A NEW BEGINNING
Annual Report 2016
His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of The State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of The State of Kuwait
A navigation and astronomical tool invented in the golden age of Islam

Early development of the logo

Final symbol of Boursa Kuwait
An astrolabe is a navigational instrument used in the Islamic golden age to locate planets and determine local time at any given latitude. At Boursa Kuwait, we have adopted the astrolabe as the symbol for our company because of its positive associations with navigation, its links to Islamic history and its representation of a progressive era in the region. In Boursa Kuwait’s astrolabe, the position of the dials is set to indicate the time of the opening of the stock market.
BOURSA KUWAIT HIGHLIGHTS

**Total Assets**
18.9 KD Million

**Shareholder’s Equity**
3.7 KD Million

**Number of Listed Companies**
196

**Market Capitalisation**
26,686 KD Million

**Market IXP Return**
2.4%

**Total Value Traded**
2,880 KD Million

**Institutional Investors Net Inflow**
112 KD Million

**Number of Registered Brokers**
14
KEY ACHIEVEMENTS

01 Successful Transition
Successfully upgraded the Kuwait stock market's infrastructure and business environment to meet international standards since the start of the transition phase on 25th April, 2016.

02 License Granted
Granted the official license to own the Kuwait stock market by the Capital Markets Authority on 4th October, 2016, after the successful transition period.

03 Operational Policies
Developed and implemented robust processes, policies and procedures for all operational aspects of Boursa Kuwait.

04 Cultural Change
Established the foundation for a privatization mindset with a modern work culture through various change management initiatives.

05 New Identity
Launched the new Boursa Kuwait corporate identity and effectively executed the corporate communication plan as part of the license acquisition.

06 Special Trades
Introduced Special Trades for listed shares which are designed for large volume transactions. Special Trades transactions are now executed through the Boursa Kuwait trading platform.

07 Post Trade Model
Launched an initiative to upgrade the post trade model to T+3 settlement, in accordance with the Capital Markets Authority’s guidelines. To be implemented starting in 2017.

08 New Products
Issued draft rules relating to OTC, Rules of Market Maker and Special Trades. Other rules are currently under consideration.

09 Client Portal
Introduced the Company Information Portal (CIP) which is a tool designed by Boursa Kuwait with the aim of providing an advanced information platform for all listed companies.

10 Data Services
Successfully launched an upgraded financial data service on the Boursa Kuwait website in affiliation with Thomson Reuters.
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The year 2016 marked a new beginning in the history of Kuwait’s stock market as its ownership and operations were fully transferred to Boursa Kuwait. After a detailed planning process in consultation with the Capital Markets Authority, an intense transition period was successfully initiated on 25th April, 2016 during which Boursa Kuwait assumed full operational responsibility of the Kuwait stock market.

On 4th October, 2016, Boursa Kuwait obtained the official license from the Capital Markets Authority to own and operate the Kuwait stock market. Today, Boursa Kuwait stands as a private company, wholly owned and regulated by the Capital Markets Authority. Our ability to successfully fulfill all of the licensing requirements during the short transition period was a clear reflection of the senior management team’s ability and commitment.

With this transformation firmly behind us, we are fully focused on implementing our long-term strategy and enabling Boursa Kuwait to reach its full potential. Kuwait’s stock market is one of the region’s oldest and most successful stock exchanges, with a strong trading reputation that reaches back to the 1960s. However, the exchange lacked the adequate regulations and investments to allow it to compete effectively with newer markets emerging in the region. Our role at Boursa Kuwait is to re-establish the Kuwait stock market’s reputation and restore its former position as one of the region’s leading capital markets.

One of our top priorities is to upgrade the exchange’s infrastructure and business environment to international standards. This will create a robust, transparent and fair capital markets platform that services all investors and relevant asset classes. With a clearly defined strategic roadmap firmly in place, the year ahead will be equally eventful and transformative for Boursa Kuwait. To help reinforce these important changes and to communicate the fundamental developments taking place, we have also introduced a new Boursa Kuwait corporate identity and branding.
Boursa Kuwait’s recent inclusion in the International Capital Market Association (ICMA) was another significant development this year. Our ICMA membership places us on the international capital markets map and increases our overall visibility. Through continuous interaction with other global market participants, we will bring international best practices to Kuwait.

In the long-term, our objective is to develop a competitive leading regional stock exchange for the State of Kuwait which provides issuers with efficient access to capital and investors with diverse return opportunities. This year also promises to be a very exciting period in the history of the Kuwaiti capital market and one that Boursa Kuwait is embracing with great commitment and professionalism. On behalf of everyone at Boursa Kuwait, I would also like to express our deep gratitude for the valuable strategic contribution made by Mr. Issam Abdulmohsen AlMarzouq, who stepped down as Chairman in December 2016, as well as the contribution of our ex-Board Member Mr. Moussa Ahmed AlKandari.

I also would like to thank the Capital Markets Authority, my fellow board members and the entire management team of Boursa Kuwait for their continuous efforts and diligence in making this significant journey in our national capital market history a very successful one.

On conclusion, we hope that our contribution will support our national economy and benefit our beloved country under the leadership of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah and the Crown Prince Sheikh Nawaf Al-Ahmad Al- Jaber Al-Sabah.

Yours faithfully,

Mohammed Ahmed AlSaqqaf
Chairman
With the seamless transition to Boursa Kuwait’s full ownership of the Kuwait stock market, the senior management team is fully focused on the implementation of the strategic plan. The new systems and processes in place now enable Boursa Kuwait to create a robust and regionally competitive exchange operating to world-class standards. Adopting a new and progressive approach, along with enhancing day-to-day operations and the introduction of new products and tools, underpins the culture of Boursa Kuwait.

Boursa Kuwait plans to raise the profile of the stock market in Kuwait by overhauling the existing trading infrastructure and introducing international standards, best practice trading rules and price discovery mechanisms. It also plans to launch new products such as ETFs, Sukus and exchange-traded bonds to allow for a wider range of trading activity. The Market Maker program is well underway and the ability to select market participants to actively manage equity positions in specific stocks could have a meaningful impact on overall market liquidity.

Achieving the emerging markets status is clearly a high priority especially in context of attracting foreign institutional investors. The importance of providing foreign and domestic investors with sound, transparent and efficient access to information cannot be overestimated.

Information technology is critical for developing the platforms required to implement the strategic and operating plans of Boursa Kuwait. The immediate priority is to upgrade the operating software along with various hardware platforms to support advanced exchange technologies that allow for more sophisticated trading products. Boursa Kuwait continues with market wide consultation for its Rulebook and engage with various stakeholders to get their perspectives and opinion. This further reinforces the element of transparency at Boursa Kuwait’s operations and
enable to addresses market needs, and more importantly, allowing space for improvement before publishing the Rulebook. Boursa Kuwait will continue to introduce new tools and products to facilitate the trading for investors and allow them to manage their investments more efficiently.

Our focus on small and medium enterprises will complement our existing products and services, which are currently orientated towards conglomerates and large capitalization businesses. Kuwait is an entrepreneurial country and is nurturing smaller enterprises which in time will evolve and seek growth capital through initial public offerings.

The audited financial statements for 2016 reflect the Operating Revenue for effectively a period of three months, which is the time from 4th October, 2016 when Boursa Kuwait was awarded the full license of the stock exchange and the year end. Our 2016 Annual Report also includes a dedicated section on corporate governance which is a fundamental part of our core business values.

I would like to take this opportunity to thank the Capital Markets Authority for their regulatory supervision, the Board of Directors for their guidance, and the senior management team and all the employees for their continued commitment. Together we look forward to building on this year’s many achievements and to a successful 2017.

Yours faithfully,

Khaled AbdulRazzaq AlKhaled
Vice Chairman and CEO

“Adopting a new and progressive approach, along with enhancing day-to-day operations and the introduction of new products and tools, underpins the culture of Boursa Kuwait.”
COMPANY VISION, MISSION AND CORE VALUES

VISION

“Develop a liquid, reliable and sound capital market providing issuers with efficient access to capital and investors with diverse return opportunities, evolving into a leading regional exchange.”

MISSION

“Operate an efficient, fair and transparent capital market platform that services all relevant asset classes, whilst focusing on clients’ interest through excellence in everything we do.”

CORE VALUES

PROFESSIONALISM
We adhere to widely accepted, proven international standards in all aspects of our work. We always deal with our clients and all stakeholders in the utmost professional manner and with respect.

ACCOUNTABILITY
We take responsibility for our performance and are ready to being held accountable for our individual actions.

CLIENT IMPACT
We are results oriented and strive to make a difference to our clients. We create a sustainable impact with our work in our industry and communities, while delivering on our social responsibility commitments.

PRUDENCE
We always take prudent actions. We understand the risks that our firm and clients face and we try to proactively manage and mitigate them. Instilling a prudent culture will sustain long-term profits and returns for all.
Mohammed Ahmed AlSaqqaf  
Chairman

Mr. AlSaqqaf’s extensive experience includes corporate strategy and leadership supported by over 25 years of experience in international and regional investments. He has experience in real estate development, establishing funds, developing local capital markets products, supervising change management initiatives, and the implementation of corporate governance and best practices.

Mr. AlSaqqaf has served on many boards and committees in the business sectors of hospitality, architecture and design, real estate and investments. He served as Assistant General Manager in Kuwait and Middle East Financial Investment Company. Mr. AlSaqqaf was the Chief Executive Officer of Strategia Investment Company, the Vice Chairman and Chief Executive Officer of ALARGAN International Real Estate Company and the Chief Executive Officer of United Real Estate Company.

Mr. AlSaqqaf holds a Bachelor’s of Science degree in Industrial & Systems Engineering from the University of Southern California, United States of America. He was appointed to the Board of Directors of Boursa Kuwait on 20th July, 2014 and elected as a Chairman of the Board on 5th January, 2017.

Issam Abdulmohsen AlMarzouq  
Ex-Chairman (Resigned)

Mr. AlMarzouq has more than 35 years of experience in the financial and economic sectors in Kuwait. He has extensive experience in several industries such as trading, oil and gas and heavy industries at executive positions in governance, internal controls, financial planning and business management.

Mr. AlMarzouq has served as a Board Member at Kuwait Petroleum Corporation, as a Chairman and Managing Director at Gulf Dredging & General Contracting Co. and headed AlMarzouq Trading Company from 2007 to 2014. He specializes in overseeing business operational performance, governance framework, risk management, internal control matters and financial investments. In December 2016, Mr. AlMarzouq was appointed as the Minister of Oil, Electricity and Water for the State of Kuwait.

Mr. AlMarzouq holds a Bachelor’s of Mechanical Engineering degree from the University of Southern California, United States of America. He was appointed to the Board of Directors of Boursa Kuwait on 20th July, 2014.
Khaled AbdulRazzaq AlKhaled  
Vice Chairman and CEO

Mr. AlKhaled has more than 20 years of experience in business law and regulatory matters, with a major focus on the commercial, investment and real estate sectors in Kuwait. He established the first operating model of Boursa Kuwait, which included developing the company’s operational, governance and legal frameworks in coordination with the Capital Markets Authority.

Previously, Mr. AlKhaled was a Board Member of Kuwait Chamber of Commerce where he was recognized as a thought leader with expertise in capital markets, macroeconomics, and the impact of local regulations on the investment environment. He has also served as the Chairman and a Board Member in several companies in the domains of manufacturing and educational services. Mr. AlKhaled was a Board Member on the Kuwaiti Municipal Council, responsible for governing real estate investment in Kuwait.

Mr. AlKhaled holds a Master’s degree in International Business Law from the University of Washington, United States of America and a Bachelor’s degree in Law from Kuwait University. He was appointed to the Board of Directors of Boursa Kuwait on 20th July, 2014.

Dr. Salah Abdullah AlOthman  
Non - Executive Director

Dr. Al Othman has more than 25 years of experience in developing investment strategies in emerging markets, business restructuring, business development and training and development.

He participated in the establishment of the Capital Markets Authority, and was also a member of Kuwait Stock Exchange’s Privatization Committee and of the Boursa Kuwait Establishment Committee. Dr. AlOthman was a founding partner of Al Shal Financial Advisory Company, is a researcher at the Center for Strategy and International Studies (CSIS) in Indonesia and at the Malaysian Institute for Economic Studies (MIES). He is a member of the Academy of International Business (AIB) in the UK, the European International Business Academy (EIBA) and a Board Member of The Public Authority for Applied Education and Training (PAAET).

Dr. Al Othman holds a PhD in the Philosophy of International Finance from the University of Bradford, United Kingdom, a Master’s degree in Finance from St. Louis University, United States of America and a Bachelor’s of Accounting degree from Kuwait University. He was appointed to the Board of Directors of Boursa Kuwait on 20th July, 2014.
Saad Faisal AlMutawaa
Independent Director

Mr. AlMutawaa has over 15 years of experience in the private sector across the fields of banking, services, retail and real estate.

He has extensive Board experience and has served as Chairman of several companies in Kuwait, where he was involved in financial accounting, internal audit, internal controls and business strategic management. Mr. AlMutawaa currently serves as a Board Member of Al Ahlea Circle Cleaning Company and as Chairman of the Board of Corniche Club. He also served as a Board Member of the United Entertainment & Tourism Company, Masaleh Media Company and Alpha Energy Company.

Mr. AlMutawaa holds a Master’s degree in Business Administration from the IE Business School, Spain and a Bachelor’s of Science degree in Finance from the University of San Francisco, United States of America. He was appointed to the Board of Directors of Boursa Kuwait on 20th July, 2014.

Hossam AbdulRahman AlBassam
Independent Director

Mr. AlBassam has over 15 years of experience in investment and real estate development. He has experience in acquisitions and providing due diligence on investment deals in Kuwait and the MENA region with a focus on internal controls, financial risk and governance frameworks.

Mr. AlBassam has served as Vice Chairman of Rakaz Holding Company, as Board Member of Massaleh Real Estate Company and a Board Member at the Gulf Economic Association. Currently, he is a member of the Administrative Board of the College of Business Studies, Kuwait and the Kuwait Economic Association.

Mr. AlBassam holds a Bachelor’s degree of Accounting from Kuwait University. He was appointed to the Board of Directors of Boursa Kuwait on 20th July, 2014.
Fahad AbdulAziz AlJarallah
Independent Director

Mr. AlJarallah is a qualified investment manager with over 9 years of experience in managing investment portfolios and mutual equity funds in Kuwait and the GCC. He has been a Board Member of several financial institutions and funds including KFIC Brokerage Financial Company (KFICB). Mr. AlJarallah has several years of experience in heading the online trading at Kuwait Finance and Investment Company (KFIC) and has deep knowledge in online trading platforms and e-trade systems. He has also served as a Board Member of Rasmal Holding Company and Palms Agro Production Company.

Mr. AlJarallah holds a Bachelor’s of Business Administration – Finance Major from Kuwait University and has a certified degree in Equity Portfolio Management from New York Institute of Finance, United States of America. He was appointed to the Board of Directors of Boursa Kuwait on 3rd April, 2016.

Moussa Ahmed AlKandari
Non - Executive Director (Resigned)

Mr. AlKandari has more than 30 years of experience in financial accounting, financial management and financial controls.

He started his career with the Kuwait Stock Exchange where he served as an internal auditor from 1981 to 1985. Mr. AlKandari also served as the Head of Finance Department at the Kuwait Stock Exchange from 1985 to 2010. During these years, he was responsible for managing the financial accounting, budgeting and financial reporting for the stock exchange. Mr. AlKandari has significant experience in stock exchange operations, revenue streams and cost centers, in addition to his deep understanding of the financial controls and financial risks related to stock exchange operations.

Mr. AlKandari holds a Bachelor’s degree of Accounting from Kuwait University. He was appointed to the Board of Directors of Boursa Kuwait on 20th July, 2014.

Messrs. Issam Abdulmohsen AlMarzouq and Moussa Ahmed AlKandari resigned from the Board of Directors of Boursa Kuwait in December 2016. Messrs. Soliman Barrak Al-Marzouq and Talal Fahad Yousef AlGhanim have been appointed to the Board of Directors of Boursa Kuwait in February 2017.
EXECUTIVE MANAGEMENT

Mohammad Saud Al-Osaimi (Executive Director - Markets)
Mr. Al-Osaimi is responsible for all product development, marketing activities and leads the engagement with issuers, investors and regulatory authorities to develop new commercial opportunities. He has over 17 years of experience with high profile companies in the investment and financial services sectors, where he held senior executive positions. Mr. Al-Osaimi also served as a member of the Board of Directors of Boursa Kuwait.

Saud Bineid Al Mutairi (Executive Director - Trading Operations)
Mr. Al Mutairi oversees all trading operations and support functions across equities, derivatives and fixed income markets. He is responsible for developing and maintaining an efficient and robust trading platform to improve the complete customer experience. Mr. Al Mutairi has over 13 years of experience in the Kuwait Stock Exchange, leading the financial portfolios control in the surveillance department and managing derivatives and equities in the trading department.

Eman Ali (Executive Director - Strategic Transformation and CEO Office)
Ms. Ali oversees the development and execution of various strategic activities aiming to achieve Boursa Kuwait’s long-term roadmap. Ms. Ali also leads Boursa Kuwait’s Transformation Office, Corporate Communication, Corporate Strategy, Investor Relations, Business Planning and Excellence, Quality Assurance as well as managing the CEO’s Office. Ms. Ali has over 27 years of experience in financial services with the Bank of Kuwait and the Middle East, Ahli United Bank, Gulf Bank and the Kuwait Stock Exchange. She has also served as the Vice Chairman at the Shared Electronic Banking Services Company – KNET and as a Board Member of the Middle East Financial Brokerage Company. Ms. Ali served at Boursa Kuwait as a consultant to the Chairman during the transitional period and successfully implemented the strategic transitional activities.

Ashraf Samir (Executive Director - Legal and Market Supervision)
Mr. Samir leads legal and market supervision to ensure sound management of legal risks and the safeguard of market order and integrity. He oversees the investigation of any violations of the markets rules and coordinates with the Capital Markets Authority to ensure compliance. Mr. Samir has over 25 years of experience in legal advisory and developing laws and regulations. He chaired the committee drafting the Capital Markets Authority Executive Bylaws and was a member of the committee drafting the Companies’ Law.

Ahmed Al-Kiswani (Executive Director - Risk Management, Compliance and Corporate Governance)
Mr. Al-Kiswani ensures that all Boursa Kuwait activities are fully compliant with the rules, regulations and standards set by the relevant regulators. He is responsible for overseeing the Enterprise Risk Management Framework and in mitigating business risks. Mr. Al-Kiswani has over 15 years of experience in corporate governance, risk management, internal audit and regulatory compliance at global advisory firms and financial institutions in Kuwait and the MENA region including the National Bank of Kuwait and Ernst & Young.

Anjan Choudhury (Executive Director - Information Technology)
Mr. Choudhury is responsible for the operations of information systems and electronic data processing. He has over 30 years of experience in leading information technology at financial and telecommunication companies. He has previously worked with the Bombay Stock Exchange, Airtel and Siemens. Mr. Choudhury managed large-scale information technology operations and led large enterprise-wide transformation projects at these organizations.

Ali Abdal (Senior Director – Human Resources)
Mr. Abdal leads the strategies related to building and maintaining the human resources platform at Boursa Kuwait by attracting, developing and retaining high-caliber talent. He has over 35 years of experience mostly in human resources having worked across various industries such as oil and gas, logistics, engineering services and investment. Mr. Abdal has been in executive positions for over 20 years leading the development and revamp of human resources policies, procedures and systems.

Mr. Ali Abdal resigned as the Senior Director – Human Resources on 14th February, 2017. Mr. Hadi Ibrahim AlHadi joined as the Senior Director – Human Resources on 8th March, 2017.
BOURSA KUWAIT TRANSFORMATION

A NEW BEGINNING

Boursa Kuwait was founded on April 21st, 2014 by the Capital Markets Authority Commissioners’ Council Resolution No. 37/2013 dated 20th November, 2013 and the Capital Markets Authority Law No. 7/2010. In addition to being primarily responsible for regulating all aspects of the Kuwaiti capital market, the Capital Markets Authority also has full ownership of Boursa Kuwait, which manages the exchange operations. The Capital Markets Authority is committed to setting supervisory and controlling regulations intended to support an attractive and competitive investment environment in the State of Kuwait, based on the principles of fairness, transparency and in accordance with international best practices. The Kuwaiti government separated the regulatory aspect from the operations of the Kuwait stock market and vested it to the Capital Markets Authority. Boursa Kuwait is responsible for introducing new trading rules, risk management practices, price discovery mechanisms and new technology to ensure that Boursa Kuwait is as robust and secure as possible.

The establishment of Boursa Kuwait marked the first step in privatizing the Kuwaiti Stock Exchange, which was founded in 1983. A transition phase then commenced on 25th April, 2016 by Boursa Kuwait officially taking over the operations of Kuwait Stock Exchange and which involved Boursa Kuwait upgrading the exchange’s infrastructure and business environment to international standards. It started the process of creating a robust, transparent and fair capital markets platform that services all relevant asset classes, whilst continuously focusing on clients’ interests.

On 4th October, 2016, the Capital Markets Authority granted Boursa Kuwait the official license to own the Kuwait Stock Exchange. This was achieved after successfully concluding the transition phase and also meeting a set of licensing requirements in accordance with the Capital Markets Authority Law No. 7/2010.

Boursa Kuwait’s ability to fulfill these requirements during a smooth transition period was a reflection of the management team’s commitment, detailed planning and successful approach to implementation. Now as the owner of the Kuwait stock market, which has ceased to exist as a separate legal entity, Boursa Kuwait has full responsibility for all of the stock exchange’s activities.

Boursa Kuwait has a professionalized approach to legal and market supervision activities which is primarily focused on advising management on legal issues pertaining to contract negotiations and legal opinions. The centralized legal service also manages Boursa Kuwait’s relationship with the Capital Markets Authority and continuously seeks reforms of those existing regulations and rules that could enhance market efficiency. In particular, it assists Boursa Kuwait’s senior management in their decision making processes and supports product development on their understanding of regulatory requirements. Boursa Kuwait has been successful in effectively addressing all key legal and supervisory issues during 2016.

Boursa Kuwait also owns 27.8% of the share capital of the Kuwait Clearing Company K.C.S.C. (KCC), which is the central clearing, settlement and depository entity for the Kuwaiti securities market. KCC provides registrar and trustee services to companies and investment funds, and performs local and regional custodian services for all investors. During 2016, Boursa Kuwait also established Boursa Kuwait For Business, Economical and Information Technology Advisory Services Company (W.L.L) as a subsidiary.

Today, Boursa Kuwait’s main priority is to continue to transform Kuwait’s stock market into a dynamic capital market by improving the liquidity and reliability of the Kuwaiti exchange.
The Strategic Transformation Sector’s role is to lead Boursa Kuwait in the development and execution of the long-term strategy and operating plans approved by the company’s Board of Directors. Boursa Kuwait’s strategy is to effectively manage and create an attractive issuer base, broaden investor outreach, increase depth and breadth of products and upgrade the stock exchange’s infrastructure and business environment to international standards. The Sector also tracks the annual business plans and long-term plans implementation by all Boursa Kuwait’s Sectors

Successful implementation of this strategy will enhance the current level of financial performance, facilitate achieving the emerging markets status and enable the Kuwaiti market to better compete with regional peers. It will also establish an exchange with the capabilities to support the strength, depth and long-term growth of the Kuwaiti private sector. New products and services, for both issuer clients and investors, will continuously be developed in conjunction with the regulatory approvals received from the Capital Markets Authority.

“Develop a liquid, reliable and sound capital market providing issuers with efficient access to capital and investors with diverse return opportunities, evolving into a leading regional exchange.”

During the year, Boursa Kuwait issued rules relating to OTC, Market Maker and Special Trades as well as prepared various legal documents pertaining to other aspects of the capital market. Other rules are also currently under consideration. Supervising the operations of the stock exchange, its market member dealings, investigating violations and handling litigation are also key areas of responsibility. This includes monitoring any unusual market trading activities and liaising with the Capital Markets Authority if required.

The Strategic Transformation Sector manages all internal and external corporate communication activities to raise awareness of Boursa Kuwait’s goals and objectives and to maximize brand value through a unified corporate identity. It also manages the development, maintenance and implementation of all policies, processes and procedures in a consistent manner across Boursa Kuwait. All activities are monitored closely by the Quality Assurance team to ensure that all products and services being offered meet the highest quality standards.
ECONOMIC TRENDS

Global Economy
The global economy continued to remain challenging in 2016, primarily due to a decline in commodity prices, economic softness in China and overall subdued productivity growth. In addition, uncertainties around the UK and its relationship with the European Union and the US elections also impacted economic activity during the year. However, during the last quarter of 2016, manufacturing activity particularly in the advanced economies showed early signs of improvement. As a result, global GDP growth for 2016 was about 3.1%, which is marginally lower than the 3.2% growth recorded in 2015. Global GDP growth for 2017 and 2018 is anticipated to be 3.4% and 3.6%, respectively. This improvement will be primarily driven by stronger economic activity in both advanced as well as emerging and developing economies.

Kuwait Economy
Kuwait’s economy is largely dependent on oil exports as they account for approximately 90% of the state revenues. Therefore 2016 remained challenging due to the relatively weak oil price environment which resulted in Kuwait recording a $23 billion budget deficit during the year; Kuwait’s GDP growth was approximately 2.5% in 2016 and is expected to improve to 2.6% in 2017. GDP growth is anticipated to turn positive as a result of oil price stabilization coupled with an increased contribution from non-oil sectors. Kuwait is also focusing on wide ranging economic reforms and diversification. Furthermore, as fuel prices have increased, there are also plans to reduce the water and electricity subsidies. Other revenue raising initiatives potentially include the privatization of state oil assets and the implementation of a corporate tax of 10% along with value-added tax starting from 2018. Overall, the consumer sector is supported by steady growth in employment and salaries, particularly in the government sector and among Kuwaiti households. Although real estate demand remained weak during 2016 and prices experienced some correction, the outlook remains positive.

MENA Economy
The ongoing geopolitical unrest in certain parts of the region has adversely impacted economic activity. This has led to weaker investor confidence, which together with lower oil prices has further contributed to the prevailing difficult economic conditions. Given the resulting decrease in oil revenues, oil exporting countries are seeking to realign their finances and diversify their economies whereas importing countries are using lower oil price savings for future investments. The MENA region’s GDP growth was around 3.2% in 2016, an improvement from growth of 2.1% in 2015. However, the economic outlook of the region is uncertain on account of ongoing volatility in oil prices and regional conflicts. As a result, the annual growth forecast for 2017 remains flat at 3.2%. The near to medium term prospects are anticipated to remain subdued.
1. Overview
As of 31st December, 2016, Boursa Kuwait had 196 companies listed across 8 main sectors with Financial Services (48), Real Estate (36) and Industrials (36), accounting for 60% of the total number of companies listed. However, the 13 listed banks accounted for around 46% of the total market capitalization. Boursa Kuwait publishes 31 separate indices which together cover all securities listed on the exchange. There are three main categories: Market Indices, Industry Sector Indices and the Kuwait Index 15 (KSX 15).

2. Market Performance
Boursa Kuwait provides two market indices: The Price Weighted Index (IXP) and the Market Capitalization Weighted Index (IXW). The Market IXP Index increased by 2.4% to 5,748.09 points during 2016. The total daily average number of shares traded during the year was 123.5 million. The value of total trades during the year was about KD 2.88 billion.

The Kuwait Index 15 (KSX 15) is Boursa Kuwait’s flagship index and represents the top 15 listed Kuwaiti companies ranked by market capitalization and liquidity. During 2016, the KSX 15 declined by 1.7% to 885.02 points. Boursa Kuwait operates sector indices which are classified according to the International Industry Classification Benchmark. Of the total twelve sector indices, the performance of the following indices was positive: Healthcare increased by 25.2%, Industrials by 17.9%, Consumer Goods by 16.5%, Telecommunications by 11.3%, Basic Materials by 4.6% and Financial Services by 3.3%. Of the remaining indices, Oil and Gas declined by 15.2%, Technology by 13.7%, Insurance by 10.8%, Banks by 7.1%, Real Estate by 4.8% and Consumer Services by 3.0% during the year.
3. Trading Summary

The total value of shares traded during 2016 was about KD 2.88 billion. Of this traded value, the top three sectors accounted for 67%.

In 2016, the trading value peaked during March and had its lowest trading month in September. The period October to December accounted for 32% of the total traded value during the year.

4. Trading by Nationality

The value of shares bought by foreign investors (GCC Nationals and others) during 2016 was approximately KD 379 million, or 13% of the total shares value traded during the year. The value of shares sold by foreign investors during the same period was approximately KD 400 million resulting in a net outflow of investments by foreign investors of approximately KD 20 million.

The value of shares bought by institutional investors during the year was about KD 1.667 billion, or 58% of the total activity. The value of shares sold by institutional investors during the same period was about KD 1.555 billion, or 54% of the total value of shares sold. This resulted in a net inflow of investments from institutional investors of around KD 112 million.
I. Financial Review

The audited financial statements for 2016 include the Operating Revenue and Expenses of the stock exchange during the period from 1st October until 31st December, 2016. However, other non-operational expenses associated with Boursa Kuwait are for the full year 2016. The key financial performance indicators include:

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<td>Total Revenue</td>
<td>4,373,385</td>
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<td>Total Expenses</td>
<td>(4,670,631)</td>
<td>(2,023,870)</td>
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<td>Net Profit / (Loss)</td>
<td>(297,246)</td>
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<td>Total Assets</td>
<td>18,916,970</td>
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<td>Total Liabilities</td>
<td>15,238,086</td>
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<td>Shareholder’s Equity</td>
<td>3,678,884</td>
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</tbody>
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**Asset and Liabilities:** The increase in Total Assets and Total Liabilities is due to the transfer of the tangible and intangible assets from the Kuwait Stock Exchange to Boursa Kuwait based on the agreement signed between the Capital Markets Authority and Boursa Kuwait on 3rd October, 2016.

Based on the agreement signed with the Capital Markets Authority, effective 1st October, 2016, the assets and liabilities were transferred to Boursa Kuwait based on the book value.

**Total Revenue:** Total Revenue during 2016 was KD 4.4 million. The Operating Revenue including Subscription Fees, Trading Commission, Share of Results from Associate and Other Revenues was KD 2.5 million.

Management Fees amounted to KD 1.9 million out of the Total Revenue and are based on the Capital Market Authority’s resolution No. 63 dated 28th June, 2016 taking into consideration that Boursa Kuwait must recognize Management Fees equivalent to the actual expenses incurred by the company for the period from 25th April, 2016 to 30th September, 2016 against the operations of the Kuwait Stock Exchange during this period.

**Total Expenses:** Total Expenses during 2016 were KD 4.7 million. Staff Costs represented 71% of the Total Expenses while Other General and Administrative Expenses along with Depreciation and Building Expenses were 29%.
2. Products and Services

**Product Development**

Product Development innovates concepts into final financial products and services through a process of initial evaluation studies, cost benefit analysis, feedback from compliance and liaising with the Capital Markets Authority. In December 2016, Boursa Kuwait introduced the rulebook for Market Making, which is considered to be an important mechanism to improve the liquidity of shares by promoting trading activity in certain securities. Boursa Kuwait is in the process of accepting the registration of Market Makers who will be required to be licensed by the Capital Markets Authority. Once registered, the Market Makers would be allowed to trade in the particular securities for which they are registered. A further recent product development has been the introduction of Special Trades for listed shares which are designed for high volume transactions that are executed out of the trading platform.

**Issuers Development and Services**

Issuers Development and Services supports the daily maintenance requirements of listed companies and other stakeholders such as the Capital Markets Authority or investment companies. These roles include but are not limited to monitoring and reporting of ownership disclosure requirements, listing new members, promotion and demotion of listed members in different indices, index maintenance, matching of financial statements, and maintenance of industry and sector constituents. Issuers Development has recently launched an activated Company Information Portal (CIP), which was developed with the aim of providing an advanced information platform for all listed companies.

**Investors Development and Services**

Investors Development and Services is a consultancy function performing detailed technical market studies, analysis of the business environment, surveys across institutional investors and maintaining a strategic dialogue with listed corporate clients. Collaborating with and leveraging its in depth local broker relationships ensures that its market leading insights yield new concepts for product development.

**Data Services**

Data Services is focused on providing innovative data products and services designed to meet the increasing demand for accurate and timely information. Data Services recently launched an upgraded financial data service on the Boursa Kuwait website in affiliation with Thomson Reuters.

3. Trading Operations

The trading platforms of Boursa Kuwait are managed in close cooperation with the registered brokers on a daily basis. Boursa Kuwait also provides other services to investors including trading in listed companies where the stake purchased is 5% or more, Special Trades for listed shares, trading of unlisted shares, bonds and fund units, and transfer of ownership transactions for listed and unlisted shares. Boursa Kuwait has launched an initiative to upgrade the post trade model to T+3 settlement, in accordance with the Capital Markets Authority guidelines, which will be operational in 2017. Senior management is focused on automating the internal processes to increase the speed of serving investors and other stakeholders.

4. Technology Platform

Information technology is core to Boursa Kuwait’s trading operations, new product development and other transformational initiatives. A seamless flow of information across all operations is essential to the success of the organization as it transitions into a growth phase. At Boursa Kuwait, information technology not only forms the backbone for carrying out all of the exchange operations but also business reviews, team collaboration, effective decision making and management control. The technology platform is responsible for also engaging and capturing business requirements, exploring and implementing new emerging technologies and providing solutions for furthering business objectives. The complete technology system is monitored on an ongoing basis and enhanced with encryption security, disaster recovery and business continuity planning systems. During 2016, Boursa Kuwait re-evaluated the information technology platform infrastructure and prepared a plan to upgrade the servers and hardware.

In addition to servicing the business requirements of Boursa Kuwait, technology solutions for brokers are being developed to cover order management, back office and customer management solutions. Application services, including enterprise system integration and web based solutions, and business analytics, leveraging Boursa Kuwait’s data warehouse and business intelligence experience, will form the base of future third party revenue streams.
5. Human Capital

Boursa Kuwait fully recognizes that talent management is the foundation for continuous change during the period of transition and rapid future growth. Boursa Kuwait strives to achieve this by providing ongoing opportunities to challenge, enrich and fulfill the aspirations of all its employees. This will enable the Boursa Kuwait team to fully maximize its true potential. Talent management programs are conducted on a regular basis to attract and retain high caliber personnel. Boursa Kuwait was also successful in achieving the Kuwaitization percentage as per the Capital Markets Authority guidelines. During the course of the year, certain members of the Executive Management team have been registered in accordance with the Capital Markets Authority’s Bylaws. Boursa Kuwait is highly focused on enhancing stakeholder value by ensuring the abilities and experience of the management team match the requirements of the overall strategic direction.

6. Risk Management

For Boursa Kuwait, managing risk is an inherent part of business which enables the successful implementation of the strategic plan and maximization of shareholder returns. In this context, the management team has established robust processes to identify key risks across the company’s operations, prioritizes risks on a continuous basis and implements ‘risk appetite’ action plans to mitigate these factors. Risk management is particularly important for Boursa Kuwait during this transition phase and subsequent growth journey. During this process, management has successfully protected the interest of all stakeholders and in particular ensured uninterrupted trading operations with no systems downtime and no regulatory violation or penalties.

Global Economic Trends

Boursa Kuwait’s operations are exposed to the global market environment and it is fully aware of the impact of such changing conditions on the business model and financial performance of the stock exchange. Ongoing geopolitical tensions continue to add uncertainty in the markets and may impact investor confidence. The Kuwaiti government and the Central Bank of Kuwait have undertaken various strategic initiatives to strengthen the capital markets framework in Kuwait and reduce the impact of global market risk.

Competition from Regional Exchanges

Boursa Kuwait operates in a highly competitive environment on the basis of pricing, customer service and product innovation. However, given that Kuwait is a regional business hub and the stock exchange’s history in capital markets dates back to 1960s, it is an established financial center in the region. With the formation of the Capital Markets Authority and the transformation of Boursa Kuwait, the Kuwait stock market is expected to evolve into one of the leading exchanges in the GCC region providing issuers with efficient access to capital.

Regulatory Changes

Following the global economic crisis of 2008, the Capital Markets Authority was established as a modern independent regulator whose role is to organize the market and facilitate its operations. There is a range of measures that the regulator may introduce in the future which may impact the business of the stock exchange directly or indirectly. The overall strategy and business plans of Boursa Kuwait need to be approved by the Capital Markets Authority as its sole shareholder. The Capital Markets Authority and Boursa Kuwait work closely to ensure that rules and operations of the market reflect international best practice.

Kuwait Capital Market

The Kuwait stock market currently has several market challenges that it is in the process of addressing including low trading volumes in many companies, a limited product offering for investors, few exchange traded asset classes and a concentrated retail investor base. Boursa Kuwait is also working closely with corporate clients to improve transparency, timeliness and access to information.
EVENTS AT BOURS A KUWAIT

01 Boursa Kuwait officially assumed responsibility for the management of Kuwait Stock Exchange's operations in April 2016 with a joint press briefing at the stock exchange headquarters by the Chairman of the Capital Markets Authority Board of Commissioners Dr. Nayef Falah Al-Hajraf, the Capital Markets Authority Board Commissioner Khalifa Al-Ajeel, who directed the hand-over operation, and Vice Chairman and CEO of Boursa Kuwait, Mr. Khaled AbdulRazzaq AlKhaled.

02 Boursa Kuwait conducted its first workshop on ‘The New Era of Corporate Governance in Kuwait’. The workshop addressed the topics of investors’ trust and market liquidity. This is in line with Boursa Kuwait’s mission driven approach and its aim to create a platform to enhance communication with its stakeholders, build up their market knowledge and deliver thought leadership on technical issues.

03 An informative session for a team of 24 diplomatic delegates was hosted by Boursa Kuwait, in support of the Saud Al Nasser Al Sabah Diplomatic Institute training program, under the Ministry of Foreign Affairs. The session is in line with the institute’s training program focusing on field visits for its diplomatic trainees to the major institutions in Kuwait. Boursa Kuwait provided a detailed presentation of the organization’s responsibilities and plans to progressively transition and operate the stock market, in line with international best practices.

04 Boursa Kuwait organized a workshop for listed companies to introduce the Companies Information Portal, a platform recently created for listed companies to upload their company related information independently and on a regular basis. The workshop was focused on highlighting that the system is user-friendly and reinforces transparent information disclosure, while offering speed and accuracy when publishing the uploaded information.

05 Boursa Kuwait participated at the 8th Euromoney conference held in Kuwait City and themed ‘Meeting the Challenge of Financial Innovation and Reform’. Boursa Kuwait’s Vice Chairman and CEO, Mr. Khaled AbdulRazzaq AlKhaled, highlighted the company’s role in developing the overall financial market and upgrading standards of the capital markets to international levels.
CORPORATE GOVERNANCE REPORT
CORPORATE GOVERNANCE REPORT

Since incorporation, Boursa Kuwait has set a solid corporate governance system in line with supervisory and regulatory requirements of the Capital Markets Authority “CMA” that meets the needs and aspirations of all stakeholders, taking into consideration international leading practices and recommendations.

Boursa Kuwait seeks to enrich the principles of corporate governance as an institutional culture, not just for regulatory and mandatory requirements. This is embodied in applying the principles of corporate governance within the operational framework of the company. The five pillars of Boursa Kuwait’s corporate governance framework are summarized as below:

Boursa Kuwait’s governance report includes the following rules in accordance with the Capital Markets Authority’s instructions:

**Rule I:** Building a Balanced Board Composition

**Rule II:** Establishing Appropriate Roles and Responsibilities

**Rule III:** Recruiting Highly Qualified Candidates for Members of a Board of Directors and the Executive Management

**Rule IV:** Safeguarding the Integrity of Financial Reporting

**Rule V:** Applying Sound Systems of Risk Management and Internal Audit

**Rule VI:** Promoting Code of Conduct and Ethical Standards

**Rule VII:** Ensuring Timely and High Quality Disclosure and Transparency

**Rule VIII:** Respecting the Rights of Shareholders

**Rule IX:** Recognizing the Roles of Stakeholders

**Rule X:** Encourage and Enhance Performance

**Rule XI:** Focusing on the Importance of Corporate Social Responsibility

Since incorporation, Boursa Kuwait has set a solid corporate governance system in line with supervisory and regulatory requirements of the Capital Markets Authority “CMA” that meets the needs and aspirations of all stakeholders, taking into consideration international leading practices and recommendations.
**CORPORATE GOVERNANCE REPORT**

**Rule I
Building a Balanced Board Composition**

- **Composition of the Board of Directors**

  The composition of the Board of Directors of Boursa Kuwait is characterized by a solid structure commensurate with the nature and business of the company. The Board is composed of a majority of non-executive members. It consists of eight members elected by the company’s General Assembly for three years. The Board has four non-executive members, three independent members and one executive member.

- **Statement of the Company’s Board Meetings in 2016**

<table>
<thead>
<tr>
<th>Director’s Name and Title</th>
<th>Meeting date</th>
<th>No. of meetings (14)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issam Abdulmohsen AlMarzouq (Chairman)</td>
<td>23/02/2016</td>
<td>✅ ✅ ✅ ✅ ✗ ✅ ✅ ✅ ✗ ✅ ✅ ✅ ✅ ✗</td>
</tr>
<tr>
<td>Mohammed Ahmed AlSaqqaf (Non-Executive Board Member)</td>
<td>17/04/2016</td>
<td>✗ ✨ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅</td>
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<tr>
<td>Khaled AbdulRazzaq AlKhaled (Vice Chairman and CEO)</td>
<td>12/05/2016</td>
<td>✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅</td>
</tr>
<tr>
<td>Dr. Salah Abdullah AlOthman (Non-Executive Board Member)</td>
<td>09/06/2016</td>
<td>✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅</td>
</tr>
<tr>
<td>Moussa Ahmed AlKandari (Non-Executive Board Member)</td>
<td>12/07/2016</td>
<td>✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅</td>
</tr>
<tr>
<td>Saad Faisal AlMutawwa (Independent Board Member)</td>
<td>26/07/2016</td>
<td>✗ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅</td>
</tr>
<tr>
<td>Hossam AbdulRahman AlBassam (Independent Board Member)</td>
<td>09/08/2016</td>
<td>✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅</td>
</tr>
<tr>
<td>Fahad AbdulAziz AlJarallah (Independent Board Member)</td>
<td>29/09/2016</td>
<td>✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅ ✅</td>
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</table>

- **Statement on applying the registration and coordination requirements and keeping minutes of the Board meetings**

  The job description of the Board Secretary has been approved. The Board Secretary establishes a special register where Board minutes of meetings are written in serial numbers indicating date, venue, commencement and ending times. This is in addition to preparing minutes of discussions and deliberations including voting processes, classifying and archiving the same to facilitate and ensure easy reference. The company also keeps pace with technological developments in this area by automating all Board and Board Committees records and functions of the Board secretary by means of an electronic application that facilitates processing the minutes of meetings, archiving and following them up.
CORPORATE GOVERNANCE REPORT

Rule II
Establishing Appropriate Roles and Responsibilities.

- Statement indicating the company has set a clear policy that identifies the roles, responsibilities and duties for each Member of the Board and Executive Management as well as the Authorities and Powers delegated to the Executive Management

During 2016, the company developed and reviewed policies, regulations and job descriptions which describe the responsibilities and roles of the Executive Management and the Board of Directors. These include the following:

1. Developed job descriptions for the Board Members and Executive Management.
2. Approve and periodically review the policy and delegation of authorities’ matrix of the executive management.
3. Review the policies and procedures that clearly identify the tasks and responsibilities of the Board of Directors and the Executive Management reflecting a balance of authorities and separation of powers between the Executive Management and Board of Directors.

- Achievements of the Board of Directors in 2016

Board of Directors’ achievements in implementing a corporate governance system:

1. Fulfilling all licensing requirements of the stock exchange as well as all other regulatory requirements.
2. Reviewing and approving the initiatives and products offered by the company in accordance with the approved strategy.
3. Approving the updated policies and charters for the implementation of corporate governance rules.
4. Monitoring the progress of the company’s business through regular meetings with the Executive Management and discussing the results of the company’s business through periodical reports.
5. Reviewing and developing the policies and regulations of corporate governance to match the company’s organizational structure and keep pace with leading international practices adopted in areas of corporate governance.
6. Performing a corporate governance self-assessment across the company and identifying aspects that need development.
7. Reviewing the periodic reports and recommendations of the Audit Committee, the Nomination and Remuneration Committee, Risk Management Committee and Corporate Governance Committee.
8. Conducting a review and assessment on the effectiveness of the Board and committees of the Board as well as performing a self-assessment of the Board Members.
10. Approving the business plan and budget of Boursa Kuwait before sending it to the Capital Markets Authority for approval.
11. Reforming the Committees of the Board of Directors and reassigning positions in the Board.
12. Approving the agreement of the Stock Exchange transformation and transferring ownership of the material and immaterial assets of the stock exchange facilities to Boursa Kuwait.
13. Approving the financial and operational authorities of the Chief Executive Officer “CEO”.
14. Establishing a limited liability subsidiary for the purpose of providing advisory services in the field of information technology, economic and administrative studies supporting the business of Boursa Kuwait.
15. Enforcing the company’s corporate governance system, approving the corporate governance manual and continued emphasis on identifying sound corporate governance practices across the company by reviewing the methods that confirm applying professional standards and corporate values as per the Charter of Professional Conduct and Ethics.
16. Overseeing the performance of each member of the Board of Directors and Executive Management.
17. Controlling and overseeing the performance of the members of the Executive Management and ensuring that they perform all tasks assigned to them.
18. Approving a policy that regulates Board Members’ trading in listed securities.

- Statement about Board Members compliance with the requirements of forming specialized independent committees, taking into account including the following information for each committee: (committee’s name, functions and achievements during the year, the date of its formation and term, members and chairman, the number of meetings held during the year)

Within the framework of the progressive role of the Board of Directors in respect of oversight, strategic planning, corporate governance, risk management and regulatory controls at Boursa Kuwait, Board Committees have been formed to undertake their functions efficiently and effectively. The Board Committees are as follows:
I. Audit Committee

The Board of Directors is keen to perform its duties concerning supervision on the quality and integrity of the accounting practices, audit and internal control. Therefore, The Board Audit Committee was composed on 9/10/2014 then recomposed on 17/4/2016 in accordance with the regulatory and supervisory requirements. The term of the committee membership is as long as the term of the Board membership which is not exceeding three years.

The Committee undertakes a supervisory role supporting the Board of Directors in controlling and supervising the efficiency and independence of internal and external audits on the company in addition to overseeing the preparation of periodic financial statements and the review of the internal control reports.

The Board of Directors has identified the roles and responsibilities of the Audit Committee by having in place an approved Audit Committee Charter.

Audit Committee’s Roles and Achievements During 2016:

1. Giving recommendations to the Board of Directors on the appointment of the Internal Audit Manager and determine his remuneration.
2. Reviewed the organizational structure of the Internal Audit Department.
3. Reviewed the job description, the rules and responsibilities of Internal Audit Department.
4. Reviewed the annual and interim financial statements and gave recommendations to the Board of Directors for approval thereon.
6. Reviewed and approved the risk based internal audit plan.
7. Assigned an independent audit firm to prepare a report on the adequacy of the internal control system applicable to the company.
8. Reviewed the appropriateness of insurance coverage on the company’s assets.
9. Prepared the annual report of the Audit Department for recitation at the General Meeting.
10. Assessed the performance of the Internal Audit Manager.
11. Followed up the work of the external auditor and ensuring its independence.
12. Technical supervision on the Internal Audit Department in the company to ensure its effectiveness in performing its functions and roles as set by the Board of Directors.
13. Reviewed the findings of the internal audit reports and ensuring that necessary corrective actions have been taken in respect to the issues raised in the reports.
14. Assessed the performance of the external auditor and giving recommendations to the Board of Directors for the external auditor’s reappointment and determining its fees.
15. Ensured company’s compliance with relevant laws, policies, regulations and instructions.
16. Studying adopted accounting policies, expressing an opinion and giving recommendation to the Board of Directors thereon.
17. Annual Review of Committee’s Charter.

Members of the Committee
- Mr. Saad Faisal AlMutawaa (Chairman)
- Mr. Hossam AbdulRahman AlBassam
- Dr. Salah Abdullah AlOthman

Number of Meetings held by the Audit Committee in 2016

<table>
<thead>
<tr>
<th>Meeting No.</th>
<th>Meeting Date</th>
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<tbody>
<tr>
<td>1</td>
<td>23 February 2016</td>
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<tr>
<td>2</td>
<td>29 May 2016</td>
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<td>3</td>
<td>24 August 2016</td>
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<td>4</td>
<td>3 October 2016</td>
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<td>5</td>
<td>29 November 2016</td>
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</table>

2. Risk Management Committee

The Board Risk Management Committee was composed on 25/08/2015 then recomposed on 17/04/2016 in accordance
CORPORATE GOVERNANCE REPORT

Number of the Meetings held by the Risk Committee in 2016

<table>
<thead>
<tr>
<th>Meeting No.</th>
<th>Meeting Date</th>
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<tbody>
<tr>
<td>1</td>
<td>16 June 2016</td>
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<tr>
<td>2</td>
<td>24 October 2016</td>
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<td>3</td>
<td>7 December 2016</td>
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<td>27 December 2016</td>
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3. Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee was composed on 25/08/2015 then recomposed on 17/4/2016. The term of the committee membership is as long as the term of the Board membership, which is not exceeding three years.

The Committee is responsible for making recommendations on appointing the members of the Board of Directors and re-election at the General Meeting, in addition to the annual self-assessment on the performance of the Board Members. The Committee is also responsible for reviewing the remuneration of the Board Members and Executive Management in accordance with the company’s long-term strategic objectives, in addition to the tasks relating to the nomination of Registered Positions as instructed by the Capital Markets Authority.

The Board of Directors has identified the roles and responsibilities of the Nomination and Remuneration Committee by having in place an approved charter for the Committee.

Committee's Roles and Achievements During 2016:

1. Setting an induction program for members of the Board of Directors and Executive Management.
2. Reviewed the criteria for selecting the Board Members and the Executive Management and recommend approval.
3. Reviewed the process of members of the Board and Executive Management assessment and recommend approval.
4. Prepared job descriptions of the Board Members.
5. Reviewed the Human Resources policy and recommended approval.
6. Conducted interviews for the candidates of the senior management positions and recommend the appointment of qualified candidates and review the nomination applications of the registered positions.
7. Reviewed job offers of the senior management positions.
8. Managed the annual self-assessment process for Board Members, Board and Board committees.
9. Developed a clear policy for the remuneration of the Board of Directors and Executive Management.
10. Determined the remuneration package granted to the Executive Management such as fixed and performance based category.
11. Ensured that nothing impairs the independence of the Independent Board Member.

Members of the Committee

- Mr. Moussa Ahmed AlKandari (Chairman)
- Mr. Hossam AbdulRahman AlBassam
- Mr. Fahad AbdulAziz AlJarallah
12. Reviewed the bases of assessing the performance of the company’s CEO and Executive Management.

13. Prepared a detailed annual report for all bonuses granted to the Board Members and Executive Management to present it in the company’s General Meeting for approval.


Members of the Committee
- Mr. Mohammed Ahmed AlSaqqaf (Chairman)
- Mr. Saad Faisal AlMutawaa
- Mr. Fahad AbdulAziz AlJarallah

Number of the Meetings held by the Nomination and Remuneration Committee during 2016

<table>
<thead>
<tr>
<th>Meeting No.</th>
<th>Meeting Date</th>
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<tbody>
<tr>
<td>1</td>
<td>5 January 2016</td>
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<td>5</td>
<td>4 July 2016</td>
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<td>6</td>
<td>23 October 2016</td>
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<td>7</td>
<td>22 November 2016</td>
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</table>

4. Executive Committee

For the Board of Directors care in performing its supervisory and control role, a Board Executive Committee was formed on 10/9/2014 then recomposed on 17/4/2016. The term of the committee membership is as long as the term of the Board membership which is not exceeding three years.

The Committee acts as a supervisory committee responsible for following up the progress of the company’s strategy and the respective action plan in addition to overseeing all strategic projects of the company related to its operational framework.

The roles and responsibilities of the Committee have been identified by the Board of Directors by setting and approving the Executive Committee Charter.

Committee’s Roles and Achievements During 2016:
1. Discussed the initiatives provided by the heads of operational sectors at Boursa Kuwait and expressed their opinions and recommendations to the Board for approval.
2. Reviewed regulations related to Boursa Kuwait initiatives and products for submission to the Board for approval.
3. Reviewed proposals for strategic projects and give recommendations to the Board for approval.
4. Discussed periodic reports on the progress of detailed plans for developing the markets sector.
5. An annual review of the Committee’s Charter.
6. Discussed the business plan and the financial model of the subsidiary of Boursa Kuwait.
7. Reviewed the set of proposed periodic reports submitted by the Executive Management to the Board of Directors and recommend approval.

Members of the Committee
- Mr. Issam Abdulmohsen AlMarzouq (Chairman)
- Mr. Mohammed Ahmed AlSaqqaf
- Mr. Khaled AbdulRazzaq AlKhaled

Number of Meetings held by the Executive Committee during 2016

<table>
<thead>
<tr>
<th>Meeting No.</th>
<th>Meeting Date</th>
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<tbody>
<tr>
<td>1</td>
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<td>3</td>
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<td>4</td>
<td>5 September 2016</td>
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<td>2 November 2016</td>
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<td>6</td>
<td>22 November 2016</td>
</tr>
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</table>

5. Governance Committee

The Board Governance Committee was composed on 25/08/2015 then recomposed on 17/4/2016. The term of the committee membership is as long as the term of the Board membership which is not exceeding three years.

The Committee is responsible for ensuring the company’s implementation and compliance in regards to the corporate governance system and supporting the Board and its committees in overseeing the establishment and development of the corporate governance system in accordance with the instructions of the Capital Markets Authority and leading practices.

Roles and Achievements of the Committee During 2016
1. Approved the governance manual.
2. Reviewed the governance report for submission to the General Assembly Meeting.
3. Review the Board charters and ensure inclusion of all regulatory instructions.

Members of the Committee
- Mr. Issam Abdulmohsen AlMarzouq (Chairman)
- Mr. Moussa Ahmed AlKandari
- Dr. Salah Abdullah AIothman

Number of Meetings held by the Committee in 2016

<table>
<thead>
<tr>
<th>Meeting No.</th>
<th>Meeting Date</th>
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<tbody>
<tr>
<td>1</td>
<td>24 March 2016</td>
</tr>
<tr>
<td>2</td>
<td>29 June 2016</td>
</tr>
</tbody>
</table>

6. Violations Committee

On 6/6/2016, the Capital Markets Authority approved the formation of the Violations Committee composed from the members of the Board of Directors. The membership term of the committee is two years and it is renewable.
The Committee’s Charter has been prepared in line with Capital Markets Authority Law No. 7 of 2010 and its executive regulations and approved by the Board of Directors.

**Roles of the Committee**

The roles of the Committee are to consider the violations of a member of Boursa Kuwait (brokers, listed companies, funds) to the rules or regulations of Boursa Kuwait. However, the Committee does not consider violations to the Capital Markets Authority Law No. 7 of 2010 or the executive regulations and amendments thereto. The Committee’s roles are summarized as follows:

1. Refer the violating members of Boursa Kuwait to investigation in the event of discovering a breach of any of the charters and rules of Boursa Kuwait.
2. Review investigation memos and findings prepared by the legal Affairs Sector of the violating members.
3. Listening to the defense of the violating member.
4. Issuing decisions in respect of the alleged violations, imposing disciplinary penalties stipulated by law No. 7 of 2010.
5. Notify the Disciplinary Board at the Capital Markets Authority of the disciplinary action taken against any member of Boursa Kuwait.
6. Implementing disciplinary decisions issued by the Committee after their endorsement or elapse of the appeal dates before the Disciplinary Board.
7. Enforcing notice and warning decisions against violators immediately. The impact thereof shall be abolished in the event the Disciplinary Board cancels the Committee’s decision.
8. Issuing a decision for filing the case in the event the Committee finds no grounds for suspicion of violation.

**Members of the Committee**

- Mr. Khaled AbdulRazzaq AlKhaled (Chairman)
- Mr. Hossam AbdulRahman AlBassam
- Mr. Fahad AbdulAziz AlJarallah

Committee Secretary: Head of Legal Affairs and Market Supervision.

**Number of Meetings held by the Committee in 2016**

<table>
<thead>
<tr>
<th>Meeting No.</th>
<th>Meeting Date</th>
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<tbody>
<tr>
<td>1</td>
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<td>7 September 2016</td>
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<td>6</td>
<td>13 December 2016</td>
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</tbody>
</table>

Therefore, the company has approved a reporting matrix that defines the responsibilities of the preparation, review, approval and periodicity and allows the Board Members to obtain information and data accurately and on timely manner.

**Rule III**

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

- **Brief summary on the implementation of requirements for the formation of the Nomination and Remuneration Committee**

In compliance with the Capital Markets Authority instructions, Boursa Kuwait has formed the Nomination and Remuneration Committee to make recommendations on the appointment of the members of the Board of Directors and their re-election in the General Meeting, as well as review the competence and integrity requirements for appointing the Executive Management and occupants of the registered positions. The Committee also conducts an annual self-assessment of the Board Members performance. In addition, the Committee is responsible for evaluating the remunerations of the Board Members and Executive Management in accordance with the company’s long-term strategic objectives.

The Charter of the Nomination and Remuneration Committee describes all the conditions and requirements of the formation of the Committee in accordance with corporate governance rules as set out in the Executive Regulation of the Capital Markets Authority in respect of the membership conditions, term and all other requirements.

- **Report on the remunerations granted to members of the Board of Directors and Executive Management**

**First:** Bonuses and incentive system for the members of the Board of Directors and Executive Management

Boursa Kuwait applies a firm framework for the calculation of bonuses and incentives to members of the Board of Directors and Executive Management. The incentives scheme applies the principle of equal opportunities and transparency. It links rewards and incentives to performance assessment levels across the company as well as individual’s performance. Boursa Kuwait is keen to adopt leading practices in linking rewards to corporate performance levels over long-term by connecting performance to achieving the company’s strategic goals and the levels of risk exposure.

**Second:** Members of the Board and Executive Management’s remuneration packages such as cash, benefits and privileges and analysis of remuneration categories

- **a. Remunerations to Members of the Board of Directors**

<table>
<thead>
<tr>
<th></th>
<th>Fixed remuneration category (KD '000)</th>
<th>Variable remuneration category (KD '000)</th>
<th>Total annual remuneration and benefits (KD '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remunerations</td>
<td>208</td>
<td>208</td>
<td>208</td>
</tr>
</tbody>
</table>

The Board of Directors is keen to ensure provision of all required information and data accurately and in a timely manner.
CORPORATE GOVERNANCE REPORT

b. Remunerations to the Executive Management, including the CEO and the Heads of the following Sectors:
1. Strategic Transformation and CEO’s Office
2. Legal Affairs and Market Supervision
3. Risk Management, Regulatory Compliance and Corporate Governance
4. Finance and Accounts Department
5. Trading Operations
6. Markets
7. Information Technology
8. Human Resources

<table>
<thead>
<tr>
<th>Fixed remuneration category (KD '000)</th>
<th>Variable remuneration category (KD '000)</th>
<th>Total annual remuneration and benefits (KD '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>891.9</td>
<td>180.8</td>
<td>1072.7</td>
</tr>
</tbody>
</table>

Third: Remunerations given to the Chief Executive Officer and Executive Management who obtained the highest amount from the company including the head of Finance. (Please refer to the table above item II b)

Fourth: Any other remuneration given directly or indirectly by the company or its Subsidiaries. (Not applicable)

Fifth: Any substantial deviations from the remuneration policy approved by the Board of Directors. (Not applicable)

Rule IV
Safeguarding the Integrity of Financial Reporting

• Written undertakings from the Board of Directors and Executive Management on the soundness and integrity of the financial reports

The Board of Directors seeks to ensure the integrity of the financial reports. The Executive Management has provided written undertakings to the Board of Directors that the financial reports were presented properly and fairly and that it reviewed all financial aspects of the company in accordance with the international accounting standards approved by the Capital Markets Authority and that the annual report to the shareholders presented by the Board of Directors included an undertaking about the soundness and integrity of the financial information. This aims at deepening the principle of accountability, whether management accountability from the Board of Directors, or Board of Directors accountability from shareholders.

• Statement on implementing the requirements of the Audit Committee Formation

One of Boursa Kuwait’s top priority is to be complied with the Capital Markets Authority instructions through the formation of the Board Audit Committee and other Board Committee. The Committee is responsible for assisting the Board of Directors in performing its obligations with regard to overseeing the quality and integrity of the accounting practices, auditing and internal controls, risk management framework, financial reports, framework of corporate governance and the company’s relationship with external auditors.

The roles and responsibilities of the Committee and all the conditions relating to its formation have been defined in the Audit Committee Charter approved by the Board of Directors.

• Ensuring the independence and impartiality of the external auditor.

The Board of Directors is keen to avoid potential conflict of interests. The Board Audit Committee ensures the independence and impartiality of the external auditor by setting standards and principles to assess its independence and performance so that it can recommend the Board of Directors on the appointment, re-appointment or replacement of the auditor.

Rule V
Applying Sound Systems for Risk Management and Internal Controls

• Brief summary about implementing the requirements for the formation of an independent department / office / unit for risk management

Boursa Kuwait focuses on the importance of having an independent department for risk management. The Board of Directors approved the appointment of the Head of Risk Management Department, and completed the registration requirements at the Capital Markets Authority in accordance with the competence and integrity mandates. The CRO shall measure, monitor and mitigate all types of risks encountered by the company.

The Risk Management Department has full independence by directly reporting to the Board. This is clearly illustrated in the organizational structure approved by the Board of Directors, in addition to the job description of the Head of Risk Management Department, which clearly demonstrates the tasks entrusted to the Head of Risk. The Risk Management Department is not assigned with any tasks related to the operating activities of the company, to enable the Risk Management department to carry out its duties and responsibilities perfectly. The following diagram illustrates the general framework of Risk Management:
CORPORATE GOVERNANCE REPORT

• Brief Summary about implementing the requirements for the formation of the Risk Management Committee.

The Board has formed a Board Risk Management Committee to meet all the Capital Markets Authority requirements including, but not limited to, that fact that the Committee composition does not include the board Chairman as a member of the Committee. The roles and responsibilities, membership term and Committee’s functioning have been defined in the Risk Management Committee Charter approved by the Board.

The Committee aims at improving the Board effective supervision by entrusting the Committee with the tasks related to all aspects of risk management, including, assisting the Board of Directors to identify and assess the risk level acceptable at the company, and ensure that the company does not exceed this level.

• Summary illustrating the internal control systems

The Board of Directors strives to ensure adequacy and effectiveness of the internal control systems necessary to protect the company’s business, ensure compliance with such systems and use internal controls as means that provides necessary protection for the company against any internal or external risks. Boursa Kuwait is keen to have internal control over all its activities. The company has set up independent control departments, including internal audit, compliance and risk management all of which are reporting to the Board of Directors.

The following diagram illustrates the control functions at Boursa Kuwait:

Compliance Department:

Boursa Kuwait established a Compliance Department with the following key roles and responsibilities:

• Avoiding risks that might arise from non-complying with the regulators’ instructions.
• Enhancing relationship with regulators.
• Finding mechanisms and frameworks that ensure the combatting of money laundering and terrorist financing activities in the company.
• Preserving the values and professional practices in the work environment.

• Providing regulatory control environment and appropriate supervision on all activities of the company.

The company has also appointed a Compliance head and registered him at the Capital Markets Authority in accordance with the rules of competency and integrity.

• Brief summary about implementing the requirements of the establishment of an independent department/office/unit for internal audit

In line with the Capital Markets Authority instructions, the company has established a fully independent Internal Audit Department reporting to the Audit Committee and the Board of Directors. The Board has defined the roles and responsibilities of the Internal Audit Department. The Internal Audit Department is committed to implement the Department policies and procedures.

Rule VI
Promoting Code of Conduct and Ethical Standards

• Summary of the business charter that includes the standards and parameters of the code of conduct and ethics

Integrity, excellence, accountability and respect are key principles in the business charter. The company approved the business charter that includes the best practices and professional conduct in this field to ensure achieving the company, shareholders and stakeholders’ interest as well as providing the opportunity to the members of the Board of Directors, Executive Management and staff to achieve the company’s objectives.

The company has prepared a set of policies and procedures that ensure the assets and resources of the company are not misused to pursue personal interests, limit the exploitation of insider information and promote the principle of avoiding conflicts of interest. Here is a brief summary of these principles:

Related Parties Transactions

Related Parties Transactions Policy describes guidelines on how to conduct and manage transactions with related parties, whether such transactions between the company and members of the Board of Directors or the Executive Management and employees. A register of related parties’ list has been prepared and circulated to relevant departments. New business relationship within the company is undertaken only after ensuring that it is not associated with persons in the list. Should there be any connection with those parties, it will be recorded in the register of the transactions with related parties and is presented to the Board of Directors for discussion and approval.

Information Confidentiality and Security

Board of Directors, Executive Management and staff are committed to maintaining the confidentiality of information and data relating to the members of the Boursa Kuwait. Policies and procedures have been set to ensure no leakage of any insider information that will harm the interests of investors. The policy contains enough controls to prevent members of the Board of
CORPORATE GOVERNANCE REPORT

Directors from viewing the information of the customers and members of Boursa Kuwait.

Whistleblowing Policy

The whistleblowing policy provides all employees with the work environment marked by cooperation and transparency. The company has created an email address on the Boursa Kuwait website through which any stakeholder can inform the Board of his concerns about any violations, wrong practices or irregularities. This process is undertaken within a framework that ensures protection of the whistleblower and conducting the necessary investigation and supervision of those procedures.

• Summary of the policies and processes for limiting conflicts of interest

The company pursues to eliminate any potential conflicts of interest. Therefore, a conflict of interest policy has been prepared. The policy sets guidelines for identifying, notifying, reporting, disclosing and preventing potential conflicts of interest. The company has developed appropriate procedures to detect significant conflicts of interest, manage conflicts effectively, and ensure that the Board of Directors handles current and potential conflicts of interest and that all decisions are taken to achieve the best interests of the company.

One of the major practical steps taken by the company to limit conflict of interest cases inside Boursa Kuwait is preparing the policies and procedures that govern Board Members trading on listed securities or securities that are under a listing application. Boursa Kuwait has developed procedures to ensure preventing Board Members from trading during ban periods in addition to informing the head of Compliance before undertaking any trade and providing the Capital Markets Authority with an annual report on the changes in the ownership of the listed securities or securities under listing in respect of members of the board of Directors or their minor children.

The company has also limited the cases of conflict of interest by preventing employees at Boursa Kuwait and their minor children from trading in securities listed in Boursa Kuwait or applied for listing. Within the recruitment process, the company asks the staff to sign a disclosure form on their ownership of listed securities as well as their minor children. Further, on employment, staff signs a declaration not to trade in listed securities or securities under listing whether for staff or staff minor children, unless they have an exceptional case set by the Capital Markets Authority Executive Regulation. An annual report is submitted to the Capital Markets Authority including disclosure details of ownership of listed securities and any changes thereon.

Rule VII
Ensuring Timely and High Quality Disclosure and Transparency

• Summary on applying processes for transparent and accurate disclosure that determine disclosure areas, fields and characteristics

Boursa Kuwait applies the highest degree of accuracy and transparency in dissemination of information related to the company and the listed companies, as this has significant impact on the investors’ confidence, attracting capital and improving the market liquidity.

One of the key pillars that Boursa Kuwait management is seeking to enhance is to provide the work environment with the highest level of integrity and transparency focusing on customers interests through excellence in service delivery. For this objective, a trial website has been launched with many improvements and enhancements that will boost disclosure and transparency values. The new website provides, inter information on the members of the Board of Directors and the Executive Management, their academic qualifications and practical experience, Board Committees and the tasks assigned to each, the company’s news section in addition to a section for annual reports including the financial statements, corporate governance and risk management reports.

• Summary on applying disclosures register requirements for members of the Board and Executive Management

The company keeps registers for disclosures of the members of the Board and Executive Management. The Board Secretary oversees the register of the Board Members while the governance committee oversees the register of the Executive Management.

• Brief statement on applying the requirements for establishing Investors Affairs Unit

For its commitment to provide all information to current and potential investors, Boursa Kuwait has established a unit for organizing investors relations. It is an independent unit reporting directly to the CEO. The Investors Relation Unit is responsible for identifying key information to be provided to current shareholders of the company and potential investors, and providing information on the company’s activities and financial position at the right time.

• Summary on the development of the information technology infrastructure and its high reliability in the disclosures process

In the interest of the company to communicate with a larger number of shareholders, investors and stakeholders, Boursa Kuwait has created a dedicated section on its website for its corporate governance, where all updated information that will help current shareholders and potential investors to exercise their rights and evaluate the company’s performance. The company also pays ongoing efforts to update the disclosure process regularly.

Since taking over the stock exchange facilities, the company, in coordination with the Capital Markets Authority, has developed an action plan and allocated a budget for developing the IT infrastructure of the Stock Exchange. These include changing the servers in the company, in addition to replacing all manual disclosures with an electronic system that provides traders with the opportunity to get transparent, accurate and fair information from the source.
Rule VIII
Respecting the Rights of Shareholders

• Summary on applying the requirements of identifying and protecting general shareholders’ rights to ensure fair and equal treatment for all shareholders

Safeguarding shareholders rights is a key requirement stipulated by corporate governance rules and the Companies Law. For its commitment to providing the highest transparency and equality standards in all current or potential transactions with shareholders, Boursa Kuwait has prepared a policy that ensures identification and protection of shareholders’ rights in accordance with the company’s Articles of Association, policies, internal regulations and procedures and necessary controls to ensure that all shareholders exercise their rights in an equal and fair manner without prejudice to the laws, regulations, decisions and instructions. The company also seeks to treat all shareholders; owners of the same type of shares on equal basis and without any discrimination.

• Summary on creating a special register kept at the clearing agency as part of the requirements for ongoing follow-up of shareholders information

Boursa Kuwait performs ongoing follow-up on all matters related to shareholders information. Therefore, it has created and maintained a special register kept at the clearing agency where the shareholders names, nationalities, home countries and number of shares owned by each of them are recorded. The register is updated to include any changes according to the information received by the company or the clearing agency. Any concerned party is entitled to ask the company or the clearing agency to provide him with information of that register.

• Summary on encouraging shareholders to participate and vote at the Company’s General Meetings

Boursa Kuwait is keen on facilitating and clarifying the role of shareholders in the general meetings. It has set up a process to vote and participate in the general meetings, making it clear that shareholders are entitled to vote on the decisions at the meetings. This is an integral right to all shareholders regardless of their levels as stipulated in the articles and memorandum of association and the policy of protecting shareholders’ rights. The company organizes public meetings for shareholders to enable them to participate effectively in the general meetings and discuss items in the agenda. The company is also keen to give access to shareholders to all information in the Disclosures Register of the Board Members and the Executive Management.

Rule IX
Recognizing the Role of Stakeholders

• Brief summary on the systems and policies that safeguard the protection and recognition of stakeholders’ rights.

Part of the company’s commitment to recognize and protect the rights of stakeholders, Boursa Kuwait has developed a Stakeholders Protection Policy. This policy has been designed to ensure respect and protection of the stakeholder’s rights in accordance with laws and regulations issued by the relevant regulatory authorities.

The objective of the Stakeholders Rights Policy is to ensure respect and protection of the stakeholder’s rights as stipulated in relevant laws and regulations.

The company has also protected the rights of all stakeholders and provided job stability and growth sustainability through good financial performance. Parties defined as stakeholders have been stated in the policy. The company sets guidelines for protecting stakeholder’s rights.

• Summary about encouraging stakeholders to participate in following up with the company’s various activities

Under its significant efforts towards protection of the stakeholder’s rights, the Board has identified the company’s stakeholders as follows:

Shareholders
Shareholders’ Rights Protection Policy has been developed as stipulated in the law and relevant instructions and as part of the company’s corporate governance framework. In addition, effective communication with shareholders has been established to know their views on various matters about the company.

Regulators
The company is committed to laws, Executive Regulations and instructions issued by the Capital Markets Authority, Ministry of Commerce & Industry and any other relevant regulators. The company is always keen on having a good relationship with all regulatory bodies, maintaining that relationship, and fully cooperating with the Capital Markets Authority and relevant regulatory bodies during inspections, as well as providing information and data, books, records and tools as requested by regulator’s representatives, and providing all data, information and statistics required by the Capital Markets Authority and relevant regulatory entities.

Clients and Members of the Market
The company provides the best services and products to its clients, continuously follows up the client suggestions and
CORPORATE GOVERNANCE REPORT

complaints and enhances better communication with clients through modern means of communication to give them the opportunity to easy and timely access to support.

For promoting participation and transparency with customers, the company has uploaded draft rules relating to future products on the company website to survey the market participants' points of view.

Employees

Employment of national manpower and development of the company’s staff skills are a top priority. The company focuses on providing professional development opportunities and necessary training programs. It directs employment efforts to recruiting and training best national calibers.

The company seeks to create and provide a work environment marked by collaboration, integrity, honesty and ethical values and compliance with laws in all dealings with employees or stakeholders. Therefore, the company has set and approved whistleblowing procedures that ensure the right and the freedom to report any violations, illegal or unethical practices through direct communication channels in such a way that ensures adequate protection to the whistleblower and performing investigations on such issues.

Developing an intranet portal for the staff contains information on the latest news about the company is just a step to enhancing the culture of openness and transparency across the company, to encourage open communication channels with the staff.

Rule X

Encourage and Enhance Performance

- Summary on applying the requirements for developing mechanisms that allow the Board Members and Executive Management to attend training programs and courses regularly

Boursa Kuwait works on developing the skills of the members of the Board of Directors and Executive Management by developing mechanisms for training areas for both Board and Executive Management members. The Board has approved induction programs for new members to ensure that they have clear understanding of the company’s business and operations. It also approved an introductory booklet for members of the Board of Directors.

Boursa Kuwait has identified training subjects proposed for the Board Members to develop their skills and experiences and keep them abreast of the latest developments.

- Summary about the process of performance assessment of the Board of Directors collectively and the performance of each member of the Board and the Executive Management.

The company has established systems and process to assess the performance of each member of the Board and the Executive Management on a regular basis through developing a set of performance indicators linked to the extent of achieving the company’s strategy and the adequacy of the internal control systems.

The Nomination and Remuneration Committee, under the supervision of the Board of Directors, reviewed the structure of the Board and the effectiveness of the role undertaken by its Committees, through the use of self-assessment methodology for each Board Member to identify areas that require development and training.

The following diagram illustrates the elements on which the assessment process is based. These elements are included in the self-assessment forms:

- Summary on the Board’s efforts on the corporate value creation for employees in the company through achieving strategic objectives and improving performance rates.

The Board of Directors strives to create the corporate values across the company in the short, medium and long-term. Therefore, it approved the Business Conduct Charter which confirms the compliance of such practices and compliance with the highest professional standards and corporate values. The Board has also sought to link commitment to the corporate values with the performance assessment rates of the company’s employees to ensure achieving the company’s strategic objectives.

One of the most significant efforts undertaken by the company to encourage corporate values is providing the opportunity to all staff to present their new ideas and constructive initiatives to the Executive Management, where sessions are periodically held between the Executive Management and staff from all managerial levels to determine the efforts that could be undertaken for the company’s development.

Rule XI

Focusing on the Importance of Corporate Social Responsibility

- Summary on developing a policy that ensures balance between the company’s goals and society goals

For its responsibility towards both the society and staff, Boursa Kuwait has set and approved a policy to ensure achieving the company’s goals as well as the society goals. The company is
Boursa Kuwait endeavors to instill the principles of moral ethics derived from the legacy of our parents and grandparents in the State of Kuwait. This is clearly reflected in the company’s policies and regulations such as the Charter of Business Conduct and Ethics, Confidentiality of Information and Non-Disclosure Policy, Conflict of Interest Policy, Related Parties Transactions Policy and Stakeholders Protection Policy. These all aim at enhancing moral values.

Boursa Kuwait strives to comply with instructions and laws concerning society by adoption of firm legal frameworks in its relations with all parties.

Boursa Kuwait held an awareness workshop on Corporate Governance and its positive impact on market liquidity as well as an introductory meeting to a delegation from the Ministry of Foreign Affairs including a group of fresh graduates.

Since undertaking its mission, Boursa Kuwait has sought to achieve profitability through improving performance and providing the highest levels of operational efficiency to affect the services provided thus developing the financial market and deepening confidence in the Kuwaiti economy.

Boursa Kuwait has always sought to deep root the following key principles and responsibilities in respect of social work:

- Summary about the programs and mechanisms helping to highlight the company’s exerted efforts in the field of social work

The company also is working on increasing the awareness of social responsibility among employees by ensuring staff knowledge and awareness of the significance of corporate social responsibility programs. The company also ensured that there are enough processes in place to ensure staff knowledge of the social responsibility goals undertaken by the company on an ongoing basis thus enhancing the company’s performance standard.

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committed to streamline its values and business strategy with the social and economic needs while offering needed support to the society to achieve business interests and social benefits on the long-term and ensure company’s business continuity in a manner that mitigates harmful impact on society and the environment. The company has developed strong foundations of effective framework for corporate social responsibility, including responsibilities towards society, environmental responsibilities, and responsibilities towards various segments of the society, stakeholders participation and staff development.

The company also is working on increasing the awareness of social responsibility among employees by ensuring staff knowledge and awareness of the significance of corporate social responsibility
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AUDIT COMMITTEE ANNUAL REPORT

I. Committee Chairman’s Message

Kind Greetings,

On behalf of my colleagues, the members of the Audit Committee, I am pleased to present you with the annual report detailing the accomplishments of the Committee for the year ending 31st December 2016. The Committee has worked extensively to effectively oversee the internal control environment of Boursa Kuwait, and is keen to build systems to ensure appropriate protection of shareholders and stakeholder’s rights.

Sincere Regards,

Saad Faisal AlMutawa
Independent Director

II. Introduction

The Audit Committee was established by the Board of Directors of Boursa Kuwait in its third meeting held on 10th September 2014.

III. Committee Objective

The objective of the Committee is to assist the Board in fulfilling its obligations with regards to the supervision of the quality and integrity of accounting practices, auditing and internal controls, risk management framework, and financial reporting of the company in accordance with the rules of corporate governance issued by the Capital Markets Authority of Kuwait as well as any relevant regulatory bodies.

IV. Composition of the Committee

<table>
<thead>
<tr>
<th>Name</th>
<th>Membership in BOD</th>
<th>Membership in Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Mr. Saad Faisal AlMutawa</td>
<td>Independent Member</td>
<td>Chairman</td>
</tr>
<tr>
<td>2  Dr. Salah Abdullah AlOthman</td>
<td>Non-Executive Member</td>
<td>Member</td>
</tr>
<tr>
<td>3  Mr. Hossam AbdulRahman AlBassam</td>
<td>Independent Member</td>
<td>Member</td>
</tr>
</tbody>
</table>

V. Committee Responsibilities

Internal Controls & Risk Management

1. To ensure independent evaluation of internal control systems and preparation of an Internal Controls Report
2. Review the effectiveness of internal control systems including the following:
   • Information security
   • Accounting and financial reporting controls
   • Legal and ethical compliance programs
3. Obtain detailed explanations from management, internal, and external auditors on whether the company’s control systems are sufficient and effective.
4. Examining the effectiveness of internal controls and risk management mechanisms with regards to annual and periodic financial reports issued to regulators or relevant stakeholders, and ensuring effective information security.
5. Examining any fraud or illegal acts or deficiencies in internal control environment in cooperation with internal and external auditors.
6. Review exceptions detailed in the annual internal controls review report.
7. Review inspection reports issued by regulatory bodies and ensure corrective measures have been taken.
8. Ensure compliance with regulatory requirements as well as approved policies and procedures.

Internal Audit

1. Provide technical supervision over the Internal Audit Department in order to ensure efficiency of the tasks delegated to the function.
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2. Review and approval risk-based audit plans, and ensure the plan covers governance and risk management framework.

3. To meet independently with the Head of Internal Audit, at least four times annually, in order to discuss any matters that the Committee, or Internal audit may need to discuss in a confidential manner.

4. Review the results of internal audit findings to discuss observations of high risks, and ensure management takes the necessary corrective actions to resolve them.

5. Review the results of inspection reports by regulatory bodies, and ensure appropriate corrective actions are taken where needed.

External Audit

1. Review the scope and audit methodology used by external auditors.

2. Challenge external auditors on the scope of work and diligence of the work performed by them to ensure it is in accordance with audit, and international financial reporting standards and regulatory requirements.

3. Review the performance of the external auditors.

4. Make recommendations to the Board of Directors on the appointment/re-appointment of external auditors.

5. Review and discuss quarterly financial reports produced by the external auditors to ensure appropriate bookkeeping practices and accounting practices, and discuss any significant matters with regards to preparation of the company’s financial statements.

Financial Statements

1. Review important matters with regards to company’s financials, including standard or complex transactions, transactions with related parties, significant matters to be addressed or clarified, and understand their impact on the financial statements of the company its subsidiaries and any related parties (if any) in or outside the State of Kuwait.

2. Review financial statements periodically (i.e. annually, semi-annually and quarterly) and ensure they are valid, accurate, complete, consistent and in line with accounting policies and practices set forth by supervisory/regulatory bodies, in addition to ensure its compliance with disclosure standards and make recommendations to the Board of Directors on such matters.

3. Review accounting policies and ensure that financial statements and reports are in compliance with disclosure requirements and regulation requirements, and make recommendations to the Board of Directors with regards to such policies.

4. Review annual report and disclosures of the annual report and other relevant reports to ensure accuracy and completeness of the information provided.

5. Review interim financial reports with management and external auditors before submission to regulatory authorities and ensure they are complete and consistent with information made available to the members of the committee.

6. Review legal matters that may have significant impact on the company’s financial statements.

Reporting

1. Submit periodic reports to the Board of Directors on the activities of the Audit Committee, as well as other related matters along with appropriate recommendations.

2. Report to the Board of Directors on any matters related to the integrity of the financial statements, compliance, or related audit findings.

VI. Audit Committee Meetings

During 2016, the Committee held 6 meetings as detailed below:

| Meeting #1 | 23/2/2016 |
| Meeting #2 | 19/4/2016 |
| Meeting #3 | 29/5/2016 |
| Meeting #4 | 24/8/2016 |
| Meeting #5 | 3/10/2016 |
| Meeting #6 | 29/11/2016 |

Board Members Attendance Detailed Below:

| Mr. Saad Faisal AlMutawa | 6/6 |
| Dr. Salah Abdullah AlOthman | 6/6 |
| Mr. Hossam AbdulRahman AlBassam | 6/6 |

VII. Audit Committee Accomplishments

During the current year, the Committee has achieved the accomplishments detailed below:

Financial Statements and Reports:

1. The Committee has reviewed and approved the following financial reports in preparation for final approval by the Board.
   - Financial Statements for the period from 20th July (date of incorporation) to 31st December 2015.
   - Boursa Kuwait financial statements for the period ending 31/3/2016
   - Boursa Kuwait financial statements for the period ending 30/6/2016
   - Boursa Kuwait financial statements for the period ending 30/9/2016
   - Boursa Kuwait financial statements for the period ending 31/12/2016
   - Kuwait Stock Exchange financial statement for the period ending 24/4/2016
   - Kuwait Stock Exchange financial statements for the period ending 30/6/2016
   - Kuwait Stock Exchange financial statements for the period ending 30/9/2016
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2. Disclosures and significant matters:
   • Compliance with the Capital Markets Authority Decision (63) for the year 2016 with regards to the treatment of operating expenses, and method for calculating management fees for the company as the operator of the Kuwait Stock Exchange for the period from 24/4/2016 to 30/9/2016.
3. Review of the accounting policies practiced by the company.
   • The Committee has reviewed internal audit reports and comments with regards to financial statements.
   • The Committee has reviewed and considered the accounting treatments used for revenues, and expenses of the company’s ensuring their accuracy and validity.

Internal Audit
1. Appointment of the Internal Auditor
   • The Committee has approved the appointment of the Manager of the Internal Audit Department in its first meeting for the year 2016.
2. The Committee has overseen the development of the Internal Audit Department, and approved the following in its second meeting for the year 2016:
   • Approval of the Internal Audit Department Charter
   • Approval of the plan presented for the establishment of the Internal Audit Department, which included the following:
     • Internal Audit Strategy
     • Internal Audit Department Organizational Structure
     • Types of reports to be submitted by the Internal Audit Department.
     • Systems and methodologies used to manage Internal Audits work
     • Internal Audit Department job descriptions
     • Capability Model Template
3. Approval of the risk-based Annual Internal Audit Plan for the year 2016/2017 which covered the following:
   • Strategic objectives and expectations of key stakeholders
   • Internal audit areas of focus according to risk exposure
   • Significant risk factors
   • Allocation of risks across the company’s functions
4. Approval of the Internal Audit policies and procedures document.
5. Presentation of Internal Audit reports on the progress and implementation of the transformation plan, ensuring compliance with the Capital Markets Authority regulations and licensing requirements.

Compliance with Laws and Regulations
1. Follow up ensuring compliance of the company to Law No. 7 of 2010 with regards to the establishment of the Capital Markets Authority, the regulation of securities exchange activities, the executive regulations, its bylaws, resolutions, and amendments thereto.
2. Constant follow-up of the company’s compliance with applicable laws and regulations related to its activities through Internal Audit Reports.

Internal Control Environment/Systems
1. Review the Internal Auditor’s reports on the internal control environment/systems. Reports included the following:
   • Information Technology Report
   • Human Resources Department Report
   • Transformation Progress Review Report
   • Anti-Money Laundering and Counter Terrorist Financing Report
2. The Committee has appointed an external auditor to examine and evaluate its Internal Controls Environment.
   • An independent Audit Firm, Grant Thornton AlQatami, AlAiban and Partners has been assigned to carry out the internal controls review through examining and evaluating the internal controls system to prepare a report to be submitted to the Capital Markets Authority, in compliance with Decision No. (72) For the year 2015.

External Auditor
1. Appointment of the external auditor
   • The external auditor (Deloitte & Touche Al-Wazzan & Co). has been appointed at the first General Assembly on 20/7/2014.
2. External Auditor Independence:
   • The Committee reviews and confirms the independence and objectivity of the external auditors through obtaining information from external auditors on their relationships with Boursa Kuwait, including assignments not related to external auditing services.
   • The Committee has also discussed with external auditor the nature and scope of audit work and efficiency of audit work performed to ensure it is in accordance with international auditing standards, and international financial reporting standards (IFRS), and related regulatory requirements.
3. The Committee has evaluated the performance of external auditors firm and recommended to the Board of Directors the renewal with Deloitte & Touche Al-Wazzan & Co. for the next fiscal year ending 31st December 2017.

Other Communications or Special Investigations
None
Independent Auditor’s Report

On the review and evaluation of Internal Control Systems of the company

M/s. Audit Committee Members
Kuwait Boursa for Securities Company K.P.S.C

In accordance with the terms of our engagement letter dated 9 February 2017, we have examined and evaluated the Internal control systems at your company which were applied during the year ended 31 December 2015 with regard to all the following major business and operational activities of your company:

1- Strategy, Transformation, and CEO’s Office.
2- Markets.
3- Finance.
4- Trading Operations.
5- Human Resources.
6- Information technology.
7- Legal & Market Supervision
8- Risk, Compliance, and Corporate Governance
9- Internal Audit.

The examination was conducted in accordance with the guidelines published by the Kuwait Capital Markets Authority, Fifth Rule: Implementation of Sound Systems of Risk Management and Internal Control, of Sixth Part of Chapter Fifteen “Corporate Governance” of the Executive Regulations issued under decision number 72 for year 2015 of the law number 7 for year 2013.

As members of the Board of Directors of Kuwait Boursa for Securities Company (KPSC), you are responsible for establishing and maintaining adequate internal control systems. In fulfilling that responsibility, estimates and judgments must be made to assess the expected benefits and related costs of such control elements. The objective is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, risks are evaluated and monitored, that transactions are executed in accordance with established authorization procedures and are recorded properly, and to enable you to conduct the business in a prudent and efficient manner.

Because of inherent limitations in any internal control system, errors or irregularities may nevertheless occur and not be detected. Also projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

In our opinion, having regard to the nature and scale of the company’s business during the year ended 31 December 2016, the internal control systems examined by us were established and maintained in accordance with the requirements of corporate governance published by Kuwait Capital Markets Authority within the Executive Regulations issued under decision number 72 for year 2015 of the law number 7 for year 2013.

Yours Faithfully,

[Signature]

Abdullatif M. Al-Alban (CPA)
(License No. 94-A)
of Grant Thornton – Al-Qatami, Al-Alban & Partners
Kuwait

8 March 2017
FINANCIAL STATEMENTS
BOURSA KUWAIT SECURITIES COMPANY K.P.S.C
AND ITS SUBSIDIARY
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

Independent Auditor’s Report
Consolidated Statement of Financial Position
Consolidated Statement of Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements
Independent Auditor’s Report

To the Shareholders of Boursa Kuwait Securities Company - K.P.S.C

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Boursa Kuwait Securities Company - K.P.S.C. (the Parent Company) and its subsidiary, (together referred to as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2016, and the 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 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note (23.1) of the consolidated financial statements, which describes the effect of the business combination of Kuwait Stock Exchange operations and its accounting treatment.

We draw attention to Note (25) of the consolidated financial statements, which describes the uncertainty regarding the result of the settlement between the Parent Company and the Ministry of Finance – Department of State Property against the use and management of the Stock Exchange building starting from first of October 2016.

Our opinion is not modified in respect of these matters.

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

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.
INDEPENDENT AUDITOR'S REPORT
AS ON 31 DECEMBER 2016

Independent Auditor’s Report (Continued)

To the Shareholders of Boursa Kuwait Securities Company - K.P.S.C

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical
requirements regarding independence, and to communicate with them all relationships and other matters that may
reasonably be thought to bear on our independence, and where applicable, related safeguards.
INDEPENDENT AUDITOR’S REPORT
AS ON 31 DECEMBER 2016

Independent Auditor’s Report (Continued)
To the Shareholders of Bourqa Kuwait Securities Company - K.P.S.C
State of Kuwait

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the 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 information that is required by the Companies Law No. 1 of 2016 and its executive regulations 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 or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2016, 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. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2016, that might have had a material effect on the business of the Group or on its consolidated financial position.

Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche - Al Wazzan & Co.

Kuwait, 23 March 2017
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT 31 DECEMBER 2016**

(All amounts are in Kuwaiti Dinars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5</td>
<td>3,909,834</td>
</tr>
<tr>
<td>Term deposits</td>
<td>6</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Receivables and other debit balances</td>
<td>7</td>
<td>425,759</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>7,335,593</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in an associate</td>
<td>8</td>
<td>10,758,432</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>9</td>
<td>527,822</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>10</td>
<td>295,123</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>11,581,377</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to related parties</td>
<td>11</td>
<td>11,350,399</td>
</tr>
<tr>
<td>Payables and other credit balances</td>
<td>12</td>
<td>3,756,569</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>15,106,968</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees’ end of service indemnity</td>
<td>13</td>
<td>131,118</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>15,238,086</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>14</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(2,321,116)</td>
<td>(2,023,870)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>3,678,884</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td>18,916,970</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these consolidated financial statements.
CONSORTIUM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016  

(All amounts are in Kuwaiti Dinars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 December 2016</th>
<th>For the period from 16 October 2014 (date of incorporation) to 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees</td>
<td>17</td>
<td>1,905,093</td>
</tr>
<tr>
<td>Subscriptions fees</td>
<td>18</td>
<td>943,949</td>
</tr>
<tr>
<td>Share in trading commission</td>
<td>19</td>
<td>994,043</td>
</tr>
<tr>
<td>Miscellaneous fees and other income</td>
<td>8</td>
<td>332,848</td>
</tr>
<tr>
<td>Group’s share in results of associate</td>
<td>8</td>
<td>148,287</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>49,165</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td></td>
<td><strong>4,373,385</strong></td>
</tr>
</tbody>
</table>

**Expenses and other charges**

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 December 2016</th>
<th>For the period from 16 October 2014 (date of incorporation) to 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>20</td>
<td>3,313,772</td>
</tr>
<tr>
<td>Consultancy fees</td>
<td></td>
<td>254,937</td>
</tr>
<tr>
<td>Other expenses</td>
<td>21</td>
<td>673,976</td>
</tr>
<tr>
<td>Committees remuneration</td>
<td>22</td>
<td>160,000</td>
</tr>
<tr>
<td>Amortization and Depreciation</td>
<td>9 &amp; 10</td>
<td>134,160</td>
</tr>
<tr>
<td>Operating and maintenance expenses of building</td>
<td>25</td>
<td>85,786</td>
</tr>
<tr>
<td><strong>Total expenses and other charges</strong></td>
<td></td>
<td><strong>4,622,631</strong></td>
</tr>
</tbody>
</table>

Loss for the year / period before Board of Directors’ remuneration | (249,246) | (1,981,870) 
Board of Directors’ remuneration | (48,000) | (42,000) 
**Net loss for the year / period** | (297,246) | (2,023,870) 

**Items of other comprehensive income for the year / period** | - | - 
**Total comprehensive loss for the year / period** | (297,246) | (2,023,870) 

The accompanying notes form an integral part of these consolidated financial statements.
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts are in Kuwaiti Dinars)

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>Accumulated losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of a portion from issued capital (note 14)</td>
<td>2,025,000</td>
<td>-</td>
<td>2,025,000</td>
</tr>
<tr>
<td>Net loss for the period</td>
<td>-</td>
<td>(2,023,870)</td>
<td>(2,023,870)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2015</strong></td>
<td>2,025,000</td>
<td>(2,023,870)</td>
<td>1,130</td>
</tr>
<tr>
<td>Calling the share capital (note 14)</td>
<td>3,975,000</td>
<td>-</td>
<td>3,975,000</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td>-</td>
<td>(297,246)</td>
<td>(297,246)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2016</strong></td>
<td>6,000,000</td>
<td>(2,321,116)</td>
<td>(3,678,884)</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these consolidated financial statements.
## CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts are in Kuwaiti Dinars)

### Cash flows from operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>31 December 2016</th>
<th>For the period from 16 October 2014 to 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss for the year / period</td>
<td>(297,246)</td>
<td>(2,023,870)</td>
</tr>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group’s share in results of associate</td>
<td>8 (148,287)</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>(49,165)</td>
<td>-</td>
</tr>
<tr>
<td>Amortization and Depreciation</td>
<td>9 &amp; 10 (134,160)</td>
<td>15,450</td>
</tr>
<tr>
<td>Employees’ end of service indemnity – provided during the year / period</td>
<td>13 (97,149)</td>
<td>36,304</td>
</tr>
<tr>
<td><strong>Operating loss before changes in working capital</strong></td>
<td>(263,389)</td>
<td>(1,972,116)</td>
</tr>
<tr>
<td>Receivables and other debit balances</td>
<td>(181,397)</td>
<td>21,477</td>
</tr>
<tr>
<td>Payables and other credit balances</td>
<td>34,460</td>
<td>263,880</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>(1,383,472)</td>
<td>12,853</td>
</tr>
<tr>
<td>Cash used in operating activities</td>
<td>(1,793,798)</td>
<td>(1,716,860)</td>
</tr>
<tr>
<td>Employees’ end of service indemnity – paid during the year/period</td>
<td>13 (249,052)</td>
<td>(127)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(2,042,850)</td>
<td>(1,716,987)</td>
</tr>
</tbody>
</table>

### Cash flows from investing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>6 (3,000,000)</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income received</td>
<td>35,329</td>
<td>-</td>
</tr>
<tr>
<td>Cash generated from business combination</td>
<td>23.1 (4,888,588)</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of intangible assets, property and equipment</td>
<td>9 &amp; 10 (180,037)</td>
<td>(74,209)</td>
</tr>
<tr>
<td><strong>Net cash generated from / (used in) investing activities</strong></td>
<td>1,743,880</td>
<td>(74,209)</td>
</tr>
</tbody>
</table>

### Cash flows from financing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>14 3,975,000</th>
<th>2,025,000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash generated from financing activities</strong></td>
<td>3,975,000</td>
<td>2,025,000</td>
</tr>
</tbody>
</table>

### Net change in cash and cash equivalents

<table>
<thead>
<tr>
<th>Description</th>
<th>3,676,030</th>
<th>233,804</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>233,804</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the period</strong></td>
<td>3,909,834</td>
<td>233,804</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these consolidated financial statements.
I. Incorporation and activities

Boursa Kuwait Securities Company (K.P.S.C) (“the Parent Company”) was incorporated as a Kuwaiti Shareholding Public Company under the Memorandum of Association No. 2357 dated on 21 April 2014, which was published in the official gazette dated 27 April 2014, and amended dated 18 April 2016. The Parent Company was recorded in the Commercial register under No. 355538 on 16 October 2014, in accordance with provisions of the Companies Law and the executive regulation, as well as the provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority and its executive regulation. The Parent Company’s constituent assembly was held on 20 July 2014 and the company’s incorporation was ultimately announced as of that date.

The head office of the Parent Company is located at Kuwait Stock Exchange “KSE” Building, Sharq, Kuwait, B.O. Box 1027 Dasman, 15461 Kuwait.

The main objectives for which the Parent Company was established:

• Operation of a Securities Exchange designated for matching Bid and Ask Offers for Securities, following the procedures of trading, and performing the usual functions of Securities markets.

• Provide design, development and processing of electronic data services related to the field of operating securities exchanges.

• Provide support services for third parties’ account in the field of securities exchange.

• Provide financial matters related consultations and preparation of feasibility studies in the field of securities exchange.

• Establishment or participate in establishment of entities inside the state of Kuwait or abroad, of various legal forms within the scope of securities exchange markets business after getting prior consent of CMA.

• The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad, as per applicable laws and regulations.

• The Parent Company may utilize available financial surpluses from its investment in banking deposits or government securities whether inside Kuwait or abroad.

• Any other objectives of securities exchange markets, which are stipulated for in CMA law or any of its resolutions.

The Parent Company may carry out the above business in the state of Kuwait or abroad.

Pursuant to provisions of CMA Law 7/2010 regarding the Establishment of the Capital Markets Authority (as amended) and its executive regulation, CMA shall grant an Exchange license to a shareholding company in order to replace KSE. The Parent Company’s capital shall be determined by a decision made by the Board of Commissioners, and its activity shall be restricted solely to operating a Securities Exchange. CMA shall be in charge of establishing this Securities Exchange Company. The company shares shall be allocated as follows:

• Not less than 6% and not more than 24% shall be allocated for public entities, which have the right of owning shares. Any unsubscribed shares will be referred to the winning bidder.

• Not less than 26% and not more than 44% shall be allocated for companies listed on KSE in conjunction with international Securities Exchange operator, or for an international Securities Exchange operator acting solely, CMA shall establish rules and conditions concerning bidders and the bid process. Shares shall be sold to whoever submits the highest price in excess of its par value and incorporation expenses, if any.

• 50% of the shares shall be publicly offered for all citizens.

• The Board of Commissioners, which is tasked with establishing the company, shall determine its capital and distribute all its shares allocated for Initial Public Offering (IPO) equally to all Kuwaiti citizens pursuant to provisions of article (33) of the afore-mentioned law.

CMA holds 100% of the Parent Company’s shares, as of the date of these consolidated financial statements until the completion of public offering and allocation of the Parent Company’s shares.

On 13 December 2015, CMA has authorized Boursa Kuwait Securities Company (K.P.S.C) (“the Parent Company”) to manage material and intellectual assets of KSE, and undertake the administrative and financial functions required for administering the Exchange’s entity effective from 25 April 2016. With effect from 25 April 2016, the Parent Company shall be considered a licensed Securities Exchange and it shall organize its affairs according to the provisions of article 154 of CMA Law no later than 30 September 2016.

On 28 June 2016, CMA Board of Commissioners has decided the following:

• Continuation of authorising the Parent Company to manage the material and intellectual assets of KSE, and undertake the administrative and financial functions required for administering the Exchange’s entity until the cancellation of KSE license and issuance of a Stock Exchange Market in favour of the Parent Company.

• From 25 April 2016, all financial surpluses resulting from the excess of KSE revenues over operating expenses shall devolve to the Parent Company in consideration of undertaking KSE management.

• On 4 October 2016, CMA Board of Commissioners decided to transfer the material and intellectual assets from KSE to the Parent Company (note 23). The license of stock exchange shall be transferred from KSE to the Parent Company through cancelling the license of KSE and granting the Parent Company a license to practice the activities and business of stock exchange, under which the Parent Company shall replace KSE in terms of its rights and liabilities as at 30 September 2016 according to the related provisions contained in the agreement of transforming the Exchange’s entity as well as transferring its material and intellectual assets. This resolution shall be effective
from 4 October 2016. In addition, CMA Commissioners’ Council has decided to grant the Parent Company a license to practice the activities of stock exchange market pursuant to the provisions of Law No. 7 of 2010, its executive regulations and amendments thereto. The term of license shall be three Georgian years starting from 4 October 2016. As well, the Parent Company shall be exempted from paying the license’s initial fees for such period in terms of its licensed activity.

The new Companies Law No. 1 of 2016 was published in the Official Gazette on 1 February 2016, which cancelled the Companies Law No 25 of 2012, and its amendments. The new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016, which cancelled the Executive Regulations of Law No. 25 of 2012. Companies should make necessary arrangement to be in compliance with provisions of the new law within six months from the executive regulation effective date.

These consolidated financial statements include the financial statements of the Parent Company and its subsidiary, “Boursa Kuwait for Business, Economical and Information Technology Advisory Services Company (W.L.L.)” (together referred to as “Group”) in note (23.2).

The Parent Company’s shareholders general assembly, which was held on 3 April 2016, approved the financial statements for the first fiscal year ended 31 December 2015.

The Parent Company’s Board of Directors have authorized these consolidated financial statements for issue on 23 March 2017. The General Assembly of the Parent Company shareholders have the authority to amend these consolidated financial statements after issuance.

2. Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards without violating Law No. 7 of 2010, as amended, and its executive regulation.

These consolidated financial statements have been prepared on the historical cost basis.

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 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has had no 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 1 Presentation of Financial Statements relating to Disclosure initiative
• Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
• Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation
• Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
• Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
• Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

2.2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs

• Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.
• Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.
• Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive. Effective for annual periods beginning on or after 1 January 2018.

The IFRS 9 in its final form is effective for annual periods beginning on or after 1 January 2018. IFRS 9 contains accounting requirements for financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard 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 category of “fair value through other comprehensive income” 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 derecognition of financial assets and liabilities are carried forward from IAS 39.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014, effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes 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.

- **IFRS 16 Leases**

IFRS 16 was issued on January 2016 with an effective date of annual periods beginning on or after 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 leasees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset have 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 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. The effective date of these amendments are deferred indefinitely.

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 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

### 2.3 Significant Accounting Policies

#### 2.3.1 Basis of Consolidation

**Subsidiaries**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the 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 affects 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 company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date in which the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the 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’s 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 shareholders of the 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, or 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 the consolidated statement of income 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 profit or loss 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 re-measured 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 the consolidated statement of profit or loss. Amounts arising from interests that have previously been recognised in the consolidated statement of other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were fully disposed off.

**Goodwill**

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

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.

**Investment 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations taken in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted in order to recognise the changes in the Group’s share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the investment’s carrying amount and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the interest in
the associate or joint venture. The aggregate of the Group’s share of results of an associate and a joint venture is shown on top of the consolidated statement of income off the operating profit and also represents the profit or loss after deducting tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised, when the Group becomes a party to the contractual obligations of such instruments.

All financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial instruments at fair value through profit or loss) are recognised immediately in the consolidated statement of income.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), held to maturity, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The Group’s management (Management) determines the appropriate classification depending on the purpose of acquiring these financial assets at the date of acquisition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Management determines the classification of its financial assets as follows:

Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables, cash and cash equivalents and investment deposits) are stated at amortised cost using the effective yield method, less any impairment loss.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Impairment losses are directly recognised in the statement of income when there is objective evidence that, as a result of one or more events occurred after the initial recognition of the financial asset, the expected cash flows of this asset or this group of assets will be affected.

For financial assets carried at amortised cost, the amount of impairment losses is recognised as the difference between the carrying amount and the net present value of expected cash flows for these assets, discounted at the effective interest rate.

The carrying amount of trade receivables is reduced through making a provision for doubtful debts. When a trade receivable is considered uncollectible, it is written off against the allowance account. In case of subsequent recoveries of receivables previously written off, these receivables are credited to the statement of income.

Derecognition

The Group derecognises a financial asset when the contractual rights to receive cash flows from the financial asset has expired, or the Group has transferred substantially all risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the consideration received, receivables and the other comprehensive income items related to the asset are recognised in the statement of income.

Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently re-measured at amortised cost using the effective yield method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the borrowings’ period using the effective interest method.

Derecognition

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

2.3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost of an item of property and equipment comprises of its acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Repairs, maintenance 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.
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Property and equipment depreciation is calculated using the straight-line method on the basis of estimated useful lives. The amount of property and equipment is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period. Change in estimations are accounted for as of the beginning of the financial year in which the change arises.

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

2.3.4 Impairment of tangible and intangible assets, other than goodwill

The tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered impairment in value. 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). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The net recoverable amount is the higher of an asset’s fair value less costs to sell or value in use.

Impairment losses are recognized in the consolidated statement of income for the year in which they arisen. When an impairment loss is subsequently reversed, 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 recognized for the asset.

A reversal of an impairment loss is recognized immediately in the statement of income.

2.3.5 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 the Group’s assessments, the time value of money and the risks specific to the obligation.

2.3.6 End of service indemnity

A provision is calculated for the amounts payable against end of service indemnity / leave balances for all employees recorded in the Group’s payroll for their accumulated service periods as at the date of statement of financial position (the end of each fiscal year) in accordance with the rules approved by the Group’s management.

This liability is unfunded and represents the amount payable to each employee as a result of involuntary termination on the date of financial position and the management believes that this basis is considered to be a reliable approximation of the present value of the Group’s liability.

2.3.7 Revenue recognition

Revenues are measured at fair value of the received or receivable consideration. The revenues are written down at the expected returns and any other allowances or rebates.

• The Group’s revenues from charges are recognised on carrying on its business and usages of its reserves such as revenues from registration charges, listing and trading as well as revenues from investing of the Group’s surplus funds.

• The Group’s revenues from rendering service are recognised when the contractual service is delivered. Revenues from penalties are recognised whether by virtue of a judgment or others.

• The Group’s revenues from charges are recognised on carrying on its business, such as revenues from charges on subscriptions of official and parallel markets, on a time basis as per straight-line basis over the period covering such charges. The Group’s share from trading commission based on the percentage specified for the Group’s share upon receiving the reports on collected commissions by Kuwait Clearing Company, which is accrued at the date of the consolidated financial statements based on received reports.

• Interest income on deposits is recognised on accrual basis using effective interest rate.

2.3.8 Accounting for 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 net value of leased asset.

The Group as lessee

Assets held under finance leases are initially recognised as assets in the statement of financial position at the present value of the minimum lease payments. 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 in the consolidated statement of income.

2.3.9 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 where the entity operates (‘the functional currency’). The consolidated financial statements are presented in ‘Kuwaiti Dinars’ (KD), which is the same as the functional currency.

Transactions and balances

Transactions in foreign currencies are translated into Kuwaiti Dinars at the rates prevailing on the transaction date. Monetary
assets and liabilities in foreign currencies outstanding at the date of statement of financial position are re-translated into Kuwaiti Dinars at the rates prevailing at the date of statement of financial position. Any resultant gains or losses from the settlement of such transactions and the translation of the assets and liabilities denominated in foreign currency at the end of the year are taken to the income statement.

3. Financial risk management

3.1 Financial risks factors

The activities of the Group expose it to a set of financial risks, which are market risk, (which includes foreign currency risk, risks of change in fair value and risks of change in interest rates), credit risk and liquidity risk.

Market risk

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates.

The Group is primarily exposed to foreign currency risk, as a result of future transactions related to the financial assets and liabilities, which are denominated in foreign currency and included in the Group’s consolidated financial statements.

The Group is not exposed to foreign currency risk as it does not have any significant financial assets and liabilities denominated in foreign currencies as at 31 December 2016 and 2015.

Fair value risks

Fair value risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Group does not have any financial instruments exposed to such risk as at 31 December 2016 and 2015.

Interest rate risks

Interest rate risks arise from the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to the risk of fluctuations in the cash flows, as a result of changes in interest rates on deposits with banks and financial institutions. The interest-bearing financial assets are amounted to KD 6,023,848 as at 31 December 2016 (KD 150,000 as at 31 December 2015).

This risk is managed through the periodic review of interest rates and maintaining the deposits for periods commensurate with the management’s expectations of the changes in interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the Group to incur a financial loss. The Parent Company is not permitted to grant loans in any way. The assets exposed to credit risk consist principally of cash and deposits with banks and financial institutions and due from related parties.

The Group manages the credit risk related to cash and deposits with banks by entering into transactions with high credit rated financial institutions. It also considers the investment's distribution in more than one financial institution to avoid the credit concentration risks.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. The Group manages this risk by maintaining sufficient cash and high liquidity financial instruments, availability of financial resources to provide liquidity, if necessary.

The Board of Directors has the overall responsibility for the liquidity risk management by establishing an appropriate framework to manage the Group’s short and long-term financing as well as requirements of liquidity management.

All financial liabilities are due within one year from the date of these consolidated financial statements.

As at 31 December 2016, the Group’s current liabilities exceeded its current assets by KD 7,771,375 resulting from an outstanding balance due to CMA amounting to KD 11,350,399 (note 11) in consideration of transferring the net assets of KSE to the Parent Company according to the agreement of transferring the Exchange’s entity and transferring the ownership of entity’s material and intellectual assets. According to the provisions of this agreement, the Parent Company undertakes to increase its share capital, issue shares with a nominal value equivalent to the fair value of these assets, and pay the debts owed to CMA from the outcome of subscription in these shares (note 23.1), within a maximum period of three months from the date of being notified by CMA of the fair value of these assets and the license’s value.

3.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide return on investment to the shareholders through pricing the products and services in line with the considered level of risks. The Parent Company determines the share capital amount in a proportional way with the risk. The Parent Company manages the share capital and may adjust it in light of the changes of economic circumstances and the related assets’ characteristics. The Group relies mainly on self-financing.

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 assets or liabilities.
- 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.
• Level three: Inputs for the asset or liabilities that are not based on observable market data.
• The fair value of financial assets and liabilities equals their carrying value as of the date of consolidated financial statements.

4. Critical accounting estimates and assumptions

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.

The following are the key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

Impairment of tangible, intangible assets and useful lives

The Group's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 2.3.4. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives of property, plant and equipment and related depreciation and amortization charges. The depreciation and amortization charges for the year will change significantly if actual life is different from the estimated useful life of the asset.

Impairment of financial assets

The Group's management reviews periodically items classified as "receivables" to assess whether a provision for impairment should be recorded in the statement of comprehensive income. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Contingent liabilities

Contingent liabilities arise as a result of a past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not fully within the control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (note 25).

5. Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>885,986</td>
<td>83,804</td>
</tr>
<tr>
<td>Term deposits (due within 3 months)</td>
<td>3,023,848</td>
<td>150,000</td>
</tr>
<tr>
<td>Average effective yield rate (%)</td>
<td>1.53</td>
<td>1.08</td>
</tr>
</tbody>
</table>

6. Term deposits

Term deposits represent deposits at local banks for periods exceeding three months. The average effective interest rate on term deposits is 2% as at 31 December 2016.

7. Receivables and other debit balances

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from associate</td>
<td>231,344</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>113,591</td>
<td>8,973</td>
</tr>
<tr>
<td>Accrued income</td>
<td>74,374</td>
<td>-</td>
</tr>
<tr>
<td>Other receivables</td>
<td>6,450</td>
<td>958</td>
</tr>
<tr>
<td>Staff receivables</td>
<td>-</td>
<td>11,546</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>425,759</strong></td>
<td><strong>21,477</strong></td>
</tr>
</tbody>
</table>

8. Investment in associate

Investment in associate represents the Group's share in Kuwait Clearing Company of 27.78%.

The Group's share in results of associate is recognised based on the audited financial of the associate as at 31 December 2016.

Below is the movement on investment in associate during the year:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January</strong></td>
<td>-</td>
</tr>
<tr>
<td>Effect of acquisition of net assets of KSE (note 23.1)</td>
<td>10,610,145</td>
</tr>
<tr>
<td>Group's share in business results</td>
<td>148,287</td>
</tr>
<tr>
<td><strong>Balance at 31 December</strong></td>
<td><strong>10,758,432</strong></td>
</tr>
</tbody>
</table>
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The Group’s share of the associate results has been recognised for the period from first of October 2016 to 31 December 2016.

The associate’s shares are unquoted. Below is the summary on the financial information of the associate as per its financial statements which are prepared in accordance with IFRS:

<table>
<thead>
<tr>
<th>2016</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current assets</td>
<td>Non-current assets</td>
<td>Current liabilities</td>
<td>Non-current liabilities</td>
</tr>
<tr>
<td></td>
<td>36,220,844</td>
<td>7,858,587</td>
<td>1,502,096</td>
<td>3,846,978</td>
</tr>
</tbody>
</table>

9. Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>Automated trading system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
</tr>
<tr>
<td>As at 1 January 2016</td>
<td>-</td>
</tr>
<tr>
<td>Effect of acquisition of net assets of KSE (note 23.1)</td>
<td>573,084</td>
</tr>
<tr>
<td>Additions</td>
<td>42,728</td>
</tr>
<tr>
<td>As at 31 December 2016</td>
<td>615,812</td>
</tr>
<tr>
<td><strong>Amortization</strong></td>
<td></td>
</tr>
<tr>
<td>As at 1 January 2016</td>
<td>-</td>
</tr>
<tr>
<td>Amortization</td>
<td>(87,990)</td>
</tr>
<tr>
<td>As at 31 December 2016</td>
<td>(87,990)</td>
</tr>
<tr>
<td><strong>Net carrying value</strong></td>
<td></td>
</tr>
<tr>
<td>As at 31 December 2016</td>
<td>527,822</td>
</tr>
<tr>
<td>As at 31 December 2015</td>
<td>-</td>
</tr>
<tr>
<td>Useful lives (years)</td>
<td>4</td>
</tr>
</tbody>
</table>

10. Property and equipment

<table>
<thead>
<tr>
<th></th>
<th>Decoration</th>
<th>Computer</th>
<th>Office equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions during the period</td>
<td>44,024</td>
<td>14,050</td>
<td>16,135</td>
<td>74,209</td>
</tr>
<tr>
<td>Balance as at 31 December 2015</td>
<td>44,024</td>
<td>14,050</td>
<td>16,135</td>
<td>74,209</td>
</tr>
<tr>
<td>Effect of acquisition of net assets of KSE (note 23.1)</td>
<td>87,697</td>
<td>-</td>
<td>57,528</td>
<td>145,225</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>45,377</td>
<td>46,781</td>
<td>45,151</td>
<td>137,309</td>
</tr>
<tr>
<td>Balance as at 31 December 2016</td>
<td>177,098</td>
<td>60,831</td>
<td>118,814</td>
<td>356,743</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation for the period</td>
<td>(9,707)</td>
<td>(2,498)</td>
<td>(3,245)</td>
<td>(15,450)</td>
</tr>
<tr>
<td>Balance as at 31 December 2015</td>
<td>(9,707)</td>
<td>(2,498)</td>
<td>(3,245)</td>
<td>(15,450)</td>
</tr>
<tr>
<td>Depreciation for the year</td>
<td>(21,820)</td>
<td>(11,622)</td>
<td>(12,728)</td>
<td>(46,170)</td>
</tr>
<tr>
<td>Balance as at 31 December 2016</td>
<td>(31,527)</td>
<td>(14,120)</td>
<td>(15,973)</td>
<td>(61,620)</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 31 December 2016</td>
<td>145,571</td>
<td>46,711</td>
<td>102,841</td>
<td>295,123</td>
</tr>
<tr>
<td>As at 31 December 2015</td>
<td>34,317</td>
<td>11,552</td>
<td>12,890</td>
<td>58,759</td>
</tr>
<tr>
<td>Useful life (year)</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

The building occupied by the Parent company is owned by Ministry of Finance- State Property Department (note 25).
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Kuwaiti Dinars unless otherwise stated)

11. Due to related parties

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMA</td>
<td>11,350,399</td>
<td>-</td>
</tr>
<tr>
<td>KSE</td>
<td>-</td>
<td>12,853</td>
</tr>
</tbody>
</table>

The outstanding balance due to CMA as at 31 December 2016 in consideration of transferring net assets of KSE to the parent company according to the agreement of transforming the Exchange's entity and transferring the ownership of entity's tangible and intangible assets (Note 23.1).

12. Payables and other credit balances

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues received in advance</td>
<td>2,035,866</td>
<td>-</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>878,829</td>
<td>27,462</td>
</tr>
<tr>
<td>Trade payables</td>
<td>473,793</td>
<td>115,620</td>
</tr>
<tr>
<td>Leaves provision</td>
<td>226,494</td>
<td>78,798</td>
</tr>
<tr>
<td>Other payables</td>
<td>93,587</td>
<td>-</td>
</tr>
<tr>
<td>Board of Directors’ remuneration</td>
<td>48,000</td>
<td>42,000</td>
</tr>
<tr>
<td></td>
<td><strong>3,756,569</strong></td>
<td><strong>263,880</strong></td>
</tr>
</tbody>
</table>

The balance of the revenues received in advance represents amounts of the annual subscription fees received from the Group’s operations.

Other payables represent rent income received from lessees of the building during the period from 1 October 2016 to 31 December 2016 (note 25).

On 27 February 2017, the Board of Directors of the Parent Company proposed at its meeting No. 5/ 2017 a Board of Directors’ remuneration of KD 48,000 for the year ended 31 December 2016 (2015: KD 42,000). The proposed remuneration is subject to the approval of the General Assembly of the Parent Company shareholders.

13. Staff end of service indemnity

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance for the year/period</td>
<td>36,177</td>
<td>-</td>
</tr>
<tr>
<td>Effect of acquisition of net assets of KSE (note 23.1)</td>
<td>246,844</td>
<td>-</td>
</tr>
<tr>
<td>Provided during the year/period</td>
<td>97,149</td>
<td>36,304</td>
</tr>
<tr>
<td>Paid during the year/period</td>
<td>(249,052)</td>
<td>(127)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td><strong>131,118</strong></td>
<td><strong>36,177</strong></td>
</tr>
</tbody>
</table>

14. Share capital

On 20 July 2014, the company’s constituent assembly was held to officially announce the company’s establishment with an authorized share capital of KD 60 Million comprising of 600 Million shares. The issued share capital is KD 6 Million comprising of 60 million shares of Fils 100 each and all shares are in cash.

The Capital Markets Authority “CMA” has paid 25% of the issued share capital at incorporation, equivalent to KD 1,500,000.

On 7 October 2015, the Board of Directors of the Parent Company has resolved to call up a portion amounted to KD 525,000 of the share capital, and CMA has settled and deposited the called-up amount, in cash, in the Parent Company’s bank accounts.

On 14 December 2015, the Board of Directors has resolved to call up the unpaid portion of the issued share capital amounting to KD 3,975,000. During the period ended 30 September 2016, the increase amount has been deposited in the Parent Company’s bank accounts.

Accordingly, the parent company’s issued and fully paid-up share capital is amounted to KD 6,000,000 as at 31 December 2016 (paid capital was KD 2,025,000 as at 31 December 2015).

15. Statutory reserve

In accordance with the Companies’ Law, and the Parent Company’s Articles of Association, 10% of the net profit for the year before KFAS and Zakat is to be transferred to the statutory reserve. This transfer may be discontinued when the statutory reserve reaches 50% of the Parent Company’s share capital. Distribution of the statutory reserve is limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Kuwaiti Dinars unless otherwise stated)

to the cases stipulated for in the Law and the Parent Company’s Articles of Association. No transfer was made to the voluntary reserve, as the Company incurred losses for the year.

16. Voluntary reserve
In accordance with the Parent Company’s Articles of Association, a percentage of the net profit – to be proposed by the Board of Directors and approved by the General Assembly of Shareholders – before KFAS and Zakat is to be transferred to the voluntary reserve. The General Assembly may discontinue this transfer based on the Board of Directors’ proposal. No transfer was made to the voluntary reserve, as the Company incurred losses for the year.

17. KSE management fees
Management fees in consideration for KSE management by the company during the transitional period are recognised based on CMA resolution no. 63 of 2016 dated 28 June 2016 as well as mechanism of implementing such resolution as per its letter dated 4 September 2016, as the company has recognised management fees equivalent to the actual expenses incurred by the company for the period from 25 April 2016 to 30 September 2016. The balance of outstanding accrued fees is settled upon business combination of KSE (note 23.1).

18. Subscription fees
Subscription fees as at 31 December 2016 represent subscription fees of companies listed in both official and parallel markets as well as annual subscription fees of brokers and market makers for the period from 1 October 2016 to 31 December 2016.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2016</th>
<th>Period from 16 October 2014 (date of incorporation) to 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>31 December 2016</td>
</tr>
<tr>
<td>Subscriptions fees of official market - local and foreign Co.</td>
<td>909,764</td>
<td>-</td>
</tr>
<tr>
<td>Subscriptions fees of parallel market</td>
<td>19,062</td>
<td>-</td>
</tr>
<tr>
<td>Subscriptions fees of brokers and market makers</td>
<td>15,123</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>943,949</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

The Parent Company’s Board of Directors approved in its meeting no. 4 of 2017 dated 20 February 2017 employees bonuses which includes the CEO bonus for the year ended 31 December 2016.

19. Share in trading commission
This represents share in trading commission from market operations.

Kuwait Clearing Company (associate) collects the Group’s share in trading commission on behalf of the Group in consideration for collection of 1% of total commission plus annual fees of KD 200,000.

Net trading income transferred from Kuwait Clearing Company is amounted to KD 994,043 for the period from 1 October 2016 to 31 December 2016.

20. Staff costs

<table>
<thead>
<tr>
<th></th>
<th>31 December 2016</th>
<th>Period from 16 October 2014 (date of incorporation) to 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and allowances</td>
<td>2,119,155</td>
<td>721,833</td>
</tr>
<tr>
<td>Staff bonus</td>
<td>415,446</td>
<td>-</td>
</tr>
<tr>
<td>Leaves</td>
<td>245,353</td>
<td>116,757</td>
</tr>
<tr>
<td>Medical insurance</td>
<td>140,261</td>
<td>-</td>
</tr>
<tr>
<td>Education expenses</td>
<td>132,028</td>
<td>-</td>
</tr>
<tr>
<td>Employees’ end of service indemnity (note 13)</td>
<td>97,149</td>
<td>36,304</td>
</tr>
<tr>
<td>Social insurance</td>
<td>90,701</td>
<td>20,130</td>
</tr>
<tr>
<td>Staff’s annual tickets expenses</td>
<td>73,679</td>
<td>14,735</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,313,772</strong></td>
<td><strong>909,759</strong></td>
</tr>
</tbody>
</table>

The Parent Company’s Board of Directors approved in its meeting no. 4 of 2017 dated 20 February 2017 employees bonuses which includes the CEO bonus for the year ended 31 December 2016.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in Kuwaiti Dinars unless otherwise stated)

21. Other expenses

<table>
<thead>
<tr>
<th></th>
<th>31 December 2016</th>
<th>Period from 16 October 2014 (date of incorporation) to 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance</td>
<td>364,806</td>
<td>20,728</td>
</tr>
<tr>
<td>Advertising</td>
<td>48,778</td>
<td>60,808</td>
</tr>
<tr>
<td>Legal expenses</td>
<td>13,933</td>
<td>19,528</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>19,538</td>
<td>12,529</td>
</tr>
<tr>
<td>Hospitality</td>
<td>26,621</td>
<td>9,175</td>
</tr>
<tr>
<td>Other expenses</td>
<td>200,300</td>
<td>30,549</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>673,976</strong></td>
<td><strong>153,317</strong></td>
</tr>
</tbody>
</table>

22. Committees’ remuneration

The committees’ remuneration represents remuneration to Board Committees’ members in accordance with the remuneration policy approved by the Parent Company.

23. Group’s structure

23.1 Business combination

Under the agreement signed between CMA and the Parent Company on 3 October 2016 concerning transforming the Exchange’s entity and transferring the ownership of entity’s material and intellectual assets, it has been agreed upon the following:

• Transfer the ownership of certain tangible and intangible assets owned by KSE to the Parent Company effective 1 October 2016 and record them in the Parent company’s books at temporary estimates based on its book value as at 30 September 2016 as per the audited financial statements at that date.

• In addition to such assets, CMA has decided to transfer KSE license to the Parent Company, provided that its fair value shall be subsequently determined.

• The Parent Company shall replace KSE in assuming all its liabilities as at that date.

• CMA determines the fair value of the material and intellectual assets and liabilities as at 30 September 2016 through the consulting committee formed pursuant to article 156 of law no. 7 of 2010. The Parent Company has declared its prior final approval on that valuation.

• The Parent Company undertakes to increase its share capital, issue shares with a nominal value equivalent to the fair value of these assets, and pay the debts owed to CMA from the outcome of subscription in these shares, within a maximum period of three months from the date of being notified by CMA of the fair value of these assets and the license’s value.

Below is a statement of the book value of the acquired assets and liabilities as at 30 September 2016:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>4,888,588</td>
</tr>
<tr>
<td>Debtors and other receivables</td>
<td>209,049</td>
</tr>
<tr>
<td>Investments in associate (note 8)</td>
<td>10,610,145</td>
</tr>
<tr>
<td>Intangible assets (note 9)</td>
<td>573,084</td>
</tr>
<tr>
<td>Property and equipment (note 10)</td>
<td>145,225</td>
</tr>
<tr>
<td>Creditors and other payables</td>
<td>(3,458,229)</td>
</tr>
<tr>
<td>Due to related party</td>
<td>(1,370,619)</td>
</tr>
<tr>
<td>Provision for staff end of service indemnity (note 13)</td>
<td>(246,844)</td>
</tr>
<tr>
<td>Net acquired assets</td>
<td>11,350,399</td>
</tr>
<tr>
<td>Less: consideration paid on acquisition</td>
<td>-</td>
</tr>
<tr>
<td>Balance due to CMA (note 11)</td>
<td>11,350,399</td>
</tr>
<tr>
<td>Cash from acquisition of KSE assets and liabilities</td>
<td>4,888,588</td>
</tr>
</tbody>
</table>

The fair values of the acquired assets and liabilities were not measured till date. As required in IFRS 3 “business combination”, the impact of fair value measurement on the provisional values of the assets and liabilities and due to CMA shall be retrospectively recorded after completion of the valuation. In addition, measurement of the acquired assets and liabilities at fair value may result in recognising additional assets and liabilities. Measurement of the assets and liabilities at fair value should be completed within one year as of the acquisition date.

23.2 Incorporation of a subsidiary

During the year ended 31 December 2016, “Boursa Kuwait for Business, Economical and Information Technology Advisory Services Company (W.L.L)” was incorporated in the State of Kuwait with a share capital of KD 3,000 (fully owned company).

The financial statements of the subsidiary were consolidated based on the financial information prepared by the Group’s management as at 31 December 2016.

24. Related parties transactions

Related parties represent shareholders who have representatives in the Boards of Directors, members of the
Boards of Directors, Key Management and the companies, in which the Group has representatives in its Board of Directors. All transactions are subject to the approval of General Assembly of the shareholders. The following is the significant transactions entered into by the company with related parties, and balances resulted from such transactions, in addition to those disclosed in other notes:

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Period from 16 October 2014 (date of incorporation) to 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key management benefits</td>
<td>382,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balances</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from associate (note 7)</td>
<td>231,344</td>
<td>-</td>
</tr>
<tr>
<td>Due to related parties (note 11)</td>
<td>11,350,399</td>
<td>12,853</td>
</tr>
<tr>
<td>Balance of key management benefits</td>
<td>208,000</td>
<td>52,000</td>
</tr>
</tbody>
</table>

Key management benefits represented in the CEO salary, Board of Directors remuneration and committees remuneration.

25. Contingent liabilities

As set out in note (10), the building occupied by the Parent Company is owned by the Ministry of Finance – State Property Department. The Group did not record any liabilities as a result of occupying this building.

In accordance with the agreement of transforming the Exchange’s entity and transferring the ownership of entity’s tangible and intangible assets – chapter 4 paragraph 2 and 3, the Parent Company undertakes to supervise the building until the State Property management at the Ministry of Finance decides to assign the building’s ownership, receive it or delegate its management to any other entity.

CMA coordinates with the Ministry of Finance to settle any commitments due as a result of utilizing the building until 30 September 2016.

The Parent Company settles all expenses and charges due on the building starting from 1 October 2016 provided that it will make accounts settlement with the State Property for the amounts incurred for this purpose and the amounts that should be paid to the state starting from 1 October 2016.

The Group’s management deems to recognize the amounts collected from lessees of the building under payables (note 12) and charge expenses incurred for maintenance, cleaning, water and electricity... etc. as expenses in the consolidated statement of income until completion of the settlement with the State Property. Accordingly, the Group’s management considers that there is no need to make additional provisions for this purpose.

26. Capital commitments

Other than disclosed in note 23.1 concerning the liabilities attributable to the agreement of transforming the Exchange’s entity and transferring the ownership of entity’s tangible and intangible assets, there is no other capital commitments.

27. Comparative figures

The comparative figures covers the period from 16 October 2014 (incorporation date) to 31 December 2015, while the current year figures covers the period from 1 January to 31 December 2016.
Boursa Kuwait Securities Company K.P.S.C
Date of Incorporation: 21st April, 2014
Date of License: 4th October, 2016

Address:
Mubarak Al Kabeer Street, AlSharq, Kuwait

Postal Address:
P.O. Box 1027 Dasman, 15461 Kuwait
T: +965 2239 2000 F: +965 2244 0476

Trading Hours:
9:00 am – 12:30 pm

Statutory Auditors:
Deloitte & Touche – Al Wazzan & Co.