

The company evaluated employees' performance in 2017 through a comprehensive assessment related to the nature of the business as well as their behavior in accordance with Kuwait Pillars standards. The annual evaluation of the company's employees was conducted under the supervision of the Human Resources Department and with the close participation of the Nomination and Remuneration Committee.

Total Remunerations Paid to the Executive Management in 2017

Employees Categories	No. of Employees & Consultants	Fixed bonuses KWD	Variable Bonus KWD		Total KWD
			Cash	Shares	
Executive Management	9	375,172	94,728	-	469,900

* Bonuses and incentives related to the company performance are calculated according to the individual performance appraisal mechanism within the general framework of the Board of Directors approval. This assessment is currently carried out and approved of all members of the executive management.

* Fixed remuneration means the total salaries, wages, allowances, etc., and periodic or annual bonuses associated with performance and incentive plan.

Rule 4: Safeguard the integrity of financial reporting

The Board of Directors and the Executive Management present written commitments regarding the integrity of the prepared financial reports. All financial policies and procedures are reviewed by the Audit Committee.

Implementation of the Audit Committee requirements

Establish the appropriate standards to verify strengthening and status of internal audit by providing greater support and assistance and ensuring its independence from management. External audits are carried out in a manner that achieves the principle of double auditing. The committee also verifies compliance with the company's internal policies, laws, regulations and instructions. Financial and administrative matters are comprehensive, monitored and reviewed in a timely manner. The Committee reviews the financial reports and ensures company compliance with the legal and regulatory requirements as well as ensuring the adequacy of the qualifications and experience of the independent auditors and their independence and the existence of an environment of discipline and internal control in the company and ensure the integrity of financial reports and others.

Conflicts between the recommendations of the Audit Committee and the Board of Directors

No discrepancy has been identified between the Audit Committee and the Board of Directors during 2017.

Independence of External Auditor

General Information

Deloitte & Touche Al-Wazzan & Co

Auditors' register No. 62, Category A

“Deloitte & Touche” is a trademark dealing with dozens of thousands of the professionals in independent companies around the globe, offering services like audit, advisory, financial advisory, corporate risks, and tax for certain customers.

External Auditor's Appointment Policy

- The External Auditor's Appointment Policy defines the external auditor's framework, scope, and authorities with emphasis on allowing external auditors to perform their assignments freely and independently. It also defines the conditions required for the Auditor selection, where the Board of Directors raises its recommendations for selection to be presented for the General's Assembly opinion and approve recommendations.

- The general assembly meeting held on 13 July 2017 approved the reappointment of Deloitte & Touche – Talal Yousef Ali Al-Mzeini, as the auditor of the company for 2017, against fees of KD 10,000. No other external auditor has been engaged to provide any sort of financial statements auditing during 2017. Additionally, external auditors are not required to handle any internal control related issue, whereas the company's internal control tasks have been assigned to Grant Thornton, as per the internal audit plan approved by the Audit & Risk Committee and the Board of Directors.
- In line with the disclosure and transparency provisions issued by the CMA, CBK as well as other regulatory bodies, the company's financial statements for the fiscal year ended on 31/12/2017 have been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), with a view to increase the level of the board's transparency and compliance, and to provide the shareholders and public with financial statements reflecting the company's real financial condition.

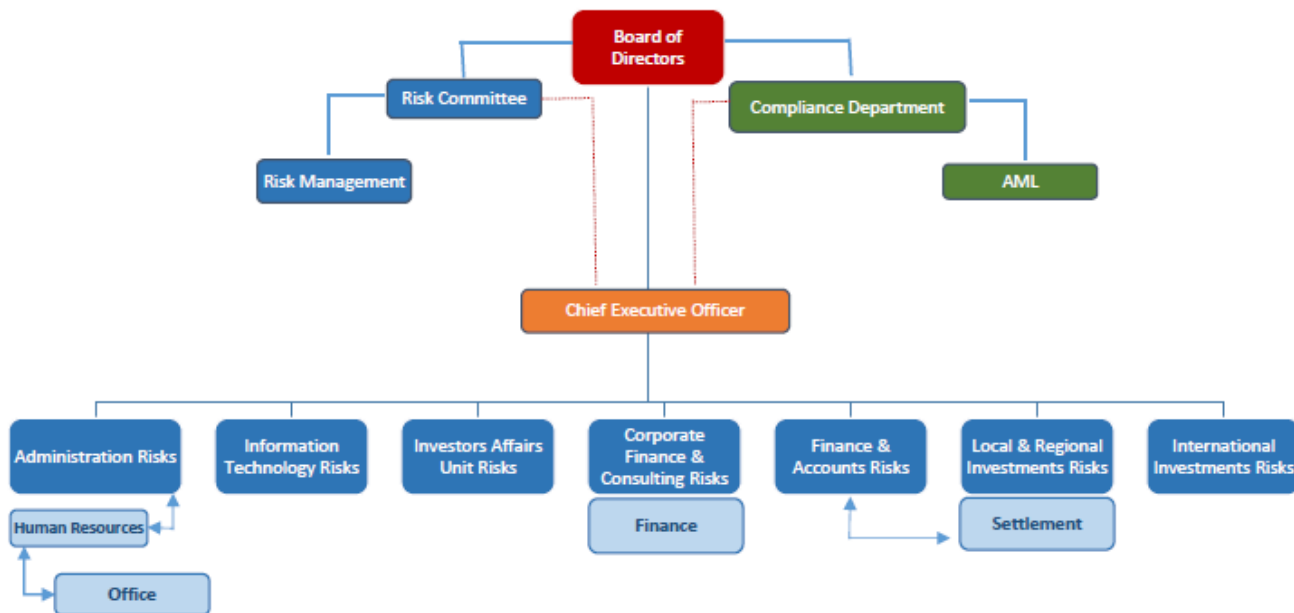
Relationship with the External Auditor

The Audit Committee supervises the external auditor's appointment policy, and maintains good relationships with the auditors. The company's relationship with the auditors is determined through the following duties of the Audit Committee:

- Approve the external auditor's appointment policy and present the same to the board of directors.
- Study the recommendations to be presented to the shareholders on the appointment, reappointment, or dismissing the company's external auditor, and submit the same to the board for approval in the annual general assembly meeting.
- Monitor the external auditor's independency and objectiveness, and discuss its nature and scope and efficiency of work as per IFRS.
- Foster a suitable environment for cooperation between the external and internal auditors.
- The Company's external auditor must be enlisted in the Accountants and Auditors Register as per CMA and CBK Executive Regulation organizing the profession of accounting and auditing.
- The external auditor should not be party to any agreement, or agent for any of the company's founder members, board members or any of their relatives to the fourth degree of relationship.
- Selection of an external auditor depends on the efficiency, reputation and experience of the external auditor. In the event where the board of directors or the general assembly does not accept the Audit Committee's recommendations regarding the selection, appointment, resignation, or removal of the external auditor, the board of directors must include, in the company's governance report, a statement of such recommendations and the reasons for refusal.

Rule 5: Apply sound systems of risk management & internal audit

Governance Risk Management Chart



Implementation of the requirements of the Risk Management Committee

Supervising the work of risk management in the company and ensuring that the company's policy includes the practice of sound risk management and implementation. It also reviews and assesses the adequacy of the company's capital and its distribution, the safety and adequacy of risk management, the existence of levels of risk orientation and ensuring that senior management is fully aware and constantly monitoring risks that the company may face.

Internal Control

Internal Control System

Our board of directors is responsible for monitoring and reviewing the effectiveness of the internal control, for protecting the assets, maintaining sound financial statements, and revealing errors and violations. The board of directors is committed to review the Risk Committee's report on the internal control activities and periodic reports.

Internal Control involves setting a clear organizational structure, documentation of policies and guidelines, and identification of authorities, delegations and performance control mechanisms set up to monitor the company's operations effectively and regularly, and to ensure compliance with the corporate governance rules issued by the regulatory bodies.

The Board of Directors' Role in Internal Control

1. The board accepts full responsibility for reviewing the internal control system and ensuring its effectiveness.
2. The board is fully responsible for ensuring that the Top Management develops and applies an effective internal control system providing reasonable guarantee for having efficient and effective operations, presenting accurate financial reports, and complying with the laws and legislations as set forth in CMA's law and its executive by law – book 15 – regarding the Governance Rules and Corporate Discipline Standards.

The board has delegated the following to the Risk Committee:

1. Review the Risk Management Department's systems and the internal controls once a year at least to ensure mitigate all the risks that may face the achievements of business objectives by applying appropriate and effective controls. The audit must include financial data control, operations, risk management and internal control systems.
2. The review procedures adopted by the company to identify, assess and manage great risks.
3. To review changes made, since the last review, to the nature and extent of great risks, and the company's ability to adapt to any change in the operations and external environment. The Committee is also responsible for the scope and nature of the activities of controls applied to risks and internal control systems as well as the external audit processes, review the weaknesses and defects of the internal control system or unexpected emergencies that have materially affected or may materially affect the company's financial position, and review the procedures applied by the company for tackling the control's essential issues, review the company's compliance with the applicable laws and regulations.

Internal Control System's Mechanism

Our Internal Control System is comprised of a group of procedures applied by the board of directors, the executive management, as well as the company's employees. Such procedures are designed to provide reasonable, not ultimate, guarantee for achieving the following objectives:

- **Risk management:** ensure identifying the risks and controls required for achieving the company's objectives.
- **Operations' effectiveness and efficiency:** To conduct operations in a precise way with pre-approved procedures to ensure expected accuracy and smooth customer's service.
- **Authenticity of Financial Reports:** ensure presenting authentic financial statements and information to the board, shareholders and Top Management.
- **Internal audit reports:** Review the internal reporting procedures and determine the integrity of financial position of the company.
- **Audit of internal control systems:** A report is prepared by an independent auditor annually on internal control systems.

- **Adherence to applicable laws and legislations:** adhere to the laws and regulations governing the company, to avoid harming the company's image or receiving penalties.

Enterprise Risk Management

- The Company is committed to keep the risk management systems in line with the latest international criteria and standards in order to sustain our capabilities and efficiencies in that regard.
- The Company believes that the strategic and applied efficiency and the practices adopted through "Corporate Risk Management" are a basic requirement of all the company's departments.
- The Corporate Risk Management works persistently to set up the best frameworks and methodologies through which the company can maintain its assets, possessions and development on the one part, and protect the interests of shareholders and stakeholders on the other part in addition to maintaining its compliance with the laws and regulations applicable in the fields of investment and operating activities practiced by the company.
- The company has developed its own comprehensive scope for risk management based on relevant international methodologies. This scope is in line with the diligence, compliance and general policies adopted by the company to define, assess and monitor the risks threatening it and to report the same to the concerned parties through appropriate methods.
- Through that scope, the department in charge of risk affairs will periodically detect and assess the company-related risks and discuss the same with the chairman and the executive management team in order to specify the best methods to deal with the risks that the company may face. This ensures that the Risk Management Department is in line with the company's strategic and commercial goals.
- The company is also working on implementing some procedures and practices to develop the business activities and increase the practical efficiency for dealing with the risks in such a significant department.
- The Risk Management Department's Head works on presenting a periodic report on the company's risk indicators in addition to submitting a semiannual report to CMA on the company's risks. Such report shall be presented to the Risk Committee and the Board of Directors.
- Independent risk management officer

Brief statement on the implementation of the requirements of forming a department/office/independent internal audit unit

The audit was delegated to an independent audit office. Then, an audit officer was appointed by the Audit Committee on 1 March 2017 and is being conducted. Internal audit reports are presented to the Audit Committee for discussion and approval.

Rule 6: Promote code of conduct & ethical standards

Behavioral rules and values

The Board of Directors, through the code of professional conduct rules and ethics, defines good practices for governance and its work. This includes the means to ensure that these practices are followed, reviewed and regularly updated with a view to improving them.

The Board of Directors takes the lead in defining professional standards and corporate values that enhance the integrity of the company, senior management and employees.

The code of professional conduct and ethics shall be circulated to all employees of the company and to the board of directors' members to obtain their signatures with the instructions stated therein.

Conflict of interest

Our company has written conflict of interest policies covering all issues related to the subject of conflict of interest and its prospects, including but not limited to:

- Avoid a member of the board of directors from engaging in activities likely to lead to conflicts of interest.
- Board of director's approval of any activity by a member of the board may result in a conflict of interest.

Confidentiality of information and non-disclosure of information

The confidentiality of information is one of the most important principles on which our business foundations are based. It is one of the important pillars for dealing with customers and investors. Our company also has policies to maintain the confidentiality of information and business and contains:

- Compelling the members of the board of directors and all employees of the company to maintain the confidentiality of data and information of customers of other companies that have reached them by virtue of their work.
- Not to disclose any data or information concerning the company and its customers except by authorized persons in light of what may be permitted by the company's internal laws, instructions and policies.
- To maintain the security of company data and its customers and to establish controls to prevent access to them except by the authorized persons. The Board of Directors is responsible through the disclosure manual on the status of the control systems to restrict access to such data and information to the authorized persons and to verify that the company's control systems prevent the leakage of any financial or Investment or any future projects that undermine and undermine professional confidentiality.
- The Board of Directors and the Executive Management of the Company recognize their responsibilities in developing the company's security awareness, which enhances and maintains confidentiality in transactions.
- Affirmation and commitment to the importance of not using any available internal information about the company's conditions to a member of the board of directors or any of the employees working for the company to achieve self-interest or interests of other related parties.

Rule 7: Ensure timely & high quality disclosure & transparency

Disclosure of Board Members' & Executive Management Transactions:

Below are the dealings in the company's shares during 2017, conducted by the board members and their first degree relatives.

Member	Relation	Total sale (of shares)	Total purchase (of shares)
None	None	None	None

Board members and their first degree relatives did not conduct any dealings in the company's shares during 2017. We seek to develop the performance of our services, and be more transparent in all our dealings with shareholders and investors.

Disclosure policy and communication with shareholders

The company is aware that the disclosure system is an effective tool to influence the company's behavior and protect the shareholders and enhance their confidence in the company. The company provides its shareholders and investors with accurate, comprehensive, detailed and timely information through the company's website, which reflects transparently all data, organizational structure and control procedures and policies through dissemination of information of annual reports, quarterly reports through the website (www.kuwaitpillars.com.kw) in Arabic and English.

The company also maintains a complete record of disclosure and is internally documented and can be accessed sequentially through the company's website.

Investors Affairs Unit

The Investors Affairs Unit has been established to provide as much information as possible to current and future potential investors. This unit is responsible for establishing and providing the necessary data, information and reports to investors. The Investors Affairs Unit has the appropriate independence to provide timely and accurate data and reports.

Disclosure through IT systems

Through the development of its electronic portal, our company strives to present and disclose all information and data and utilize the means of information technology to communicate with the general public.

Rule 8: Respect the rights of shareholders

Protecting the shareholders rights

The shareholders have the right to review and participate in the decisions that may affect the future of the company or its activities. The company provides all necessary information to the shareholders in a timely and appropriate manner through advertising in newspapers or through the company official website to allow them to exercise all their rights to the fullest.

Shareholders Register

The Company has established a register of shareholders deposited with (Kuwait Clearing Company) through which the data relating to shareholders and their ownership is continuously monitored through continuous follow-up in the change of ownership and what arises from it.

Encourage the shareholders to attend annual general meetings to vote

The management of the company is keen to publish within enough time about the annual general meeting and invites through the advertising tools all its shareholders to attend the meetings and vote and announces at sufficient intervals by means of another announcement to remind shareholders to attend the meetings.

Rule 9: Recognizing the roles of stakeholders

Stakeholders have an important and influential role in the success of our company. The board recognizes that unlimited ultimate success is the result of the joint efforts of many parties, including clients and employees.

The company's procedures, approved policies and practices emphasize the importance of respecting the rights of stakeholders in accordance with the relevant laws, regulations and systems.

Rule 10: Encourage & enhance performance

The board of directors has approved the policy of evaluating the performance of the board of directors as a whole and the performance of the board of directors and the executive management for the year 2017. The Board also determined the performance evaluation policy for each member of the board of directors and the executive management through the performance indicators (KPIs). The board of directors is making efforts to create institutional values (value creation) for the company's employees by achieving strategic objectives and improving performance rates.

- The executive management shall hold regular meetings with all employees, managers and heads of departments in the company to find new ideas and to encourage all employees to communicate with the executive management and the board of directors.
- The human resources department develops an annual plan to train all employees on an annual basis in order to prepare them for executive and leadership positions in the future.
- In addition to the technical training programs selected by the departments for their employees.

Rule 11: Focus on the importance of corporate social responsibility

Sustainable Development and Social Responsibility

From our responsibility towards society and our ongoing commitment to ethical role performance as required by laws and general norms and the importance of the broad concept of this responsibility and its impact on society as a whole, Kuwait Pillars continues to focus on sustainable development. KPFI seeks to have an active role in the development of society through initiatives and partnerships that contribute to the benefit of different segments of society.

The role of the company towards the social responsibility ensures, to some extent, to support all members of society to its goals and its development mission and recognition of its existence, as well as contributing to the needs of society and life and living requirements, in addition to creating new employment opportunities through participation in charitable and social projects of developmental nature.

The social responsibility takes Kuwait Pillars beyond charity work, as it shows how the company manages economic, social and environmental impacts as well as our relations in all the key areas of these aspects.

Our Services to Society include:

Our Human Resources

The human element is the most important resource of the company, so it is important to keep all the social responsibilities towards it and to develop and apply a strong relationship between the company and its employees. Some of social practices adopted by the company in this frame are:

- 1) Support national workforce.
- 2) Provide an opportunity for fresh graduates to raise their abilities and contribution in society.
- 3) Rewards and incentives for personnel in accordance with the principle of efficiency and trustworthy.
- 4) Raise the morale of employees and spread the spirit of cooperation, motivation and encouragement among them.
- 5) Training and development: the company has launched several courses and training programs aimed to develop the skills of its staff and to expand their knowledge.
- 6) Safety and sound lifestyle.
- 7) Staff members' commitment to work.
- 8) Business diversification.
- 9) Integrity and credibility of business.
- 10) Recruitment and retention.
- 11) The company's commitment to apply the related laws and regulations and executing them fairly with its employees.

Social Initiatives

In pursuit of company's management on social responsibility, Kuwait Pillars has contributed to humanitarian initiatives for specific groups that need support and care. It supported the Kuwaiti Association for Down Syndrome for three years by contributing to some of the educational and rehabilitation activities organized by the Association. It is one of the associations of public benefit that's dealing with people with intellectual disabilities especially down syndrome category. Its goal is to care about this category from both gender and all age groups to rehabilitate and develop their mental abilities as well as individual and collective skills through the provision of educational and rehabilitative activities for them to be effective agents in the society in which they live.

Support of National Workforce

Our interest in human development, particularly national resources, constitutes one of the most important pillars of KPFI social responsibility. During 2017, some employees have been registered to attend courses organized by Kuwait Investment Authority in cooperation with Union of Investment Companies, as well as attending training programs and seminars in Abdul Aziz Hamad Al-Sager center in order to increase their practical expertise to raise the level of advanced skill, which contributes to national economy to grow.

Internal Policies

Kuwait Pillars seeks to have the corporate social responsibility integrated in the day-to-day company's operations. It looks for the proper coordination and communication between the company and all functional units, where the commitment towards social responsibility is translated to specific goals and included in corporate policies and procedures.

Confirmation (external auditor - independent) of adequacy of internal control & control systems

External auditor confirmation (independent) on the adequacy of control systems, control procedures and auditing.

Audit committee confirmation to Board of Directors of other accounts, records and internal control systems.

Kuwait Pillars contracted with an external audit office (independent – other than the external auditor of the company) to verify the integrity of accounting records, other records and company internal control systems. Which reported the accuracy of internal control and control systems for the financial year ended December 31, 2017.

Board of director's confirmation on the adequacy of internal control & control systems (Internal Audit)

The Board of Directors of Kuwait Pillars confirms that company's internal control systems are continuously verified and efficient and that they are comprehensive, monitored and reviewed in a timely manner in the context of a transparent, clear organizational structure, the limits of responsibility and accountability. Internal audit reviews the internal controls, duties and responsibilities in addition to the proper use of powers granted with an emphasis on risk-based audit approach.

Audit Committee's annual report on internal audit procedures for accounts and other records and internal control systems

We have reviewed the internal auditor's audit reports for the year ended 2017, which included audit, accounts checking and internal control procedures of Kuwait Pillars Financial Investment Company (KSCC) during the year ended 31 December 2017, under which the audit and checking procedures were carried out as follows :

1. Corporate Governance (Board of Directors - Board Committees).
2. Asset Management (Local and Regional Investment - International Investment - Development and Private Equity).
3. Information Technology Department - Anti Money Laundering.
4. Human Resources and Administration - Anti Money Laundering.
5. Finance and Accounts - Anti Money Laundering.
6. Compliance - Risk - Anti Money Laundering.

We have reviewed the reports of internal audit department on the procedures of checking and auditing to ensure that Kuwait Pillars complies with the regulatory requirements issued by Capital Market Authority and general guidance issued by Central Bank of Kuwait regarding internal audit and control.

We would like to refer to our role as members of Audit Committee and Board of Directors, including the design, implementation and maintenance of audit procedures and internal controls. Taking into consideration the cost-benefit of elements of these systems with the expected benefits of their applications. The objective of this report is to provide appropriate and reasonable assurance about the adequacy of the audit procedures, systems, risk management procedures, and compliance procedures to protect the company's assets that may result from irresponsible actions or uses. The risks are monitored and evaluated and the operations are performed in accordance with the established authorization procedures correctly.

In our opinion - taking into consideration - the nature and volume of operations during the year ended 31 December 2017, accounting records, other records, audit procedures, internal control systems, risk performance level, and regulatory compliance procedures we have reviewed and examined, as well as AML and CTF, are established and maintained in accordance with the requirements of Capital Market Authority regarding audit procedures, internal control systems, risk management and compliance procedures as well as the governance system, which are properly recorded and implemented.



Consolidated Financial
Statements and Independent
Auditor Report

**For the year ended
31 December 2017**

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Independent Auditor's Report

To the Shareholders of Kuwait Pillars for Financial Investment (K.S.C.C)

(Formerly - Strategia Investment Company – K.S.C.P)

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Pillars For Investment – K.S.C.C (Formerly Strategia Investment Company - KSCP) (the "Parent Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the 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.

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 International Financial Reporting Standards (IFRSs), 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.

Independent Auditor's Report to the Shareholders (continued)

Kuwait Pillars for Financial Investment (K.S.C.C)

(Formerly - Strategia Investment Company – K.S.C.P)

State of Kuwait

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, 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 organization of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the financial year ended 31 December 2017, that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Yousef Al-Muzaini

Licence No. 209A

Deloitte & Touche – Al-Wazzan & Co.

Kuwait, 27 March 2018

Consolidated Statement of Financial Position as at 31 December 2017*(All amounts are in Kuwaiti Dinar)*

	Note	2017	2016
Assets			
Cash and cash equivalents	5	1,163,005	1,224,420
Investments available for sale	6	3,976,075	3,492,202
Investments held to maturity	7	1,700,000	1,650,000
Receivables and other debit balances	8	280,273	247,608
Investment in an associate and joint venture	9	22,939,221	19,480,077
Investment properties	10	1,988,252	1,625,131
Finance receivables	11	2,665,571	5,506,753
Other assets		5,754	10,177
Total assets		34,718,151	33,236,368
Liabilities and equity			
Liabilities			
Payables and other credit balances	12	685,678	609,502
Equity			
Share capital	13.1	30,000,000	30,000,000
Share premium		697,235	697,235
Statutory reserve	13.2	558,308	357,484
Voluntary reserve	13.3	55,829	35,747
Foreign currency translation reserve		15,150	9,318
Change in fair value reserve		63,180	74,129
Group's share of an associate's reserve		(1,429,272)	(850,512)
Treasury shares	14	(282,682)	(282,682)
Retained earnings		4,354,725	2,586,147
Total equity		34,032,473	32,626,866
Total liabilities and equity		34,718,151	33,236,368

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



Ghazi Ahmed Al Osaimi
Chairman



Mishal Nasser Habib
Vice Chairman & CEO

Consolidated Statement of Income for the year ended 31 December 2017*(All amounts are in Kuwaiti Dinar)*

	Note	2017	2016
Revenues			
Management fees		84,756	179,832
Investments income	15	1,396,964	235,938
Shares of results from an associate	9	909,931	1,091,573
Interest income		382,699	245,319
Rental income		74,744	72,825
Other income		167,543	154,232
		<u>3,016,637</u>	<u>1,979,719</u>
Expenses			
Staff costs		650,329	655,925
General and administrative expenses		321,944	353,758
Depreciation		36,128	40,193
		<u>1,008,401</u>	<u>1,049,876</u>
Profit before statutory deductions		2,008,236	929,843
Kuwait Foundation for Advancement of Science		(8,975)	-
Zakat		(9,777)	-
		<u>1,989,484</u>	<u>929,843</u>
Net profit for the year		<u>1,989,484</u>	<u>929,843</u>
Earnings per share (fils)	16	<u>6.88</u>	<u>3.11</u>

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017*(All amounts are in Kuwaiti Dinar)*

	2017	2016
Net profit for the year	<u>1,989,484</u>	<u>929,843</u>
Other comprehensive income items		
<i>Items that are or may be reclassified subsequently to the consolidated statement of income</i>		
Change in fair value of investments available for sale	111,565	(219,255)
Transferred to the consolidated statement of income from sale of investments available for sale	(125,019)	(7,957)
Impairment of investments available for sale	2,505	14,550
Foreign currency translation differences	5,832	(3,165)
Group's share of an associate's reserves	<u>(578,760)</u>	<u>(704,768)</u>
Total other comprehensive loss items	<u>(583,877)</u>	<u>(920,595)</u>
Total comprehensive income for the year	<u><u>1,405,607</u></u>	<u><u>9,248</u></u>

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2017
(All amounts are in Kuwaiti Dinar)

	Share Capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change in fair value reserve	Group's share of an associate reserve	Treasury shares	Retained earnings	Total
Balance as at 1 January 2016	30,000,000	697,235	264,500	26,449	12,483	286,791	(145,744)	-	1,758,586	32,900,300
Net profit for the year	-	-	-	-	-	-	-	-	929,843	929,843
Other comprehensive loss items	-	-	-	-	(3,165)	(212,662)	(704,768)	-	-	(920,595)
Total comprehensive (loss) /income	-	-	-	-	(3,165)	(212,662)	(704,768)	-	929,843	9,248
Purchase of treasury shares	-	-	-	-	-	-	-	(282,682)	-	(282,682)
Transfer to reserves	-	-	92,984	9,298	-	-	-	-	(102,282)	-
Balance as at 31 December 2016	30,000,000	697,235	357,484	35,747	9,318	74,129	(850,512)	(282,682)	2,586,147	32,626,866
Balance as at 1 January 2017	30,000,000	697,235	357,484	35,747	9,318	74,129	(850,512)	(282,682)	2,586,147	32,626,866
Net profit for the year	-	-	-	-	-	-	-	-	1,989,484	1,989,484
Other comprehensive income/ (loss) items	-	-	-	-	5,832	(10,949)	(578,760)	-	-	(583,877)
Total comprehensive income/ (loss)	-	-	-	-	5,832	(10,949)	(578,760)	-	1,989,484	1,405,607
Transfer to reserves	-	-	200,824	20,082	-	-	-	-	(220,906)	-
Balance as at 31 December 2017	30,000,000	697,235	558,308	55,829	15,150	63,180	(1,429,272)	(282,682)	4,354,725	34,032,473

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

Consolidated Statement of Cash Flows for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinar)

	Note	2017	2016
Cash flow from operating activities			
Net profit for the year		1,989,484	929,843
<i>Adjustments:</i>			
Depreciation		36,128	40,193
Investment income		(1,396,964)	(235,938)
Share of result from an associate		(909,931)	(1,091,573)
Interest income		(382,699)	(245,319)
Other income		-	(169,014)
Provisions (reversed)/ charged during the year		<u>(29,538)</u>	<u>43,718</u>
Operating losses before changes in working capital		(693,520)	(728,090)
Receivables and other debit balances		(32,665)	63,756
Finance receivables		2,870,720	(4,461,535)
Payables and other credit balances		<u>98,702</u>	<u>79,040</u>
Net cash generated from/ (used in) operating activities		<u>2,243,237</u>	<u>(5,046,829)</u>
Cash flow from investing activities			
Time deposits		-	6,500,000
Paid for purchase of investments available for sale		(1,013,206)	(24,402)
Proceeds from sale of investments available for sale		726,983	117,959
Purchase of investments held to maturity		(50,000)	(1,650,000)
Paid for purchase of additional shares in an associate		(2,831,439)	(28,883)
Dividends received from an associate		676,495	563,505
Paid for purchase of investment properties		(409,350)	(50,737)
Purchase of treasury shares		-	(282,682)
Paid for purchase of property and equipment		(2,171)	(7,650)
Dividends received		215,337	234,492
Interest income received		<u>382,699</u>	<u>245,319</u>
Net cash (used in)/ generated from investing activities		<u>(2,304,652)</u>	<u>5,616,921</u>
Net (decrease)/ increase in cash and cash equivalents		(61,415)	570,092
Cash and cash equivalents at the beginning of the year		<u>1,224,420</u>	<u>654,328</u>
Cash and cash equivalents at the end of the year	5	<u>1,163,005</u>	<u>1,224,420</u>

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

1. Incorporation and activities

Kuwait Pillars for Financial Investment-KSCC (Formerly Strategia Investment Company K.S.C.P), the "Parent Company" is a Kuwaiti Shareholding Company incorporated in Kuwait in 1998 and is regulated by the Central Bank of Kuwait and Capital Markets Authority. The Parent Company was listed in the Kuwait Stock Exchange on 3 December 2008. On 8 July 2016 based on the shareholders extraordinary General Assembly meeting, the Company has voluntarily elected to delist from Kuwait stock exchange effective from 1 March 2016. The Company has obtained the approval from CMA to delist on 31 August 2015.

The extraordinary General Assembly meeting of shareholders dated 4 October 2016 approved to change the name of the Company as "Kuwait Pillars for Financial Investment (K.S.C.C.)". This has been authenticated in the Commercial Register dated 24 October 2016.

The objectives of the Parent Company are:

Financial investment operations in all economic sectors by all legal means deemed appropriate by the Parent Company to achieve its objectives inside and outside Kuwait for its benefit or others, including:

- Sale and purchase of financial securities for the Company and others with no violation to provisions of law.
- Lending or borrowing and issuing bonds as per Law and financing the foreign trade operations.
- Carrying out financial brokerage operations and managing investments for others.
- Providing and preparing studies and technical, economic and revaluation consultancies, as well as studying the related investment projects and preparing the necessary studies for those institutions and companies (provided the necessary conditions should be met).
- Establishing or participating in the establishing of companies of all types, objectives and nationalities and deal in selling and purchasing of shares, bonds and financial rights of those companies.
- Managing financial and real estate portfolios for the company and for others and investing and developing its customers' funds through placing them in all aspects of local and global investment.
- Investing in real estate, industrial, agricultural and other economic sectors either directly or by contributing in the establishment of specialized companies or purchasing shares or bonds of those companies in different sectors.
- Establishing, managing and marketing investment funds of all types as per Law.
- Carrying out the function of bonds issuing manager, which are issued by companies and authorities, and investment custodian's functions.
- Dealing and trading in the foreign exchange market and precious metals market inside and outside Kuwait for the company's benefit only.
- Providing all services that assist developing and supporting the ability of the financial and monetary market in Kuwait within limits of Law and as per CBK's instructions and procedures through offering new trading financial instruments or providing consulting services to Kuwait Stock Exchange's management and other services.

The Parent Company may have an interest or participate in any way in any entity that conducts similar business or which may assist it to achieve its objectives inside and outside Kuwait and it may also purchase such entities or affiliate thereof to it.

The Parent Company's registered office is at Al Nassar Tower, Fahed Al Salem Street, P.O Box 1346, Kuwait.

The consolidated financial statements include the financial statement of the Parent Company and its subsidiaries, which are fully owned and mentioned below together referred to as "the Group".

Name	Country of Incorporation	Principal Activities
Strategia Investors Inc.	United States	Investment manager and advisor
Marquee Fund Manager Limited	United Kingdom	Investment manager and advisory services
Strategia Investors Service Limited	Antigua and Burmuda	Investment manager and advisor to a real estate fund
Strategia Private Equity Limited	Cayman Islands	Investment

For the purposes of consolidation, it had been relied on management accounts prepared by the management of the subsidiaries. The total assets of these subsidiaries amounted to KD 1,665,167 as at 31 December 2017 (KD 1,718,645 - 31 December 2016), and net losses amounted to KD 17,229 for the year ended 31 December 2017 (KD 34,898 for the year ended 31 December 2016).

The consolidated financial statements for the year ended 31 December 2016 were authorized by the Parent Company's shareholders on 13 July 2017 and approved not to distribute dividends.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The consolidated financial statements for the year ended 31 December 2017 were authorized for issue by the Parent Company's Board of Directors on 27 March 2018. The General Assembly for the shareholders has the authority to amend the consolidated financial statements after issuance.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the State of Kuwait for financial institution regulated by the Central Bank of Kuwait and Capital Markets Authority. The consolidated financial statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 7 Statement of Cash Flows that require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 Income Taxes relating to recognition of deferred tax assets for unrealized losses.
- Annual improvements to IFRSs 2014 – 2016 cycle - IFRS 12.

2.2.2 New and revised IFRS in issue but not yet effective

The Parent Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016: Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015–2017: Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRIC 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to IFRS 2: <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4: <i>Insurance Contracts:</i> Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40: <i>Investment Property</i>	1 January 2018
IFRS 9: <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinar unless otherwise stated)

IFRS 15: Revenue from Contracts with Customers

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 16 Leases

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IAS 28: Investment in Associates and Joint Ventures

1 January 2019

Amendments to IFRS 7: Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.

When IFRS 9 is first applied

Amendments to IFRS 10: Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review which is expected to be completed during the coming period.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019. The application of IFRS 9, 15 and 16 may have significant impact on amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review which is expected to be completed during the coming period.

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of

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during the year are included in the consolidated statement of income or other comprehensive income from the date the Group gains control until the date when Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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

Goodwill

Goodwill arising on an acquisition of subsidiaries is carried at cost as established at the date of acquisition of the subsidiaries less accumulated impairment losses, if any.

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For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates and joint ventures

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets".

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or a joint venture that are not related to the Group.

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, time deposits and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

Available for sale (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note (3.3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Investments held to maturity

Held to maturity investments are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold to maturity. Held to maturity investments are measured at amortised cost, less provision for impairment in value, if any. The losses arising from impairment of such investments are recognized in the consolidated statement of income. The interest income from debt securities classified as held to maturity is recorded in the statement of income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the year.

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the

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asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.3.3 Investment properties

Investment properties held by the Group are the properties held for capital appreciation or to earn rental income. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried out at historical cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on the building is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life of 39 years.

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

2.3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

2.3.5 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.3.6 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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2.3.7 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.8 Revenue recognition

Gain on sale of investments is recognised at the completion of the transaction. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis based on the maturity dates of the related assets by using the effective yield method. Management and subscription fees are recognized when the services are provided.

2.3.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.3.10 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Parent Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position.
- Income and expenses for each statement of income are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of other comprehensive income items.

2.3.11 Dividends

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.3.12 Fiduciary assets

Assets which are kept by the Group as an agency or under a fiduciary capacity are not considered as Group's assets.

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3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises of three types of risks: currency risk, interest rate risk and equity price risk.

Foreign currency risks

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US Dollar. The risk of foreign exchange is resulting from future transactions on financial instruments in foreign currency recorded in the consolidated financial statements of the Group.

The Group has set policies for managing foreign exchange risk through careful monitoring of changes in currency rates and its respective impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advisory in case of any significant change in foreign currencies' rates.

In case of a change in the US Dollar against the Kuwaiti Dinar by 5% as at 31 December, the Group's profit would have changed by KD 72,793 and equity would have changed by KD 8,495 (profit KD 72,158 and equity KD 9,229 - 2016).

Following is the net position of the foreign currencies as at 31 December:

	2017	2016
US\$ Surplus	1,625,763	1,627,741

Price risk

Price risk is the risk arising from fluctuation of financial instrument value resulting from changes in market price. The Group is exposed to the price risk arising from its investments that are classified in the consolidated financial statement as available for sale investments.

For managing this risk, the Group is monitoring market prices of these investments, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for these investments.

The following sensitivity analysis shows the impact of the change in the index of the stock market on the Group's equity. This analysis is based on the index change by 5% with all other variables held constant.

	Impact on equity	
	2017	2016
Kuwait Stock Exchange	46,988	51,727

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from bonds. The bonds placed at variable rates expose the Company to cash flow interest rate risk.

The Group manages interest rate risk by diversification of interest rates between fixed and variable and borrowing funds at market linked floating interest rates and placing time deposits at the best available rates.

At 31 December 2017, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, profit for the year would have been lower/higher by KD 4,250 (KD 4,125 - 2016).

The Group is managing this risk by locking the deposits for a short-term period relatively. The Group is periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to mitigate such impact.

(b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

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Credit risk is managed by the Group by monitoring credit policy on regular basis taking into account to maintain non-concentration of credit risk.

Credit risk is highly concentrated in cash and cash equivalents, bonds, receivables and finance receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation and invests in bonds which have been issued from financial companies and institutions with high credit reputation. The Group grants credit only within the limits of the requirements and the normal course of business taking into consideration its financial position, past experience and reputation.

Maximum exposure to credit risk

An analysis of the Groups financial assets before taking into account other credit enhancement is as follows:

	<u>2017</u>	<u>2016</u>
Cash at banks	1,162,505	1,223,920
Receivables	219,258	216,331
Finance receivables	2,869,030	5,884,589
Investments held to maturity	<u>1,700,000</u>	<u>1,650,000</u>
	<u>5,950,793</u>	<u>8,974,840</u>

(c) Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining Group of highly liquid financial investments. This facilitates the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All outstanding liabilities as at 31 December 2017 and 2016 will mature within one year from the consolidated financial statements date.

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the equity balance.

The capital structure of the Group consists of equity of the Group comprising issued capital, reserves and retained earnings.

The Parent Company's current strategy is to rely on the self-finance for the Group's activities instead of depending on debts, and to maintain the external finance at minimum.

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical financial instruments.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets are determined:

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/17	31/12/16				

Investments available for sale

- Quoted Shares	2,777,888	2,293,904	1	Last bid price	-	-
- Funds	70,251	70,362	2	Net assets value	-	-

The unquoted shares are carried at cost less accumulated impairment, (if any).

The fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis approximately equals their carrying values as at the consolidated financial statements date.

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4. Critical accounting estimates and judgments

In the application of the Group's accounting policies, the management are required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects future periods.

Judgements:

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the assets recognised in the consolidated financial statements.

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at acquisition, when their fair values can be reliably estimated. All other investments are classified as "available for sale".

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in notes (3.3 and 10).

Evidence of impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the value of available for sale investments. The determination of what is "significant" or "prolonged" requires significant judgment in this regard. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Impairment of associates

Impairment testing of the associate is carried out when there is an indication of such impairment. Impairment is assessed for the entire carrying value of the Group's investment in the associate including goodwill, therefore no impairment study for goodwill is required independently (note 9.1).

Impairment of receivables

Impairment of receivables is assessed on basis of the Group's past experience of probability of collection, an increase in the number of days late of making payment beyond the average credit period, as well as observable changes in domestic and international economic conditions that default on repayment. Impairment of due receivable balances is recognized when there are satisfactory reasons that other parties cannot pay as per the original contractual conditions (note 11) sets out the impact of that on the consolidated financial statements.

5. Cash and cash equivalents

	2017	2016
Cash at banks	1,162,069	1,223,478
Cash on hand	500	500
Cash in investment portfolios	436	442
	<u>1,163,005</u>	<u>1,224,420</u>

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6. Investments available for sale

	<u>2017</u>	<u>2016</u>
Quoted shares	2,777,888	2,293,904
Unquoted shares	1,127,936	1,127,936
Funds	<u>70,251</u>	<u>70,362</u>
	<u>3,976,075</u>	<u>3,492,202</u>

The fair value has been determined based on valuation basis mentioned in note (3.3).

Unquoted shares are carried at cost, less impairment, due to unavailability of market values for these investments and whose fair values cannot be reliably measured. The management believes that there is no indication of impairment in these investments.

7. Investments held to maturity

The effective interest rates on these bonds is 5.65% per annum (5.625% - 2016). The bonds have maturity dates ranging between 4 to 9 years from the end of the reporting period. The balance includes an amount of KD 850,000 represented in bonds which have been issued by related parties (note 17).

8. Receivables and other debit balances

	<u>2017</u>	<u>2016</u>
Management fees – net	17,196	17,353
Receivables – net of provisions	202,062	198,978
Prepaid expenses	<u>61,015</u>	<u>31,277</u>
	<u>280,273</u>	<u>247,608</u>

9. Investment in an Associate and Joint Venture

9.1. Investment in an Associate

Company's name	Country of Incorporation	Principal Activities	Proportion of ownership interest (%)	
			<u>2017</u>	<u>2016</u>
Kuwait Financial Center	Kuwait	Investment management and financial advisory	28.36	23.45

The Group's share in the associate's result is based on the audited financial statements for the year ended 31 December 2017.

Summarized financial information of the associate as at 31 December is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	156,948,000	147,589,000
Total liabilities	73,689,000	63,473,000
Revenues	15,399,000	13,926,000
Profits for the year	3,977,000	3,818,000
Total other comprehensive income	1,821,000	965,000
Dividend received from the associate during the year	676,495	563,505

Movement on investments balance in the associate during the year are as follows:

	<u>2017</u>	<u>2016</u>
Balance as at 1 January	19,454,293	19,602,110
Additions during the year	2,831,439	28,883
Cash dividends	(676,495)	(563,505)
Group's share in associate's results	909,931	1,091,573
Group's share in associate's reserves	(578,760)	(704,768)
Gain on bargain purchase	<u>973,029</u>	<u>-</u>
	<u>22,893,437</u>	<u>19,454,293</u>

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Following is the reconciliation of the above summarized financial information to the carrying amount of Group's interest recognized in the consolidated financial statements:

	2017	2016
Net assets of the associate	83,259,000	84,116,000
Group ownership percentage (%)	28.36	23.45
	23,612,252	19,725,202
Other adjustments	(718,815)	(270,909)
	<u>22,893,437</u>	<u>19,454,293</u>

During the current year, the Company acquired additional stake of 4.91% in the associate which resulted in bargain gain amounted to KD 973,029.

The fair value of investment in an associate amounted to KD 14,455,871 (KD 9,808,717 – 2016) based on quoted price on Kuwait stock exchange which is Level 1 as at the consolidated financial position date. The Group has assessed the investment in associate for the indication of impairment and based on the study prepared by the Group, there is no impairment in value.

9.2. Investment in joint venture

The investment in a joint venture amounted to KD 25,784 as at 31 December 2017. The investment represents a joint venture agreement with a third party to participate equally in one of the real estate companies that owns properties in Germany.

10. Investment properties

The investment properties are located outside Kuwait and categorised as follow:

	2017	2016
Land	954,308	544,958
Developed property	1,033,944	1,080,173
	<u>1,988,252</u>	<u>1,625,131</u>

The fair value of investment properties amounted to KD 2,088,073 as at 31 December 2017 (KD 1,697,768 – 2016) has been determined based on valuations prepared by independent valuers, who are industry specialised in valuing such type of investment properties.

The land is valued based on market approach for similar properties and recent arm length market transactions considering nature, location or condition of the specific property. (Level 2)

The fair value of developed property was determined based on capitalization of net income method (Level 3), where the market rental of all rentable units of the properties are assessed by reference to the rental achieved and letting of similar properties in neighbourhood.

In estimating the fair value of the properties, the highest and best use of the property is its current use.

11. Finance receivables

Finance receivables are represented in commercial loans granted to related parties. The effective rate on these finance receivables is 6.63%. The fair value of the collaterals held against certain finance receivables is KD 5,521,723 as at 31 December 2017. The following is an analysis of outstanding balances and related provision.

	2017	2016
Gross balance of commercial loans	2,869,030	5,884,589
Less: deferred revenue	(173,964)	(318,803)
	2,695,066	5,565,786
Less: Provision for credit losses- general	(29,495)	(59,033)
Balance as at 31 December	<u>2,665,571</u>	<u>5,506,753</u>

The balances of receivables as at 31 December 2017 and 31 December 2016 do not include matured or impaired balances.

Finance receivables (gross) mature as follows:

	2017	2016
Within one year	1,648,010	4,703,539
More than a year	1,221,020	1,181,050
	<u>2,869,030</u>	<u>5,884,589</u>

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The general provision for credit losses is calculated in accordance with the instructions of the Central Bank of Kuwait. The movements on the general provision for credit losses is as follows:

	2017	2016
Balance at 1 January	59,033	15,315
(Reversal)/ charged to consolidated statement of income	(29,538)	43,718
Balance at 31 December	<u>29,495</u>	<u>59,033</u>

12. Payables and other credit balances

	2017	2016
Accrued expenses	54,624	54,064
Staff leave and other benefits	503,311	456,805
Others	127,743	98,633
	<u>685,678</u>	<u>609,502</u>

13. Share capital and reserves

13.1 Share capital

The authorized, issued and paid up capital as at 31 December 2017 is KD 30 million allocated over 300 million shares with par value of 100 fils per share and all shares are paid in cash.

13.2 Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit before Board of Directors' remuneration, National Labor Support Tax, Zakat expense and KFAS are transferred to statutory reserve. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to discontinue this transfer. The reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends.

13.3 Voluntary reserve

In accordance with the Parent Company's Articles of Association, 1% of net profit before Board of Directors' remuneration, National Labor Support Tax, Zakat expense and KFAS as proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

14. Treasury shares

	2017	2016
Number of shares	10,733,610	10,733,610
Percentage of issued shares (%)	4	4

The Parent Company is required to retain reserves and retained earnings equivalent to the cost of treasury shares throughout the year, in which they are held by the Parent Company, in accordance with the instructions of the relevant regulatory authorities. These shares are not pledged.

15. Investments income

	2017	2016
Gain on sale	211,103	15,996
Cash dividends	215,337	234,492
Gain on bargain purchase (Note 9.1)	973,029	-
Impairment losses	(2,505)	(14,550)
	<u>1,396,964</u>	<u>235,938</u>

16. Earnings per share

Earnings per share are computed by dividing net profit for the year attributable to the shareholders of the Parent Company by the weighted average number of outstanding ordinary shares after deduction of treasury shares. The computation of earnings per share is as follows:

	2017	2016
Net profit for the year	1,989,484	929,843
Weighted average number of outstanding ordinary shares	289,266,390	299,140,921
Earnings per share (fils)	<u>6.88</u>	<u>3.11</u>

17. Related party transactions

Related parties are the shareholders of Parent Company who are represented in Board of Directors as well as major shareholders and the companies in which any of its members is at the same time a board member in the

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried out some transactions during the year with related parties. Transactions and balances are included in the consolidated financial statements are as follows:

	2017	2016
Transactions		
Salaries and other benefits	338,980	301,228
End of service indemnity	40,401	37,238
Interest income	318,947	150,201
Committee remuneration	43,000	37,000
	2017	2016
Balances		
Investments held to maturity (note 7)	850,000	850,000
Finance receivable (note 11)	2,665,571	5,506,753
Payables and other credit balances	428,757	361,762

Related parties transactions are subject to approval of shareholders' general assembly.

18. Fiduciary Assets

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected on the Group's consolidated financial statements. The aggregate net asset value held in a fiduciary capacity by the Group is KD 15,795,127 as at 31 December 2017 (KD 13,592,055 as at 31 December 2016).

19. Segment information

In the purpose of management, the Group organizes its operations in main two sectors of business. The following are the main activities and services that are underlined in such two sectors.

Investment activities: Investing in securities, funds, properties lending to corporate and individual customers and managing the Group's liquidity requirements.

Asset management and advisory services: Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related financial services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the return on investments. The Group does not have any significant inter-segment transactions.

The following table presents segment revenues, profits, assets and liabilities regarding the Group's business segments:

	2017		
	Investment activities	Asset management and advisory services	Total
Segment revenues	2,931,881	84,756	3,016,637
Net profit	1,904,728	84,756	1,989,484
Segment assets	34,641,331	76,820	34,718,151
Segment liabilities	619,958	65,720	685,678
	2016		
	Investment activities	Asset management and advisory services	Total
Segment revenues	1,799,887	179,832	1,979,719
Net profit	750,011	179,832	929,843
Segment assets	33,180,923	55,445	33,236,368
Segment liabilities	547,869	61,633	609,502

Geographical distribution of Group's revenues, profits, assets and liabilities is set out below:

	2017			
	Middle East	USA	Europe	Total
Segment revenues	2,739,470	151,195	125,972	3,016,637
Net profits	1,810,228	67,158	112,098	1,989,484
Assets	31,822,165	1,632,893	1,263,093	34,718,151

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Liabilities	619,958	39,475	26,245	685,678
	2016			
	Middle East	USA	Europe	Total
Segment revenues	1,591,364	134,578	253,777	1,979,719
Net profits	655,120	65,174	209,549	929,843
Assets	30,432,593	1,681,280	1,122,495	33,236,368
Liabilities	547,869	35,162	26,471	609,502

20. Subsequent event

On 4 February 2018, the extra ordinary general assembly has been held and approved the increase of authorized share capital from KD 30,000,000 (300,000,000 shares) to KD 50,000,000 (500,000,000 shares).

Confirmation about the data in the report

1. The Board of Directors confirms that there are no substantial matters which may affect the continuation of the company in the next fiscal year.
2. The Board of Directors confirms its responsibility for the preparation of the financial statements and the provision of an effective system in the company.

Ghazi Ahmed Al-Oseimi Chairman	Mishal Naser Habib Vice Chairman & CEO	Soud Abdulaziz Al-Mansour Board Member
		
Hassan Kamal Caedbey Board Member	Jamal Abdullah Al-Saleem Board Member	Bandar Abdullah Al-Ghemlas Board Member
		

3. We, the undersigned below, confirm the accuracy and completion of the information and statements set out in the report.

Ghazi Ahmed Al-Oseimi Chairman	Mishal Naser Habib Vice Chairman & CEO	Ahmed Mohamed Sobhi Executive Vice President Financial Dept.
		

