2017

ANNUAL REPORT

تمدين

TAMDEEN

REAL ESTATE

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

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

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

H.H. Sheikh Jaber Al Mubarak Al Hamad Al Sabah
Prime minister of the State of Kuwait

CONTENTS

BOARD OF DIRECTORS REPORT

IN THE NAME OF GOD, MOST GRACIOUS, MOST MERCIFUL

ESTEEMED SHAREHOLDERS,

PEACE AND GOD'S MERCY AND BLESSINGS BE UPON YOU,

ON MY OWN BEHALF AND ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS, I AM PLEASED TO MEET WITH YOU TODAY AT THIS ANNUAL MEETING OF YOUR HONORABLE ASSEMBLY. LET'S BEGIN OUR MEETING WITH THANKS TO GOD ALMIGHTY AND WITH THE EXPRESSION OF THANKS AND GRATITUDE TO YOU FOR YOUR CONTINUOUS SUPPORT AND TRUST THAT HAVE ALWAYS MOTIVATED US TO MAKE INCREASING EFFORTS IN ORDER TO FULFILL YOUR ASPIRATIONS AND ACCOMPLISH THE COMPANY'S GOALS AND STRATEGIES. I AM HONORED TO PRESENT TO YOU THE ANNUAL REPORT AND FINANCIAL RESULTS OF TAMDEEN REAL ESTATE COMPANY AND ITS SUBSIDIARIES FOR THE YEAR ENDED ON 31 DECEMBER 2017 AND AN OVERVIEW OF THE ACHIEVEMENTS MADE DURING THE YEAR.

HONORABLE SHAREHOLDERS,

THE YEAR 2017 WITNESSED A VAST ARRAY OF POLITICAL AND ECONOMIC DEVELOPMENTS, BRINGING NUMEROUS FACTORS THAT HAVE HAD DEEP POSITIVE AND NEGATIVE IMPACTS ON THE LOCAL AND GLOBAL ECONOMIES IN GENERAL. WITHOUT EXCEPTION, THE ECONOMIES OF THE GULF COOPERATION COUNCIL COUNTRIES FELT THE PINCH OF LOW OIL PRICES, WHICH LED TO AN AGREEMENT AMONG THE MEMBERS OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC) AND OTHER OIL EXPORTERS TO REDUCE PRODUCT WITH A VIEW TO SUPPORT WORLD OIL PRICES. THE AGREEMENT SLOWED DOWN ECONOMIC GROWTH IN KUWAIT DURING THE PAST YEAR, BUT LED, TOWARD THE END OF THE YEAR, TO A RECOVERY OF THE OIL MARKETS THANKS TO AN UNPRECEDENTED COOPERATION AMONG OPEC AND NON-OPEC COUNTRIES.

In continuation of earlier efforts launched by the State of Kuwait and inspired by the vision of His Highness the Amir to implement the current development plan based on a number of key support elements; a distinctive global reputation, highly developed infrastructure, creative human capital, effective government administration, high-quality healthcare, diversified economy and a sustainable living environment, Kuwait continued to implement the five-year plan that had started in fiscal year 2015/2016 and ends in 2019/2020, by approving a number of investment projects designed to achieve the development plan, including Phase 2 of the new Kuwait Airport, Khairan Power Generation and Water Distillation Station, Al-Zour North Station and other projects.

ESTEEMED SHAREHOLDERS,

Throughout 2017, Tamdeen Real Estate Company continued the development of investment estates owned by it within the "Tamdeen Square" project located in a prime area in Sabah Al-Salem to the West of King Abdulaziz Al-Saud Road which is one of the best strategic locations available in the State of Kuwait. The company continued the construction of a new residential compound consisting of three towers that contain 256 deluxe residential apartments with a unique design that keeps pace with the aspirations of all citizens who wish to use these units as residences or as real estate investments. Construction works on these towers is expected to be completed by the end of 2018. These towers, with the two hotel apartments buildings, hotel building and shopping center, will be a vibrant blend of high-class facilities that will set a new benchmark in the modern metropolitan compounds sector, providing a new lifestyle in Sabah Al-Salem within the rapidly developing Mubarak Al-Kabir governorate.

HONORABLE SHAREHOLDERS,

Tamdeen Real Estate Company also continued developing its Fahaheel water front project, "Al-Kout", a unique development project in the Southern part of the State of Kuwait, within the larger "Al-Kout" project where the company has started the execution of a comprehensive renovation plan of all the elements of the North Pier of that project, which will have a positive impact on the project as a whole. The engineering works had been started and the site was delivered to the company which is developing the renovation works, the necessary construction works were started in the last quarter of 2017, to be completed during the last quarter of 2018. It is worth mentioning that, despite what we have referred to the works that are being carried out, this project generated operating revenues amounting to KD 3.8 million during 2017.

During the year, the company did a profitable deal represented in selling its investment in Fucom Central Markets Company which owns the Geant trade mark to a regional retail trade company which replaced it with the prominent global brand Carrefour.

ESTEEMED SHAREHOLDERS,

In 2017, Tamdeen Real Estate Company continued its commitment to implement its strategic operation plans according to previously adopted plans, through subsidiary and associate companies specialized in investment, real estate development and service sectors. The company continued realizing its targeted developed results to its partners and shareholders which led to realizing feasible positive results.

Following are the key features for what these companies achieved during 2017:

With regard to our subsidiary companies, Tamdeen Investment Company achieved during 2017 a tangible growth in its operational and investment activities. The impact can be clearly seen in increased operating revenues from cash dividend distributions received in 2017, totaling KD 8.4 million compared to KD 7.9 million in 2016. The most notable distributions were those resulting from the Company's investment in Ahli United Bank, thereby reflecting the rigidity and strength of the company's present assets.

Tamdeen Investment Company completed during the year the implementation of its planned investment agenda designed to diversify the Company's revenues by benefiting from the success elements available to Tamdeen Group, through undertaking new investments in restaurants and sports activities sectors. Within this context, the incorporation of Tamdeen Foods Company have been completed and the procedures of incorporating Tamdeen Sports Company has been started.

Similarly, Manshar Real Estate Company confirms that "Al-Kout Mall" development works are currently in their final stages, emphasizing the Company's keen determination to complete the project according to the highest global standards. "Al-Kout Mall" is expected to start welcoming visitors during the early second quarter of 2018. Recently more than 84% of the area available for retail shops within the Mall already leased, and with leases concluded with a number of world-famous brands already in place, this latest development will enrich the diversity of brands and give shoppers at the Mall a unique shopping experience that would add real value to their lifestyle.

"Al-Kout Mall" has been designed according to global standards for modern shopping centers, achieving a fine balance between functional design and pleasant experience. As a part of "Al-Kout" project in the Ahmadi Governorate, "Al-Kout Mall" will contribute to increasing total leasing area within "Al-Kout" project to about 100,000 square meters, and, being located on the largest water front for shopping and entertainment in the State of Kuwait, it will provide varied and unique entertainment, shopping and hospitality experiences in one location that reflects the unique architectural heritage of the State of Kuwait. It will contain 360 shops, and 12 well developed cinema halls equipped with IMAX and 4DX systems and other technologies for cinematic effects, managed by Kuwait National Cinema Company (Cinescape). In addition to an impressive array of local and international restaurants and coffee shops including 11 local brands, underscoring our sustained support to the initiatives of ambitious, young Kuwaitis, in addition to the various entertainment facilities designed to attract all age categories.

To facilitate movement among the various parts of "Al-Kout" project, "Al-Kout Mall" is linked directly by means of an air-conditioned pedestrian bridge to traditional Souq Al-Kout, with its unique water fountains, overlooking the enchanting pier. For a further measure of comfort, the project includes a multi-level car park which can accommodate approximately 3600 cars.

The project also houses the 5-star Al-Kout Rotana Hotel which occupies a strategic spot at the heart of an oil and gas facilities area, 25 minutes away from Kuwait International Airport and 45 minutes by car from the borders of Saudi Arabia. It will be linked directly to the shops and restaurants within the new "Al-Kout Mall". To cater for the increasing demand for weddings, conferences and other events, the works of the new Ballroom are nearing completion to support all the activities of the hotel. Furthermore, all the works related to "Prego" restaurant have been completed, to further enrich the choices offered to the customers and visitors of the hotel.

With regard to our associate companies, the following is an account of the achievements of Tamdeen Shopping Centers Company during 2017:

The prominent global brand, Bloomingdales, opened its shop at 360 Mall during the first quarter of the last year, adding a unique shopping experience for the benefit of the Mall's visitors, because of its huge array of new, luxury brands. The Food Court became fully operative following completion of the development work with the addition of a number of new, famous names in the hospitality industry worldwide. The Company also completed developing and building of Sama Commercial Center at Jahra. The center is partially operative.

This is in addition to the tangible achievements made by the subsidiaries of Tamdeen Shopping Centers Company, as follows:

- Spirit Real Estate Development Company continued the efforts to complete the Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex according to the time schedule agreed upon with the Kuwaiti Tennis Federation. Whereas, the company has signed a contract with the French-based Mouratoglou Tennis Academy, amongst the leading tennis academies in the world, from which a number of the most prominent tennis champions have graduated, to manage the Tennis Academy as a key element of the project. The company has also agreed with the canadian company "Live Nation", a world leader in this field, to manage events and activities at the main covered hall of Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex which has 6000 seats.

- On the retail side, Three-Sixty Style Company, made a remarkable achievement during 2017 by adding new trademarks and new retail outlets to the impressive array of units in 360 Mall.

- During the second half of 2017, Tamdeen Entertainment Company opened the new games hall SKY ZONE at Al-Rai area, which has been quite popular with kids and youth. Tamdeen Entertainment Company hopes to complete the INFUNITY SEA project at the new "Al-Kout Mall" in Fahaheel, the largest and most modern indoor entertainment center in Kuwait. The "Kuwait Carting" car arena, the largest covered arena of its kind in the Middle East will also open shortly at "Al-Kout Mall".

ESTEEMED SHAREHOLDERS,

During 2017, the Company's operating revenues amounted to KD 7.3 million and its net profits for the year amounted to KD 8.4 million, representing a 20.8 Fils earning per share (compared to 18.1 Fils for the previous year).

In light of these positive results, the Board of Directors decided to recommend to the general assembly the distribution of a cash dividend of 12% of the paid-up capital to the shareholders of the company for the financial year ended on 31 December 2017, and to grant the members of the Board of Directors a remuneration of KD 60,000 (KD 10,000 for each director) for the financial year ended on 31 December 2017.

IN CONCLUSION,

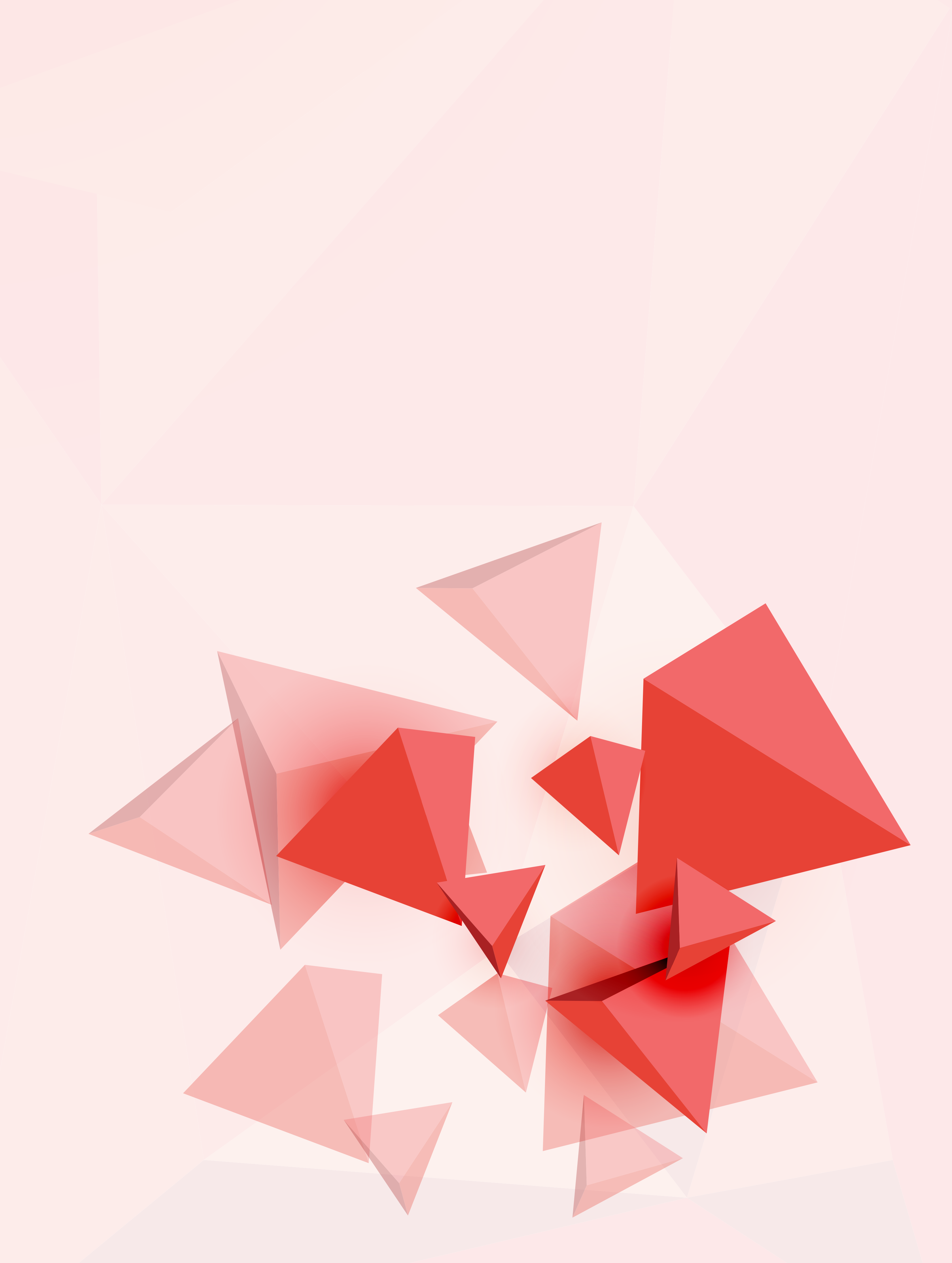
I would like to take this opportunity to present, for myself and on behalf of the members of the Board of Directors, the expression of our deepest thanks and highest appreciation to His Highness the Amir, Sheikh / Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh / Nawwaf Al-Ahmad Al-Jaber Al Sabah and His Highness the Prime Minister, Sheikh / Jaber Mubarak Al-Hamad Al-Sabah, for their continuous support to the country's private sector.

I would also like to thank our honorable shareholders for their confidence and support. Finally, I want to thank the members of our Board of Directors and all the employees of the company for their valuable efforts that enabled the company to achieve the desired results targeted during 2017.

PEACE AND GOD'S MERCY AND BLESSINGS BE UPON YOU,

MESHAL JASSIM AL MARZOUQ

CHAIRMAN OF THE BOARD OF DIRECTORS



BOARD MEMBERS

Meshal Jassim Al Marzouq
CHAIRMAN

Abdulwahab Marzouq Al Marzouq
VICE CHAIRMAN

Sheikh Majed Jaber Al Sabah
BOARD MEMBER

Mohammed Fouad Al Ghanim
BOARD MEMBER

Zeyad Hassan Al Qaissy
BOARD MEMBER

Mahmoud Dawoud Al Marzouq
BOARD MEMBER

EXECUTIVE MANAGEMENT

Mohamed Abdulhamid AlMarzook
CEO

Salah Abdulaziz Al Bahar
GM - ADMINISTRATION

Khalid Omar Abbas
GM - FINANCE

Muath Bisher Al Roumi
GM - MARKETING

Ahlam Daychoum
GM - Legal

Nabil Fares
GM - IT

GOVERNANCE REPORT
CORPORATE GOVERNANCE OUTLINE

Being deeply committed to the application of the rules of governance and guided by a strong belief of its importance, Tamdeen Real Estate Company continues to follow the best practices and implement set of policies and procedures designed to regulate relationships among the shareholders, Board of Directors, Executive Management and stakeholders. The company is keen upon ensuring that all are kept aware at all times of all the relevant development, with the utmost transparency.

Tamdeen Real Estate Company has updated and adopted a number of policies and procedures related to various departments of the Company.

Tamdeen has fully adopted and implemented the rules of governance by the Board of Directors monitoring of the work of the various committees, reviewing their periodic reports, looking into the reports received from the Risk Management Office, the remarks of the Internal Audit Office and taking appropriate corrective decisions.

Strongly believing in the importance and value of social responsibility, Tamdeen Real Estate Company has implemented and executed the social responsibility plan for 2017 in order to achieve the results outlined in the report.

UNDERTAKING OF THE BOARD OF DIRECTORS

We, the chairman and members of the Board of Directors of Tamdeen Real Estate Company (Kuwaiti Public Shareholding Company) "the parent company and its subsidiary companies" hereby declare and warrant the accuracy and integrity of the consolidated financial statements that have been provided to the external auditor and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait and approved by Kuwaiti CMA and that represent the financial position of the company as at 31 December 2017 according to such information and reports as have been received by us from the Executive Management and the independent external auditor and that due care has been made to verify the integrity and accuracy of those reports.

Member Name	**Position**	**Signature**
Mr. Meshal Jassim Al Marzouq	Chairman of the Board of Directors Non-Executive member	
Mr. Abdulwahab Marzouq Al Marzouq	Vice Chairman of the Board of Directors Non-Executive member	
Sheikh Majed Jaber Al Sabah	Member of the Board of Directors Non-Executive member	
Mr. Mohammad Fouad Al Ghanim	Member of the Board of Directors Independent	
Mr. Zeyad Hassan Al Qaissy	Member of the Board of Directors Independent	
Mr. Mahmoud Dawoud Al Marzouq	Member of the Board of Directors Independent	

COMPOSITION OF THE BOARD OF DIRECTORS

Member Name	Classification of the Member / Secretary	Academic Qualification & Practical Experience	Date of Election / Appointment
Mr. Meshal Jassim Al Marzouq	Chairman of the Board of Directors - Non-Executive	BA and 22 years of experience	11 May 2016
Mr. Abdulwahab Marzouq Al Marzouq	Vice Chairman of the Board of Directors - Non-Executive	Diploma and 22 years of experience	11 May 2016
Sheikh Majed Jaber Al Sabah	Member of the Board of Directors - Non-Executive	BA and 26 years of experience	11 May 2016
Mr. Mohammad Fouad Al Ghanim	Member of the Board of Directors - Independent	BA and 20 years of experience	11 May 2016
Mr. Zeyad Hassan Al Qaissy	Member of the Board of Directors - Independent	BA and 27 years of experience	11 May 2016
Mr. Mahmoud Dawoud Al Marzouq	Member of the Board of Directors - Independent	BA and 9 years of experience	11 May 2016
Mr. Salah Abdulaziz Al Bahar	Secretary of the Board of Directors	BA and 29 years of experience	11 May 2016

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Company's Board of Directors performs its basic functions and responsibilities which include the following:

- Approving the Company's key objectives, strategies and policies.
- Approving the capital structure that best suits the company and its financial objectives.
- Establishing a governance system for the company that complies with the corporate governance rule provisions issued by the Capital Markets Authority in Kuwait, supervising the same and controlling its effectiveness and amending it as needed.
- Ensuring that the organization structure of the company is implemented with utmost transparency and clarity to enable decision making and implementation of sound governance rules and separation between the powers and authorities of the Board of Directors and the Executive Management.
- Approving the organizational and functional structures in the company and reviewing them on a regular basis.
- Establishing a mechanism to regulate the relations with all relevant parties.
- Establishing a policy to regulate the relations with stakeholders to preserve their rights.
- Determining the dividend policy.
- Issuing remuneration systems granted to employees.
- Appointing or eliminating any member of the Executive Management, CEO or any member reporting to him.
- Ensuring the accuracy and integrity of the data and information that should be disclosed, and ensuring that they conform to the policies and laws of disclosure and transparency in force.
- Issuing the estimated annual budgets and approving the interim and annual financial statements.
- Supervising the main capital expenditure, ownership and disposal of assets.
- Ensuring that all financial and accounting systems are sound including all systems related to financial reports.
- Ensuring the implementation of regulatory systems to measure and manage risks.
- Supervising and monitoring the performance of the members of the Executive Management and ensuring that they are executing all the duties entrusted to them.
- Ensuring that the Company complies with the policies and procedures designed to observe the applicable rules & internal regulations.

UNDERTAKING OF THE INTEGRITY AND ACCURACY OF FINANCIAL STATEMENTS

The Executive Management acknowledges to the Board of Directors in writing accuracy and integrity of the financial statements that have been presented fairly and properly and that cover all financial aspects of the company from operating statements and results according to the International Financial Reporting Standards and approved by Kuwaiti CMA. The Board of Directors also acknowledge to the company's shareholders accuracy and integrity of the financial statements and reports related to the company's activities.

RESPONSIBILITIES OF THE EXECUTIVE MANAGEMENT

The Company's Executive Management, represented by the Chief Executive Officer and chief executives, executes a set of functions that may be summarized as follows:

- Executing the general strategy and detailed plans approved by the Board of Directors.
- Executing all policies, regulations and internal regulations of the company as approved by the Board of Directors.
- Initiating an integrated accounting system that ensures the keeping of books, registers and accounts that reflect in a detailed and accurate manner the financial data and income statements in such way as to safeguard the Company's assets.
- Laying down an internal control system and risk management system, and ensuring the effectiveness and adequacy of those systems.
- Undertaking the daily management of the business and administration of the activity, managing the Company's resources in an optimum manner and seeking to maximize profits and minimize expenses in accordance with the Company's objectives and strategy.
- Preparing periodical (financial and non-financial) reports on the progress of the Company's activities in light of the strategic plans and objectives of the company, and submitting those reports to the Board of Directors.
- Preparing the financial statements according to the International Accounting Standards approved by the Kuwaiti Capital Markets Authority.
- Effectively participating to the building and development of moral values within the Company.

BOARD OF DIRECTORS MEETINGS DURING 2017

Member Name	Meeting No. 01 – 2017 Meeting Date 12 / 02 / 2017	Meeting No. 02 – 2017 Meeting Date 14 / 03 / 2017	Meeting No. 03 – 2017 Meeting Date 15 / 05 / 2017	Meeting No. 04 – 2017 Meeting Date 01 / 08 / 2017	Meeting No. 05 – 2017 Meeting Date 07 / 11 / 2017	Meeting No. 06 – 2017 Meeting Date 19 / 12 / 2017	Number of Meetings
Mr. Meshal Jassim Al Marzouq Chairman	✓	✓	✓	✓	✓	✓	6
Mr. Abdulwahab Marzouq Al Marzouq Vice Chairman	✓	✓	✓			✓	4
Sheikh Majed Jaber Al Sabah	✓		✓	✓	✓	✓	5
Mr. Mohammad Fouad Al Ghanim	✓	✓	✓			✓	4
Mr. Zeyad Hassan Al Qaissy	✓	✓	✓	✓	✓	✓	6
Mr. Mahmoud Dawoud Al Marzouq	✓	✓	✓	✓	✓	✓	6

REGISTRATION, COORDINATION AND KEEPING THE MINUTES OF THE BOARD OF DIRECTORS MEETINGS

The Secretary of the Board of Directors keeps a register of the Company's Board of Directors minutes of meetings. The register contains information on the agenda of each meeting, place of meeting, the date and time the meeting started and ended. Meetings are numbered sequentially for each year. Files are prepared containing the minutes of the meeting, and the members of the Board are provided with the agenda supported by documents relevant to the meeting before the time of the meeting in order to allow the members sufficient time to study the items on the agenda. The minutes are signed by all attendees. The minutes of the meetings that are held by circulation are signed by all members of the Board of Directors.

MECHANISM OF PROVIDING THE BOARD OF DIRECTORS MEMBERS WITH INFORMATION AND DATA IN AN ACCURATE AND TIMELY MANNER

Tamdeen Real Estate Company provides the mechanisms and tools that enable the members of the Board of Directors to obtain the required information and data in a timely manner. This is achieved by a continuous development of the information technology environment within the Company, the creation of direct communication channels between the Secretary of the Board of Directors and the Board members, and making reports and materials to be discussed at the meetings available a sufficient time in advance in order to facilitate discussion and taking well-informed decisions.

ACHIEVEMENTS OF THE BOARD OF DIRECTORS

- Updating and adopting the policies and procedures related to a number of the Company's departments.
- Approval of the annual financial statements for 2016 and the interim statements for 2017.
- Effective follow up of the execution of the Kuwaiti Capital Markets Authority requirements related to Corporate Governarance by:
    - Approving the governance report for the year 2016.
    - Following up the work and reviewing the periodical reports of the committees.
    - Reviewing the reports of the Internal Audit Office and taking appropriate corrective actions
    - Updating and approving the Enterprise Risk Management Policy.
    - Reviewing the risk reports and ensuring that risks do not exceed the set level approved by the Board.

BOARD OF DIRECTORS COMMITTEES

The Board of Directors of Tamdeen Real Estate Company aims at approving an administrative structure that helps it discharging its activities. This structure is based on three main committees derived from the Board: Audit Committee, Nominations and Remuneration Committee and Risk Management Committee. These committees have an important role in providing support to the Board of Directors in discharging its duties.

First: Remunerations and Nominations Committee

The committee was established to assist the Board of Directors of the company in discharging its supervisory responsibilities related to the effectiveness and integrity of compliance with the policies and procedures of remuneration and nomination in the Company, review and approval of the selection criteria and appointing procedures of the members of the Board of Directors and Executive Management and to ensure that the remuneration and nomination policy and methodology comply with the strategic objectives of the company. For this purpose, the remuneration policy was established to attract and safekeep competent, qualified and experienced employees. Accordingly, the Board of Directors has approved this policy as per the recommendation of the committee.

Also, job descriptions and key performance indicators (KPI) of the members of the Board of Directors and Executive Management were approved and the annual assessment was prepared according to the assessment results. Based on the concept of comprehensive self-evaluation by the members, were the overall performance is measured in a neutral and objective manner, helping to avoid mistakes and to correct the imbalance that hinders the application of corporate governance property.

GOVERNANCE REPORT
31 DECEMBER 2017

Formation of the Remunerations and Nominations Committee

The Remuneration and Nominations Committee was formed on 20 June 2016 and its period is in line with the period of the Board and consists of the following members:

1. Mr. Meshal Jassim Al Marzouq	Head of Committee - Non-Executive
2. Mr. Mahmoud Dawoud Al Marzouq	Member of the Committee - Independent
3. Mr. Zeyad Hassan Al Qaissy	Member of the Committee - Independent
4. Mr. Salah Abdulaziz Al Bahar	Secretary of the Committee

Meetings of the Remunerations and Nominations Committee during 2017

Meeting Date	Meeting Number	Number of Attendees
08/02/2017	01-2017	3

•The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

Statement of the Remunerations granted to the members of the Board of Directors and Executive Management at Tamdeen Real Estate Company (parent company) in 2017:

Remunerations of the Executive Management	105,182 KD
Remunerations of the Board of Directors	60,000 KD

There is a recommendation to pay remuneration to the members of the Board of Directors in the amount of KD 60,000 (KD 10,000 for each member) for the year ended 31 December 2017. This recommendation is subject to approval by the general assembly of the shareholders.

Second: The Audit Committee

The Committee aims at assisting the Board of Directors in ensuring the adequacy of the internal audit and supervision regulations enforced at the Company, assessing the performance of the internal and external audit, verifying the adequacy of the company's procedures, monitoring compliance with the laws, regulations, and accounting transactions as well as financial reports in order to ensure transparency and justice thereof in addition to assessing the performance of the internal audit department.

During the year, the Audit Committee has held its periodical meetings with the External Auditor, the Internal Audit Officer has attended all the 5 Audit Committee meetings during 2017. Also the Committee reviewd the interm financial statements for the year 2017 and the annual financial statements for 2016. A recommendation was made to the Board of Directors for approval. The Committee decided to renew the contract with the independent internal audit office.

The committee also reviewed the internal audit report received from the office, do the corrective actions and followed up these actions.

There was no conflict between the recommendations of the committee and the resolutions of the Board of Directors of the company during 2017.

Formation of the Audit Committee

The Audit Committee was formed on 20 June 2016 and its term is in line with the term of the Board and consists of the following members:

1. Mr. Mahmoud Dawoud Al Marzouq	Head of Committee - Independent
2. Mr. Mohammad Fouad Al Ghanim	Member of the Committee - Independent
3. Mr. Zeyad Hassan Al Qaissy	Member of the Committee - Independent
4. Mr. Samer Abdulsalam Mohammad	Secretary of the Committee

Meetings of the Audit Committee during 2017

Meeting Date	Meeting Number	Number of Attendees
12 / 02 / 2017	01 – 2017	3
12 / 03 / 2017	02 – 2017	3
10 / 05 / 2017	03 – 2017	3
30 / 07 / 2017	04 – 2017	3
05 / 11 / 2017	05 – 2017	3

•The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

Third: Risk Management Committee

The Risk Management Committee helps the Company's Board of Directors in supervising all matters related to current and future risks associated with the activities of the company. During the year, the Committee updated and adopted the Enterprise Risk Management Policy, approved Risk Assessment Criteria and Risk Register to help the Board of Directors in assessing and following up these risks.

The Committee also reviewed and approved the proposed work plan of the Risk Management Office for 2017 and reviewed the 2016 Risk Report and 2017 Periodic Reports.

Formation of the risk management committee

The Risk Management Committee was constituted on 20 June 2016 and its term is in line with the term of the Board and consists of the following members:

1. Sheikh Majed Jaber Al Sabah	Head of Committee – Non Executive
2. Mr. Mohammad Fouad Al Ghanim	Member of the Committee - Independent
3. Mr. Mahmoud Dawoud Al Marzouq	Member of the Committee – Independent
4. Mr. Emadeldin Abdulwahed	Secretary of the Committee

Meetings of the Risk Management Committee during 2017

Meeting Date	Meeting Number	Number of Attendees
03 / 01 / 2017	01 – 2017	3
07 / 03 / 2017	02 – 2017	3
01 / 08 / 2017	03 – 2017	3
06 / 12 / 2017	04 – 2017	3

•The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

INTERNAL CONTROL AND SUPERVISION SYSTEMS

The company has internal control and supervision systems that cover all the activities of the company in order to maintain the financial integrity of the company's financial position, accuracy of data as well as the efficiency of its operations in various aspects.The organizational structure of the company reflects Internal control, including proper identification of authorities and responsibilities, checking, dual control, and supervision, separation of duties and non-conflict of interests. The Board of Directors also follows up on the internal control systems through periodic reports prepared by the various committees and departments of the company.

The commissioning of the Independent Audit Office was renewed to review and evaluate the Company's internal control systems and to prepare a report on this matter provided that the same has to be submitted to the Capital Markets Authority on an annual basis.

The Board regularly reviews the efficiency of the company's internal control systems and it also monitors the implementation of all necessary corrective measures in the event of any observations in these reports.

RISK MANAGEMENT OFFICE

Tamdeen Real Estate has a Risk Management Office directly reporting to the Board of Directors. A specialized consulting firm has been appointed, were the concerned departments, in cooperation with the Risk Management Office, submit their Risk Register Reports to the Board for approval.

INTERNAL AUDIT OFFICE

The Company has provided an Internal Audit Office, where the concerned officer enjoys full independence and the Audit Committee monitors the work of that Office. Further, the company has appointed a consulting firm to work with the Internal Audit Office to perform the tasks and responsibilities entrusted thereto.

PROFESSIONAL CONDUCT AND MORAL VALUES

Tamdeen Real Estate Company ensured implementation of a work charter that promotes the culture of professional conduct and moral values within the company and strengthens the confidence of investors in the integrity of the company and its soundness financially. To this end, the company ensured that the entire staff at the company, whether members of the Board of Directors, Executive Management or other employees, comply to the internal policies and regulations of the company and its legal and supervisory requirements in order to achieve the interests of all parties related to the Company, particularly the shareholders, without any conflict of interest and with a high level of transparency.

STAKEHOLDERS

Tamdeen Real Estate Company implemented some clear procedures to ensure transparency and communication with stakeholders in order to provide them with all appropriate information on a regular basis and in a timely manner through regular financial statements and continuous disclosures with confidentiality and a high level of transparency.

The company has also set some indicators to protect the rights of stakeholders as per the operational contracts and policies enforced in the company.

TRAINING PROGRAMS AND SESSIONS FOR THE MEMBERS OF THE BOARD OF DIRECTORS

Tamdeen Real Estate Company provides the needfull training requirements to the members of the Board of Directors and Executive Management in order to promote relevant skills and knowledge as well as to achieve a better performance and competence.

POLICY OF REPORTING VIOLATIONS AND EXCESSES

Tamdeen Real Estate Company implies a general policy for reporting violations and excesses. The policy enables company employees to express internally their suspicions concerning any unsound practices that raise supposition in the financial reports, internal control systems or any other matters, and so, by implementing appropriate mechanisms that allow the conduct of independent and fair investigations of these matters while guaranteeing the confidentiality for protection from any negative reaction or damage that may be the result of having reported such practices.

RESPECT FOR SHAREHOLDERS' RIGHTS

Tamdeen Real Estate seeks to offer optimal respect of the rights of its shareholders right by committing to transparency and constant communication through its dealings between the company's management and shareholders using all available means, taking into consideration the following:

- Adopting open door policy to receive any proposals and complaints that are constantly announced in the Chairman's message during the meetings of the general assemblies.
- The website was updated that provides all information, data and announcements on a regular basis.
- Sending invitations to shareholders for ordinary and extraordinary general assemblies, ensuring that shareholders received the approved dividends through the approved means and encouraging them to practice their rights through the different means of communication.
- Encouraging shareholders to participate and/or get involved in the company's activities and events held by the company at different timings.
- Encouraging shareholders to attend the annual general assembly meetings by inviting them to participate and giving them the opportunity to vote and practice their rights.

The company has a register maintained by the clearing agency which allows investors to inspect this register. All dealings with the data recorded in the register are treated with the highest standards of protection and confidentiality, without conflicting with the applicable laws and controls.

INVESTORS RELATIONS UNIT

The Investor Relations Unit ensures that stakeholders are able to communicate effectively with the company. The unit has activated its role by providing all required data to current and potential investors in easy and convenient ways, in order to answer any queries, through the company's e-mail or direct contact.

DISCLOSURE AND TRANSPARENCY

In order to observe the governance criteria related to promoting the disclosure mechanism with utmost accuracy for all major issues related to the performance of the company, its financial position and its ownership structure, the relevant departments approved by the Board of Directors are responsible for verifying that the company is disclosing the material information related to Kuwait Stock Exchange and the Capital Markets Authority. Moreover, the company's website is considered one of the disclosure means in addition to the annual reports, financial interim statements, its notes and all information relevant to the company's activities.

The company has a register that includes all disclosures of the members of the Board of Directors and Executive Management for the year 2017 and shareholders have the right to peruse this register.

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY POLICY

Tamdeen Real Estate Company is committed to a positive and active role within Kuwaiti society, in recognition of the importance of the private sector's role and its responsibility towards the public good and the sustainable development goals of the nation through the Social Responsibility Policy that has been developed to ensure that the company contributes to the sustainable development of the society, in general, and for the company staff, in particular.

BRIEF ON THE ADOPTED PROGRAMS AND MECHANISMS

The company is a keen contributor and initiator of various social responsibility activities, especially programs and campaigns that directly address children and youth.

The company aims to foster and support the abilities and talents of Kuwait's future generations, encourage the youth to adopt a culture of voluntaryism and provide them with training opportunities in relevant specialized fields. Tamdeen Real Estate Company's CSR efforts stimulate innovation, as well as supporting educational, sports, artistic and cultural activities.

INITIATIVES

Interactive reading program "My Book My Friend"

Tamdeen Real Estate Company is a key contributor in the interactive reading program "My Book My Friend". During the second season, several prominent Kuwaiti writers and educators had attended such as Dr. Nayef Al Mutawa and Amal Al Randi, in addition to the participation of some narrators and private schools. This program continues to attract children and their families to interactive reading sessions that are organized periodically throughout the year.

Focusing on children between the ages of 5 and 12 years, "My Book My Friend" contributes to the education of young generations, the development of heritage awareness, the habits of reading and inquisitiveness, and is designed to have a positive effect on their future and the future of society as a whole, while contributing to the advancement of the Arabic language skills.

PARTNERSHIPS

LOYAC

Tamdeen Real Estate Company continues the annual support of public organizations through its partnership with LOYAC, a non-profit organization that works towards the overall development of Kuwaiti youth. LOYAC's programs help young people develop their talents and abilities to achieve their potential by providing them with training opportunities in vital areas within the labor market.

LOYAC targets young people aged between 16 and 30 through educational, training and volunteer programs, it also propels the youth to take initiatives, innovate and find solutions to social challenges.

SPONSORSHIP

Protégés Program

In 2017 the seventh generation of Protégés was launched in Kuwait, whereby the Protégés initially started in 2010 and was designed to positively influence youth aged between 16-24 years, and drive them to the realization of their potential through self-improvement. It is an all-inclusive program that combines workshops and lectures inside and outside Kuwait.

Dar Al Athar Al Islamiyyah - DAI

Dar al Athar al Islamiyyah (DAI) is a cultural organization based around the private art collection owned by Sheikh Nasser Sabah al Ahmed al Sabah, founder of 'The al Sabah Collection' and his wife. DAI has already become an internationally recognized cultural organization through the uniqueness of its curated collection.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

OF TAMDEEN REAL ESTATE COMPANY – KPSC - KUWAIT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Tamdeen Real Estate Company – Kuwaiti Public Shareholding Company (the "Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

VALUATION OF INVESTMENT PROPERTIES

The Group's investment properties including investment properties under development represent 27% of the total assets. The valuation of investment properties is a judgement area requiring number of assumptions including capitalization yields, estimated rental & hotel revenue, occupancy rates, historical transactions, BOT contract periods & conditions, rights of use contract periods and renewability. The Group's policy is that property valuations are performed at year end by independent valuators, who are non-related to the Group, and they are licensed valuators and have the required qualifications and experiences. Given the fact that the fair values of the investment properties represent a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter. Refer to Notes 5.10, 5.11, 15, 16 and 30.4 for more information on investment properties and investment properties under development.

Our audit procedures included, among others, assessing the appropriateness of the ways and means of evaluation and inputs used in the evaluation and we also assessed managements judgements and assumptions made in concluding that the fair value of properties under development were not reliably measurable. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties. We furthermore assessed that the property related data used as input for the external valuations is consistent with information obtained during our audit.

CARRYING VALUE OF TRADING PROPERTIES UNDER DEVELOPMENT

The Group's trading properties under development represent 9% of the total assets. The Group's assessment of the carrying value of trading properties under development, being the lower of cost and net realizable value, is a judgmental process. This requires the estimation of selling prices, sales rates and cost to complete, determined for each unit within the site. Accordingly, we considered this as a key audit matter. Refer to Notes 5.12 and 14 for more information on trading property under development.

Our audit procedures included, among others, assessing the appropriateness of management's process for reviewing and assessing the selling prices, cost forecasts to complete the project and recording of costs. We assessed the estimates, assumptions and valuation methodology used by management to arrive at the net realizable value; this included assessing the future costs, sales, development profits and obtaining explanations and supporting third party evidence where practicable.

IMPAIRMENT OF INVESTMENTS IN ASSOCIATES

The Group's investments in associates represent 27% of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. The assessment of impairment by management involves judgements and number of assumptions. Accordingly, we considered this a key audit matter. Refer note 5.4 and 17 for more information on investments in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological, market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2017 ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Anwar Y. Al-Qatami, F.C.C.A.

(Licence No. 50-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
11 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

31 DECEMBER 2017

	NOTE	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Revenue			
Operating revenue		**7,288**	8,488
Cost of revenue	8	**(2,344)**	(3,078)
Net income		**4,944**	5,410
Other operating income	9	**1,156**	1,066
Fees from management of investment portfolios		**54**	85
Change in fair value of investment properties	16	**(1,280)**	-
Net income from investments	10	**9,492**	7,085
Share of results of associates	17	**8,119**	7,756
Gain on sale of investment in an associate	17	**1,445**	-
Foreign currency exchange (loss)/gain		**(337)**	185
Other income		**70**	751
		23,663	22,338
Expenses and other charges			
Staff costs		**2,534**	2,585
General, administrative & other expenses		**3,281**	3,399
Finance costs		**6,241**	5,928
		12,056	11,912
Profit for the year before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration		**11,607**	10,426
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(5)**	-
Provision for Zakat		**(19)**	(6)
Provision for National Labour Support Tax (NLST)		**(130)**	(99)
Board of directors' remuneration		**(60)**	(60)
Profit for the year		**11,393**	10,261
Attributable to :			
Owners of the Parent Company		**8,402**	7,365
Non-controlling interests		**2,991**	2,896
		11,393	10,261
Basic and diluted earnings per share attributable to the owners of the Parent Company	11	**20.8 Fils**	18.1 Fils

The notes set out on pages 36 to 76 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

31 DECEMBER 2017

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Profit for the year	**11,393**	10,261
Other comprehensive income:		
Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(44)**	22
Available for sale investments:		
- Net change in fair value during the year	**14,052**	(1,520)
- Transferred to consolidated statement of profit or loss on sale	**(3,766)**	(771)
- Transferred to consolidated statement of profit or loss on impairment in value	**2,289**	575
Share of other comprehensive loss of associates	**(337)**	(762)
Total other comprehensive income/(loss)	**12,194**	(2,456)
Total comprehensive income for the year	**23,587**	7,805
Attributable to:		
Owners of the Parent Company	**14,679**	5,749
Non-controlling interests	**8,908**	2,056
	23,587	7,805

The notes set out on pages 36 to 76 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	NOTE	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Assets			
Cash and bank balances	25	**14,483**	13,234
Short term deposits	25	**24,698**	8,176
Investments at fair value through profit or loss		**-**	688
Accounts receivable and other debit balances	12	**12,539**	15,069
Available for sale investments	13	**133,870**	130,984
Trading properties under development	14	**46,092**	29,370
Investment properties under development	15	**115,379**	78,033
Investment properties	16	**20,000**	21,280
Investments in associates	17	**139,568**	136,491
Property, plant and equipment		**1,138**	1,220
Total assets		**507,767**	434,545
Liabilities and equity			
Liabilities			
Due to banks	18	**10,521**	6,846
Term loans	19	**236,208**	194,490
Accounts payable and other credit balances	20	**30,882**	22,174
Refundable rental deposits		**8,017**	6,032
Provision for end of service indemnity		**1,030**	911
Total liabilities		**286,658**	230,453
Equity			
Share capital	21	**43,193**	43,193
Share premium		**11,132**	11,132
Treasury shares	22	**(11,396)**	(10,745)
Reserve of profit on sale of treasury shares		**756**	756
Legal reserve	23	**12,291**	11,429
Voluntary reserve	23	**13,689**	12,827
Foreign currency translation reserve		**384**	428
Cumulative changes in fair value		**41,902**	35,581
Retained earnings		**26,492**	24,026
Equity attributable to the owners of the Parent Company		**138,443**	128,627
Non-controlling interests		**82,666**	75,465
Total equity		**221,109**	204,092
Total liabilities and equity		**507,767**	434,545

Meshal Jassim Al Marzouq
Chairman

Abdulwahab Marzouq Al Marzouq
Vice Chairman

The notes set out on pages 36 to 76 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2017

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2017	43,193	11,132	(10,745)	756	11,429	12,827	428	35,581	24,026	128,627	75,465	204,092
Net change in treasury shares	-	-	(651)	-	-	-	-	-	-	(651)	-	(651)
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,516)	(1,516)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(191)	(191)
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	(4,212)	(4,212)	-	(4,212)
Transactions with the owners	-	-	(651)	-	-	-	-	-	(4,212)	(4,863)	(1,707)	(6,570)
Profit for the year	-	-	-	-	-	-	-	-	8,402	8,402	2,991	11,393
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	(44)	6,321	-	6,277	5,917	12,194
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(44)	6,321	8,402	14,679	8,908	23,587
Transferred to reserves (Note 23)	-	-	-	-	862	862	-	-	(1,724)	-	-	-
Balance as at 31 December 2017	43,193	11,132	(11,396)	756	12,291	13,689	384	41,902	26,492	138,443	82,666	221,109

The notes set out on pages 36 to 76 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

31 DECEMBER 2017

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2016	41,136	11,132	(9,625)	756	10,676	12,074	406	37,219	24,094	127,868	79,911	207,779
Net change in treasury shares	-	-	(1,120)	-	-	-	-	-	-	(1,120)	-	(1,120)
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,447)	(1,447)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Resulting from disposal/loss of control of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(5,053)	(5,053)
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	(3,870)	(3,870)	-	(3,870)
Bonus shares (Note 21-b)	2,057	-	-	-	-	-	-	-	(2,057)	-	-	-
Transactions with the owners	2,057	-	(1,120)	-	-	-	-	-	(5,927)	(4,990)	(6,502)	(11,492)
Profit for the year	-	-	-	-	-	-	-	-	7,365	7,365	2,896	10,261
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	22	(1,638)	-	(1,616)	(840)	(2,456)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	22	(1,638)	7,365	5,749	2,056	7,805
Transferred to reserves (Note 23)	-	-	-	-	753	753	-	-	(1,506)	-	-	-
Balance as at 31 December 2016	43,193	11,132	(10,745)	756	11,429	12,827	428	35,581	24,026	128,627	75,465	204,092

The notes set out on pages 36 to 76 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

31 DECEMBER 2017

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
OPERATING ACTIVITIES		
Profit for the year	**11,393**	10,261
Adjustments:		
Depreciation	**184**	867
Provision for end of service indemnity	**147**	175
Unrealised (gain)/loss from investments at fair value through profit or loss	**(156)**	15
Change in fair value of investment properties	**1,280**	-
Net gain on sale of available for sale investments	**(2,772)**	(1,709)
Impairment in value of investment in an associate (Note 10)	**200**	-
Impairment in value of available for sale investments (Note 10)	**2,289**	575
Impairment in value (Note 10)	**-**	2,298
Net loss on sale of investments at fair value through profit or loss	**19**	-
Dividends income	**(8,861)**	(8,226)
Interest income	**(211)**	(38)
Share of results of associates	**(8,119)**	(7,756)
Gain on sale of investment in an associate	**(1,445)**	-
Finance costs	**6,241**	5,928
	189	2,390
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**2,529**	2,423
Accounts payable and other credit balances	**2,934**	7,130
Refundable rental deposits	**1,985**	3,409
End of service indemnity paid	**(28)**	(41)
Net cash from operating activities	**7,609**	15,311

The notes set out on pages 36 to 76 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

31 DECEMBER 2017

	NOTE	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
INVESTING ACTIVITIES			
Net purchase of available for sale investments		**(58)**	(798)
Proceeds from sale of available for sale investments		**10,430**	2,419
Proceeds from sale of Investments at fair value through profit or loss		**824**	-
Effect of loss of control of a subsidiary company		**-**	683
Proceeds from sale of investment in an associate		**2,265**	-
Investment in an associate		**(470)**	-
Net cash inflow resulting from acquisition of a subsidiary		**-**	2,210
Additions to investment properties under development		**(31,446)**	(20,264)
Additions to trading properties under development		**(15,168)**	(9,340)
Net purchase of property, plant and equipment		**(102)**	(108)
Dividends income received		**8,861**	8,226
Dividends income received from associates		**4,136**	4,136
Interest income received		**211**	38
Net cash used in investing activities		**(20,517)**	(12,798)
FINANCING ACTIVITIES			
Cash dividends to shareholders		**(4,232)**	(4,009)
Cash dividends paid to non-controlling interests by subsidiary		**(1,516)**	(1,447)
Net change in treasury shares		**(651)**	(1,120)
Change in due to banks		**3,675**	(1,433)
Proceeds from term loans		**58,468**	27,278
Repayment of term loans		**(16,750)**	(6,209)
Finance costs paid		**(8,315)**	(7,018)
Net cash from financing activities		**30,679**	6,042
Net increase in cash and cash equivalents		**17,771**	8,555
Cash and cash equivalents at the beginning of the year		**21,410**	12,855
Cash and cash equivalents at the end of the year	25	**39,181**	21,410

The notes set out on pages 36 to 76 form an integral part of these consolidated financial statements.

1- INCORPORATION AND ACTIVITIES OF THE PARENT COMPANY

TAMDEEN REAL ESTATE COMPANY – KPSC (THE "PARENT COMPANY") WAS INCORPORATED IN KUWAIT ON 16 DECEMBER 1982 IN ACCORDANCE WITH THE COMPANIES LAW. THE PARENT COMPANY ALONG WITH ITS SUBSIDIARIES ARE JOINTLY REFERRED TO AS "THE GROUP". THE PARENT COMPANY'S SHARES ARE TRADED ON THE KUWAIT STOCK EXCHANGE.

THE PRINCIPAL ACTIVITIES OF THE PARENT COMPANY ARE REPRESENTED IN THE REAL ESTATE INVESTMENTS INSIDE AND OUTSIDE THE STATE OF KUWAIT, FOR THE PURPOSES OF OWNERSHIP, RESALE, LEASING AND RENTING. THE PARENT COMPANY IS ALSO ENGAGED IN THE DEVELOPMENT OF REAL ESTATE PROJECTS AND CONSTRUCTION CONTRACTS OF BUILDINGS, MANAGING THE PROPERTIES OF OTHERS, ESTABLISHING AND MANAGING REAL ESTATE INVESTMENT FUNDS, REAL ESTATE STUDIES AND CONSULTANCY, AND INVESTING IN COMPANIES WITH ACTIVITIES SIMILAR TO ITS OWN AND EXPLOITING THE FINANCIAL SURPLUSES AVAILABLE AT THE COMPANY THROUGH ITS INVESTMENT IN FINANCIAL PORTFOLIOS MANAGED BY PROFESSIONAL COMPANIES AND AUTHORITIES.

THE ADDRESS OF THE PARENT COMPANY: PO BOX 21816, SAFAT 13079, STATE OF KUWAIT.

THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 WERE AUTHORISED FOR ISSUE BY THE PARENT COMPANY'S BOARD OF DIRECTORS ON 11 MARCH 2018 AND ARE SUBJECT TO THE APPROVAL OF THE GENERAL ASSEMBLY OF THE SHAREHOLDERS.

2- BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared under historical cost convention except for investments at fair value through profit or loss, available for sale investments and investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Parent Company.

3- STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

4- CHANGES IN ACCOUNTING POLICIES

4-1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the Group. Information on these new standards is presented below

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IAS 7 Statement of Cash Flows-Amendments	1 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

IAS 7 Statement of Cash Flows-Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

The Amendments:

● require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement.

● suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:

* changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses.

* a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

The Group's liabilities arising from financing activities comprise of due to banks (note 18) and term loans (note 19). The application of the amendments did not have any material impact on the consolidated financial statements of the Group.

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments

The Amendments to IAS 12 make the following changes:

● Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

● The carrying amount of an asset does not limit the estimation of probable future taxable profits.

● Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

● An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The application of the amendments did not have any impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B10-B16) apply to an entity's interests in a subsidiary, joint venture or an associate irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

The application of the amendments did not have any impact on the consolidated financial statements of the Group as none of the Group entities are classified as, or included in disposal group that is classified as held for sale.

4-2 IASB STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of this consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to be relevant to the Group's consolidated financial statements.

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 2 Share-based Payment-Amendments	1 January 2018
IFRS 4 and IFRS 9 - Amendments	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over income tax treatments	1 January 2019

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

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

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IFRS 2 Share-Based Payment-Classification and Measurement

The amendments relate to clarification on the following:

- IFRS does not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The Amendments address this lack of guidance by clarifying that accounting for these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2.
- The amendment adds guidance to IFRS 2 to the effect that a scheme with compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature); and
- The amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 4 and IFRS 9 - Amendments

The Amendments provide entities that issue insurance contracts with temporary accounting solutions for the practical challenges of implementing IFRS 9 before the forthcoming new Insurance Contracts Standard.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instrument: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of expected impact are as follows:

- the classification and measurement of the financial assets based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) will be recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI will be recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets will continue to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 and of the circumstances that existed at that date, management of the Group expects that the impact of adoption of IFRS 9 on 1 January 2018 would be as follows:

Classification and measurement:

- Management holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost. However, certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

Receivables, due from related parties and cash and cash equivalents are all held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

- Equity investments are to be measured at FVTPL as well as FVTOCI as certain existing investments in equity instruments qualify for designation as FVTOCI category. The gains and losses on these investments will no longer be recycled to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

As a result, the Group expects certain changes in classification of investments which may result in reclassification between retained earnings and fair value reserve.

However, the Group does not expect a material impact on equity due to such changes in classification of investments, if any. The Group carries investments of KD4,696 thousand at cost less impairment (note 30.1) and upon adoption of IFRS 9, all such equity investments have to be measured at fair value, consequently management is in the process of determining the fair value of such investments and the difference between fair value and cost will be taken to equity.

- There is no impact on the financial liabilities of the Group and they will continue to be measured at amortised cost.

Impairment:

IFRS 9 requires the Group to record expected credit losses on all its receivables, due from related parties and other debt type financial assets either on a 12 month or life time basis.

The Group expects to apply the simplified approach to impairment for accounts receivable, due from related parties and other debt type financial assets as required or permitted under the standard.

As a result, based on the assessment undertaken to date, the Group expects an increase in the loss allowance for accounts receivables, due from related parties and other debt type financial assets. However, management does not expect the increase to have any material effect on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer

- Identify the performance obligations in the contract

- Determine the transaction price

- Allocate the transaction price to the performance obligations in the contracts

- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

● Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts

● Timing – whether revenue is required to be recognized over time or at a single point in time

● Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue

● Time value – when to adjust a contract price for a financing component

● Specific issues, including –

* non-cash consideration and asset exchanges

* contract costs

* rights of return and other customer options

* supplier repurchase options

* warranties

* principal versus agent

* licencing

* breakage

* non-refundable upfront fees, and

* consignment and bill-and-hold arrangements.

The Group has assessed the impact of IFRS 15. Based on the assessment, adoption of IFRS 15 is not expected to have any material effect on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

● performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition

● deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices

● assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets

● determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions

● assessing the additional disclosures that will be required.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRIC 23 Uncertainty over income tax treatments

The Interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specified item of income in a tax return is an uncertain treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

.5- SIGNIFICANT ACCOUNTING POLICIES

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

5-1 BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5-2 BUSINESS COMBINATIONS

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5-3 GOODWILL

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

5-4 INVESTMENT IN ASSOCIATES

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of an associate' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

Investments in associates are non-current assets, unless otherwise specified.

5-5 SEGMENT REPORTING

The Group has two operating segments: the real estate and investment segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5-6 REVENUE

Revenue arises from rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised.

5-6-1 Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date in the same way as construction contracts.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

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

Fee income from providing transaction services

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

5-6-2 Revenue from sale of properties

Revenue on sale of trading properties is recognised when risk and reward related to property has been transferred to customer. Risk and reward are transferred when legal notice is served to customer to take the possession of the property or on actual hand over to the customer.

5-6-3 Interest and similar income

Interest income and expenses are reported on an accrual basis using the effective interest method.

5-6-4 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5-7 OPERATING EXPENSES

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

5-8 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5-9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The following annual rates are applied:

• Machines and equipment	20% to 33.33%
• Vehicles	20% to 25%
• Furniture, fixtures and office equipment	5% to 33.33%

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5-10 INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property or are determined by the management of the Group based on their knowledge of the property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are non-current assets, unless otherwise specified.

5-11 INVESTMENT PROPERTIES UNDER DEVELOPMENT

Investment properties under development represents property held for future use as investment property and is initially measured at cost. Subsequently, property under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

Investment properties under developments are classified as non-current assets, unless otherwise specified.

5-12 TRADING PROPERTIES UNDER DEVELOPMENT

Trading properties under development represent lands and real estate under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to trading properties under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any are transferred to trading properties.

Trading properties under developments are non-current assets, unless otherwise specified.

5-13 TRADING PROPERTIES

Trading properties are stated at the lower of cost or net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

5-14 IMPAIRMENT TESTING OF GOODWILL AND NON FINANCIAL ASSETS

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5-15 FINANCIAL INSTRUMENTS

5-15-1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

• Rights to receive cash flows from the assets have expired;

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

(a) The Group has transferred substantially all the risks and rewards of the asset or

(b) The Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

5-15-2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Receivables
- Financial assets at fair value through profit or loss (FVTPL)
- Available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

• Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

They represent current assets, except for maturities greater than 12 months after the end of the reporting period which represent non-current assets.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Group.

The Group categorises receivables into following categories:

• Receivables and other financial assets

Trade receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "Other debit balances/Other financial assets"

• Cash and bank balances and Short term deposits

Cash on hand and demand deposits are classified under cash and bank balances and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

• Financial assets at FVTPL

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Assets in this category are current assets if expected to be settled within 12 months; otherwise, they are as non-current assets.

• AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a Group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

AFS financial assets are non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

5-15-3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include terms loans, due to banks, accounts payable and other credit balances.

The subsequent measurement of financial liabilities depends on their classification. The Group classifies all its financial liabilities as "financial liabilities other than at fair value through profit or loss (FVTPL)".

• Financial liabilities other than at fair value through profit or loss

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

• Borrowings (terms loans and due to banks)

Borrowings are carried on the date of the consolidated statement of financial position at their principal amounts. Interest is charged as an expense as it accrues, with unpaid interest included in the creditors' balances. All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

• Wakala payables

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

• Murabaha finance payables

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

• Accounts payables and other financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities".

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

5-15-4 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5-15-5 Offsetting of financial instruments

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

5-15-6 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

5-16 EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent Company's articles of association.

<u>Other components of equity include the following:</u>

• Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD

• Fair value reserve – comprises gains and losses relating to available for sale financial assets

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general assembly meeting.

5-17 TREASURY SHARES

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "Reserve of profit on sale of treasury shares"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5-18 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In certain instances, the Group is required to perform maintenance and restore properties to agreed specifications.

Provision for such costs are recognised based on terms of the contracts.

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

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

5-19 FOREIGN CURRENCY TRANSLATION

5-19-1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5-19-2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5-19-3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5-20 END OF SERVICE INDEMNITY

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

With respect to its Kuwaiti national employees, in addition to end of service benefits as noted above, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5-21 TAXATION

5-21-1 National Labour Support Tax (NLST)

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

5-21-2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5-21-3 Zakat

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

5-22 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception.

5-23 FIDUCIARY ASSETS

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

6- SIGNIFICANT MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

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

6-1 SIGNIFICANT MANAGEMENT JUDGMENTS

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

6-1-1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or other comprehensive income.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Designation of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are designated as at fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6-1-2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6-1-3 Control assessment

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

6-2 ESTIMATION UNCERTAINTY

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6-2-1 Impairment of available for sale investments

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

During the year ended 31 December 2017, impairment loss recognised for available for sale investments amounted to KD2,289 thousand (2016: KD575 thousand).

6-2-2 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associates, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6-2-3 Impairment of receivables

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in profit or loss. In particular, considerable judgement by management is required in the estimation of 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.

6-2-4 Revaluation of investment properties and investment properties under development

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques.These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

Where the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete (refer note 15), the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier). When the fair value becomes reliably measurable, the fair value of such properties may vary from the actual cost.

6-2-5 Impairment of investment in trading properties and trading properties under development

Investments in trading properties and trading properties under development (Inventories) are held at the lower of cost or net realisable value. An estimate is made of their net realisable value on an individual basis.

Management estimates the net realisable values of these properties, taking into account the most reliable evidence available at each reporting date. The future realisation of these properties may be affected by market-driven changes that may reduce future selling prices.

6-2-6 Useful lives of depreciable assets

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

6-2-7 Provisions

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities judgement is applied and re-evaluated at each reporting date.

6-2-8 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

7- SUBSIDIARY COMPANIES

7-1 THE CONSOLIDATED SUBSIDIARY COMPANIES OF THE GROUP ARE AS FOLLOWS:

SUBSIDIARY COMPANIES	Percentage of ownership in subsidiary companies		Country of incorporation	Principal activity	Date of incorporation	Date of control
	31 Dec. 2017 %	31 Dec 2016 %				
Tamdeen Investment Company-KPSC (*)	**55.94**	55.94	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company -KSC (Closed)	**77.97**	77.97	Kuwait	Real Estate	17 March 2007	17 March 2007
Al Adiyat International Real Estate Company – KSC (Closed)	**98.98**	98.98	Kuwait	Real Estate	25 June 2006	1 April 2012

* This investment is through investment portfolio with a specialized investment company.

7-2 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group includes only one subsidiary with material non-controlling interests (NCI):

	Proportion of ownership interests and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2017	31 Dec. 2016	**Year ended 31 Dec. 2017 KD'000**	Year ended 31 Dec. 2016 KD'000	**31 Dec. 2017 KD'000**	31 Dec. 2016 KD'000
Tamdeen Investment Company-KPSC*	**44.06%**	44.06%	**2,991**	2,896	**82,656**	75,454
Immaterial subsidiaries with non-controlling interests			**-**	-	**10**	11
			2,991	2,896	**82,666**	75,465

* The NCI of Manshar Real Estate Company – KSC (Closed) is included within Tamdeen Investment Company's NCI.

7- SUBSIDIARY COMPANIES (CONTINUED)

7-3 SUMMARISED FINANCIAL INFORMATION FOR TAMDEEN INVESTMENT COMPANY - KPSC, BEFORE INTRAGROUP ELIMINATIONS, IS SET OUT BELOW

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Non-current assets	**168,943**	151,695
Current assets	**109,239**	105,203
Total assets	**278,182**	256,898
Non-current liabilities	**(10,173)**	(151)
Current liabilities	**(83,403)**	(88,489)
Total liabilities	**(93,576)**	(88,640)
Equity attributable to the shareholders of the Parent Company	**97,305**	88,162
Non-controlling interests (including non-controlling interests in the subsidiary's statement of financial position)	**87,301**	80,096

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Revenue	**12,266**	12,134
Profit for the year attributable to the shareholders of the Parent Company	**3,794**	3,690
Profit for the year attributable to NCI	**2,991**	2,896
Profit for the year	**6,785**	6,586
Other comprehensive income/(loss) for the year attributable to the owners of the Parent Company	**6,873**	(2,329)
Other comprehensive income/(loss) for the year attributable to NCI	**5,414**	(1,834)
Total other comprehensive income/(loss) for the year	**12,287**	(4,163)
Total comprehensive income for the year attributable to the shareholders of the Parent Company	**10,628**	1,407
Total comprehensive income for the year attributable to NCI	**8,372**	1,108
Total comprehensive income for the year	**19,000**	2,515
Dividends paid to non-controlling interests	**1,516**	1,447

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Net cash flows used in operating activities	**(3,039)**	(808)
Net cash flows from investing activities	**13,559**	13,484
Net cash flows used in financing activities	**(2,635)**	(4,870)
Net change in cash flow	**7,885**	7,806

8- COST OF REVENUE

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Direct staff costs	**786**	872
Other real estate expenses	**1,558**	2,206
	2,344	3,078

9- OTHER OPERATING INCOME

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Yacht club membership revenue	**33**	21
Projects management fees and consultancies	**782**	816
Services revenue – Al Kout Complex	**119**	102
Other miscellaneous revenue	**222**	127
	1,156	1,066

10- NET INCOME FROM INVESTMENTS

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Net gain on sale of available for sale investments	**2,772**	1,709
Net loss on sale of investments at fair value through profit or loss	**(19)**	-
Impairment in value of available for sale investments	**(2,289)**	(575)
Unrealised gain/(loss) from investments at fair value through profit or loss	**156**	(15)
Dividends income	**8,861**	8,226
Interest income	**211**	38
	9,692	9,383
Impairment in value of investment in an associate	**(200)**	-
Impairment in value*	**-**	(2,298)
	9,492	7,085

*The impairment in value of subsidiary has been determined based on the sale value per share.

11- BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of the outstanding shares during the year as follows:

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Profit for the year attributable to the owners of the Parent Company (KD'000)	**8,402**	7,365
Weighted average number of the outstanding shares (excluding treasury shares) (in thousands)	**404,172**	406,315
Basic and diluted earnings per share attributable to owners of the Parent Company	**20.8 Fils**	18.1 Fils

12- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Receivable from tenants	**720**	576
Cheques under collection	**341**	879
Staff receivable	**205**	194
Prepaid expenses	**173**	152
Due from related parties(a)	**1,645**	1,712
Due from sale of trading properties (a)	**4,950**	5,095
Advance payments to contractors (b)	**2,435**	5,894
Paid for incorporation of a subsidiary	**1,000**	-
Other debit balances	**1,337**	928
	12,806	15,430
Provision for doubtful debts	**(267)**	(361)
	12,539	15,069

(a) The balances due above (from related parties and from sale of trading properties) are mainly represented by the amounts due from the sale transaction previously performed by the Group for some of its real estate plots which have been invested in for trading purposes to related parties for an amount of KD9,103 thousand and other third parties for an amount of KD10,030 thousand. The Group's management confirms that these due amounts are totally collectible from the concerned parties.

(b) The advance payments to contractors represent the balance out of amounts paid during the current year and the previous years to local contractors as advance payments from the total signed contract values for Al-Kout Mall project and Tamdeen Square Project, which are classified under investment properties under development and trading properties under development respectively.

13- AVAILABLE FOR SALE INVESTMENTS

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Local managed portfolios	**133**	110
Participations in local companies shares	**8,960**	8,522
Participations in capital of companies located outside Kuwait	**124,777**	122,352
	133,870	130,984

Participations in capital of companies located outside Kuwait include the investments of the subsidiary company [Tamdeen Investment Company – KPSC], in shares listed outside Kuwait. These participations include investments with a total fair value of KD99,940 thousand (2016: KD73,177 thousand) mortgaged against term loans (Note 19).

At the end of the year, the Group recognized impairment losses of KD2,289 thousand (2016: KD575 thousand) against local and foreign shares based on the management's estimates according to the information available to them.

Refer note 30 for further details relating to the carrying value and fair value of the above investments.

14- TRADING PROPERTIES UNDER DEVELOPMENT

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Cost		
At beginning of the year	**29,370**	20,030
Additions during the year *	**16,722**	9,340
At end of the year	**46,092**	29,370

* The additions to trading properties under development during the current year represent the construction and development cost incurred for Tamdeen Square project (located in Sabah Al-Salem) for construction of investment residential towers which are being offered for sale. Finance costs of KD359 thousand (2016: KD Nil) have been capitalized during the year

15- INVESTMENTS PROPERTIES UNDER DEVELOPMENT

Cost	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
At beginning of the year	80,807	56,046
Additions during the year	37,346	24,761
At end of the year	118,153	80,807
Impairment in value		
At beginning of the year	2,774	2,774
At end of the year	2,774	2,774
Net book value at end of the year	115,379	78,033

The additions to the investment properties under development mainly represent the amounts expensed during the year for the redevelopment of Al-Kout Mall project (Located in Fahaheel) through one of the subsidiaries (Manshar Real Estate Company – KSC).

Investment properties under development with a carrying value of KD114,209 thousand (2016: KD77,658 thousand) [Al-Kout Mall project which is owned by the subsidiary "Manshar Real Estate Company – KSC (Closed)"] are totally mortgaged against term loans (Note 19).

Due to difficulty of obtaining a reliable fair value of the investment properties under development, the management decided to maintain the cost method for all investment properties under development until completion of development, unless there are signs of decline in the value of these properties.

Finance costs of KD2,655 thousand (KD1,544 thousand as at 31 December 2016) have been capitalized during the year.

16- INVESTMENT PROPERTIES

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Value at beginning of the year	21,280	21,280
Change in fair value during the year (refer note 30.4 for fair valuation details)	(1,280)	-
Value at end of the year	20,000	21,280

The Group's investment properties amounting to KD20,000 thousand (2016: KD21,280 thousand) represents the estimated fair value of Al-Kout Rotana Hotel property which is totally managed and operated by Rotana Hotel Management Corporation LTD and which has been separated during the year 2012 from Al-Manshar Commercial and Residential Complex property which has been demolished and is currently being redeveloped (Note 15). These investment properties are totally mortgaged against term loans (Note 19).

Investment properties include a property which was fully impaired during the year 2008 by an amount of KD18,741 thousand. The property represents a B.O.T project with the Government of Kuwait and the contract term ends in 2024. At the end of the current year based on the information available, the Parent Company's management has re-assessed the project based on the net cashflows over the remaining period of the project and has estimated that the present value of the cash outflows exceed the present value of the cash inflows and accordingly, the management has decided to continue to retain the project at Nill value, as done previously.

17- INVESTMENTS IN ASSOCIATES

This item comprises the investments of the Group in the following associates:

		31 Dec. 2017			31 Dec. 2016		
		Ownership %			Ownership %		
Company's name	Place of incorporation	Direct	Indirect *	Value KD'000	Direct	Indirect *	Value KD'000
Tamdeen Shopping Centers Company – KSC (Closed)	Kuwait	30	-	44,407	30	-	42,911
Kuwait National Cinema Company – KPSC	Kuwait	-	47	58,165	-	47	56,144
Tamdeen Pearl Real Estate Company – KSC (Closed)	Kuwait	-	31	27,560	-	31	27,554
Others (b)	Kuwait & Bahrain	-	-	9,436	-	-	9,882
				139,568			136,491

* Indirect holding through the subsidiary [Tamdeen Investment Company – KPSC].

(a) During the current year, the Parent Company disposed its total share in Fucom for Central Markets Co. – KSC(Closed) for a consideration of KD2,265 thousand which resulted in a gain of KD1,445 thousand being recognised in the consolidated statement of profit or loss for the year.

(b) Summarised financial information in respect of each of the Group's material associates, are set out in the following notes (i,ii,iii). The summarised financial information in these notes represents the amounts presented in the financial statements of the associates (and not the Group's share in these amounts) adjusted for differences in accounting policies between the Group and the associate.

17- INVESTMENTS IN ASSOCIATES (CONTINUED)

(i) Tamdeen Shopping Centers Company – KSC (Closed) (unquoted investment)

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Non-current assets	239,896	220,957
Current assets	86,287	72,592
Non-current liabilities	(114,069)	(94,915)
Current liabilities	(46,436)	(38,454)
Non-controlling interest	(9,066)	(8,553)
Equity attributable to the shareholders of the associate	156,612	151,627

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Revenue	36,161	30,121
Profit for the year	11,152	11,201
Other comprehensive loss for the year	(212)	(517)
Total comprehensive income for the year	11,046	10,685
Dividends received from the associate during the year	1,800	1,800

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Shopping Centers Company – KSC (Closed) is set out below:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Net assets of the associate attributable to the shareholders of the associate	156,612	151,627
Proportion of the Group's ownership interest in the associate	30%	30%
Other adjustments	(2,577)	(2,577)
Carrying value of the investment	44,407	42,911

17- INVESTMENTS IN ASSOCIATES (CONTINUED)

(ii) Kuwait National Cinema Company – KPSC (quoted investment)

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Non-current assets	90,401	92,727
Current assets	36,447	24,015
Non-current liabilities	(1,652)	(1,489)
Current liabilities	(34,408)	(29,079)
Equity attributable to the shareholders of the associate	90,788	86,174

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Revenue	17,851	18,647
Profit for the year	10,168	9,337
Other comprehensive loss for the year	(856)	(2,826)
Total comprehensive income for the year	9,312	6,511
Dividends received from the associate during the year	2,336	2,336

A reconciliation of the above summarised financial information to the carrying value of the investment in Kuwait National Cinema Company – KPSC is set out below:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Net assets of the associate attributable to the shareholders of the associate	90,788	86,174
Proportion of the Group's ownership interest in the associate	%46.75	% 46.85
Goodwill	14,463	14,463
Other adjustments	1,259	1,308
Carrying value of the investment	58,165	56,144

The investment in this associate company with a carrying value of KD27,807 thousand (2016: KD42,715 thousand) is partially secured against term loans (note 19).

17- INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment)

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Total assets	91,199	90,868
Total liabilities	(1,542)	(1,032)
Equity attributable to the shareholders of the associate	89,657	89,836

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Revenue	50	113
Profit for the year	22	46
Total comprehensive income for the year	22	46

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Pearl Real Estate Company – KSC (Closed) is set out below:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Net assets of the associate attributable to the shareholders of the associate	89,657	89,634
Proportion of the Group's ownership interest in the associate	30.74%	30.74%
Carrying value of the investment	27,560	27,554

All the associates of the Group are not listed in active markets except for Kuwait National Cinema Company – KPSC and the fair value of the Group's investments in this associate amounted to KD59,948 thousand as at 31 December 2017 (31 December 2016: KD49,369 thousand).

(c) Aggregate information of the associates that are not individually material to the Group:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
The Group's share in profit for the year	25	79
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	9,436	9,882

(d) The Group's share of results of associates has been recorded based on the latest available (audited/unaudited) financial information prepared by the managements of these associates for the year ended 31 December 2017.

18- DUE TO BANKS

Due to banks represent the balances of overdraft facilities which are granted to the Group by local banks to finance the working capital and the real estate activities. They are repayable on demand with annual floating interest rate which is equal to current interest rate in market.

19- TERM LOANS

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Term loans (a)	236,208	194,490
Average interest rate – range (above CBK rate	0.75%-1.65%	0.75%-1.75%

(a) Term loans of KD102,500 thousand (2016: KD73,500 thousand) are contractually due after one year, and the remaining term loans of KD133,708 thousand (2016: KD120,990 thousand) are maturing within one year and renewed periodically.

(b) The loans granted to the subsidiary companies are against the mortgage of investments in shares with a fair value of KD99,940 thousand (2016: KD73,177 thousand) (Note 13), mortgage of investments in associates by an amount of KD27,807 thousand (2016: KD42,715 thousand) (note 17) and mortgage of investment properties (Note 16) and investment properties under development (Note 15).

20- ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Retentions for executed works	9,236	4,797
Income received in advance	1,758	1,466
Accrued leave and expenses	4,434	3,134
Due to related parties	767	102
Dividends payable to shareholders	238	347
Advance payments received from customers	8,318	6,400
Provisions and other credit balances	6,131	5,928
	30,882	22,174

21- SHARE CAPITAL

(a) As of 31 December 2017, the authorized, issued and fully paid share capital in cash of the Parent Company comprised of 431,933 thousand shares of 100 Kuwaiti Fils each (2016: 431,933 thousand shares of 100 Kuwaiti Fils each).

(b) At the Annual General Assembly Meeting held on 11 May 2016, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 20,568 thousand shares of 100 Kuwaiti Fils each amounting to KD2,057 thousand, and this was approved and documented in the commercial register on 23 May 2016.

22- TREASURY SHARES

	31 Dec. 2017	31 Dec. 2016
Number of shares - share	**28,466,571**	26,818,695
Percentage of issued shares	**6.6%**	6.2%
Market value (KD'000)	**11,387**	12,605
Cost (KD'000)	**11,396**	10,745

23- RESERVES

In accordance with the Companies Law of Kuwait, 10% of the profit attributable to the owners of the Parent Company before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is transferred each year to the legal reserve until such time that the balance of the legal reserve account equals 50% of the balance of the paid up share capital.

Distribution of the legal reserve is limited to the amount required to enable the payment of dividends of 5% of paid-up share capital to be made in years when retained earnings are insufficient for the payment of dividends of that amount.

10% of this profit before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is also transferred to the voluntary reserve, and this transfer could be ceased based on the decision of the Parent Company's board of directors. Transfers to the voluntary reserve are made in accordance with the recommendation of the Parent Company's board of directors to the general assembly.

The amounts transferred during the year to the legal and voluntary reserves attributable to the Parent Company have been calculated as follows:

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Profit for the year	**11,393**	10,261
Deduct:		
Profit attributable to non-controlling interests	**(2,991)**	(2,896)
Profit attributable to owners of the Parent Company	**8,402**	7,365
Add:		
Board of directors' remuneration of the Parent Company	**60**	60
Provision for National Labour Support Tax (NLST) of the Parent Company	**130**	99
Provision for Zakat of the Parent Company	**19**	6
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) of the Parent Company	**5**	-
Profit attributable to owners of the Parent Company before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	**8,616**	7,530
Transferred to legal reserve (10%)	**862**	753
Transferred to voluntary reserve (10%)	**862**	753

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
31 DECEMBER 2017

24- PROPOSED DIVIDENDS AND REMUNERATIONS

The board of directors of the Parent Company proposed to distribute cash dividends of 12% or 12 Kuwaiti Fils per share from the paid-up share capital, and pay a remuneration to the board of directors of amount of KD60 thousand and this proposal is subject to the approval of the general assembly of shareholders and control authorities.

The General Assembly of shareholders held on 25 April 2017 approved the consolidated financial statements for the year ended 31 December 2016 and directors' proposal to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2016 (the General Assembly of shareholders held on 11 May 2016 approved to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital to the shareholders and bonus shares dividends of 5% from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2015).

25- CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following balances of the consolidated statement of financial position:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Cash and bank balances	**14,483**	13,234
Short term deposits	**24,698**	8,176
	39,181	21,410

Short term deposits earn interest at annual rate of 1.25% (annual rate of 1% in 2016).

26- SEGMENTAL ANALYSIS

The Group activities are concentrated in two main segments: Real Estate and Investment. The segments' results are reported to the top management in the Group. The activities of the Group are principally carried out within the State of Kuwait; With the exception of participations in capital of companies located outside Kuwait (Note 13), all of the assets and liabilities are located inside Kuwait.

The following is the segments information, which conforms with the internal reporting presented to management:

	Real Estate KD'000	Investment KD'000	Total KD'000
Year ended at 31 December 2017			
Gross income	**7,163**	**18,844**	**26,007**
(Loss)/profit for the year	**(2,299)**	**13,692**	**11,393**
Total assets	**204,559**	**303,208**	**507,767**
Total liabilities	**(193,081)**	**(93,577)**	**(286,658)**
Total equity	**11,478**	**209,631**	**221,109**
Year ended at 31 December 2016			
Gross income	9,555	15,861	25,416
(Loss)/profit for the year	(37)	10,298	10,261
Total assets	145,948	288,597	434,545
Total liabilities	(141,814)	(88,639)	(230,453)
Total equity	4,134	199,958	204,092

27- RELATED PARTY TRANSACTIONS

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances (Note 12)	**1,645**	1,712
Accounts payable and other credit balances (Note 20)	**767**	102
Acquisition of an associate	**470**	-
Net acquisition and disposal of subsidiary companies	**-**	1,385
Additions to investment properties under development and trading properties under development	**1,552**	635

	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000
Consolidated statement of profit or loss		
Management fees and consultancy income (included in other operating income)	**814**	866
Cost of revenue	**514**	708
General, administrative and other expenses	**443**	431
Benefits of key management personnel of the Group		
Short term employee benefits and board of directors' remuneration	**754**	779

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Contra accounts – off consolidated statement of financial position items		
Net book value of customers' portfolios (major shareholders) managed by Tamdeen Investment Company – KPSC (subsidiary company)	**157,735**	152,802

28- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the date of the consolidated statement of financial position, the Group had contingent liabilities against letters of guarantee issued in favour of third parties of amount KD1,498 thousand (KD1,071 thousand at 31 December 2016).

The Group had capital commitments amounting to KD17,914 thousand (KD49,097 thousand at 31 December 2016) for its two projects classified under properties under development.

29- CONTRA ACCOUNTS – OFF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

One of the subsidiary companies [Tamdeen Investment Company – KPSC] manages investment portfolios for third parties which had a net book value of KD209,332 thousand at 31 December 2017 (2016: KD198,063 thousand) including KD157,735 thousand (2016: KD152,802 thousand) related to portfolios for related parties (Note 27). These balances are not included in the consolidated statement of financial position.

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT

30-1 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Financial assets		
Financial assets at amortised cost:		
- Accounts receivable and other debit balances (excluding prepaid expenses)	**12,366**	14,917
- Cash and cash equivalents	**39,181**	21,410
	51,547	36,327
Investments at fair value through profit or loss :		
- At fair value	**-**	688
Available for sale investments :		
-At fair value	**129,174**	124,412
-Carried at cost less impairment in value, if any*	**4,696**	6,572
	133,870	130,984
Total financial assets	**185,417**	167,999
Financial liabilities		
Financial liabilities at amortised cost:		
- Due to banks	**10,521**	6,846
- Term loans	**236,208**	194,490
- Accounts payable and other credit balances	**30,882**	22,174
- Refundable rental deposits	**8,017**	6,032
Total financial liabilities	**285,628**	229,542

* It was not possible to reliably measure the fair value of available for sale investments amounting to KD4,696 thousand (2016: KD6,572 thousand) due to non-availability of reliable method that could be used to determine the fair value of such investments, accordingly, these were stated at cost less impairment, if any. Management is not aware of any circumstances that would indicate any impairment/further impairment, in the value of these investments as of the reporting date.

30-2 FAIR VALUE MEASUREMENT

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments at fair value through profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in note 30.1 to the consolidated financial statements) are carried at fair value and measurement details are disclosed in note 30.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values. The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (note 16 and 30.4).

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

30-3 FAIR VALUE HIERARCHY

All financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2017					
Available for sale investments					
- Local managed portfolios					
• Quoted shares	a	133	-	-	133
- Participations in local companies shares					
• Quoted shares	a	5,536	-	-	5,536
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	121,191	-	-	121,191
• Unquoted shares	b	-	-	2,314	2,314
		126,860	-	2,314	129,174

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2016					
Investments at fair value through profit or loss					
• Quoted shares	a	688	-	-	688
Available for sale investments					
- Local managed portfolios					
• Quoted shares	a	110	-	-	110
- Participations in local companies shares					
• Quoted shares	a	4,095	-	-	4,095
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	116,659	-	-	116,659
• Unquoted shares	b	-	-	3,548	3,548
		121,552	-	3,548	125,100

There have been no significant transfers between levels 1 and 2 during the reporting period.

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

30-3 FAIR VALUE HIERARCHY (CONTINUED)

MEASUREMENT AT FAIR VALUE

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted shares (level 1)

The quoted shares present all listed shares that are traded in the financial markets. The fair values are determined by reference to the latest bid prices at the reporting date.

b) Unquoted shares (level 3)

The fair value of unquoted shares is determined by using valuation techniques. Fair value for the unquoted shares investments are approximately the summation of the estimated value of underlying investments as if realised on the date of the consolidated statement of financial position. The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each consolidated financial position date. Investment managers also used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

With regard to certain other unquoted shares, information is limited to periodic financial reports submitted by the managers of the investment. These investments are stated at the net assets value announced by the managers of the investment. As to the nature of these investments, the net assets value announced by the managers of the investment represents the best estimation of available fair values for these investments.

LEVEL 3 FAIR VALUE MEASUREMENTS

Reconciliation of level 3 fair value measurements is as follows:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Balance as at 1 January	3,548	3,982
Transfer to level 3	7	141
Impairment in value – recognised in consolidated statement of profit or loss	(815)	(575)
Transfer out of level 3	(426)	-
Balance as at 31 December	2,314	3,548

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

30-3 FAIR VALUE HIERARCHY (CONTINUED)

MEASUREMENT AT FAIR VALUE (CONTINUED)

The level 3 investments have been fair valued as follows:

Financial assets	Valuation techniques and key input	Significant unobservable input	Relationship of unobservable input to fair value
Unquoted shares	Adjusted book value	Book value adjusted with market risk	The higher the market risk the lower the fair value

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

30-4 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2017 and 31 December 2016:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 December 2017				
Investment properties				
- Al Kout Rotana Hotel property	**-**	**-**	**20,000**	**20,000**
	-	**-**	**20,000**	**20,000**
31 December 2016				
Investment properties				
- Al Kout Rotana Hotel property	-	-	21,280	21,280
	-	-	21,280	21,280

The fair value of the investment property has been determined , as requested by authorities , based on the lower of two valuations obtained from independent valuers (one of the valuers is a bank located in Kuwait), who are specialized in valuing this type of investment properties. The valuers have valued the investment property primarily using two methods, one of which is the yield method and the other being a combination of the market comparison approach for the land and cost minus depreciation approach for buildings. When the market comparison approach is used, adjustments have been incorporated for factors specific to the property in question, including property size, location, economic condition, similar property prices in surrounding area and permitted activities on the property.

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

30-4 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (CONTINUED)

LEVEL 3 FAIR VALUE MEASUREMENTS

The measurement of the investment property classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment property within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Opening balance	**21,280**	21,280
Changes in fair value recognised in profit or loss	**(1,280)**	-
Ending balance	**20,000**	21,280

The significant assumptions made relating to valuation of investment property, that has been valued using the yield method are: average income, yield rate and occupancy rate.

31- RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The Parent Company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management is carried out by investment management and audit committee and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed to are as follows:

31-1 MARKET RISK

a). FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Kuwait, GCC and other Middle Eastern countries, and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-1 MARKET RISK (CONTINUED)

a). FOREIGN CURRENCY RISK (CONTINUED)

accordance with the Group's risks management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
US Dollar	**145,038**	126,161

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5%, then this would have impact on the equity by KD7,252 thousand (2016: KD6,308 thousand).

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b). INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its short term deposits, and its borrowings (term loans and due to banks) . The borrowings mainly represent short and long term borrowings and bear fixed or variable rates of interest. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies maybe used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +0.5% and – 0.5% (2016: +0.5 % and – 0.5%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments exposed to interest rate risk held at the date of the consolidated statement of financial position. All other variables are held constant. There has been no change during this year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2017		Year ended 31 Dec. 2016	
	+ 0.5 % KD'000	- 0.5 % KD'000	+ 0.5 % KD'000	- 0.5 % KD'000
Effect on profit for the year	**(696)**	**696**	(745)	745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)
31-1 MARKET RISK (CONTINUED)

c). PRICE RISK

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) and available for sale investment. The Group's investments are listed on the Kuwait Stock Exchange and other Gulf markets.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio where possible. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the date of the consolidated financial statements. There has been no change in the methods and assumptions used in the preparation of the sensitivity analysis.

If the prices of securities had been 5% higher/lower, the effect on the profit for the year and equity for the year ended 31 December would have been as follows:

	Profit for the year		Equity	
	Year ended 31 Dec. 2017 KD'000	Year ended 31 Dec. 2016 KD'000	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Market Stock Exchange index + 5%	-	34	**6,343**	6,043
Market Stock Exchange index – 5%	-	(34)	**(6,343)**	(6,043)

31-2 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains collateral security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2017 KD'000	31 Dec. 2016 KD'000
Cash and cash equivalents	**39,181**	21,410
Investments at fair value through profit or loss	**-**	688
Accounts receivable and other debit balances (excluding prepaid expenses)	**12,366**	14,917
Available for sale investments	**133,870**	130,984
	185,417	167,999

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-3 CONCENTRATION OF ASSETS

The distribution of assets by geographic region was as follows:

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2017			
Geographic region:			
Cash and bank balances	**14,483**	**-**	**14,483**
Short term deposits	**24,698**	**-**	**24,698**
Accounts receivable and other debit balances	**12,534**	**5**	**12,539**
Available for sale investments	**9,093**	**124,777**	**133,870**
Trading properties under development	**46,092**	**-**	**46,092**
Investment properties under development	**115,379**	**-**	**115,379**
Investment properties	**20,000**	**-**	**20,000**
Investments in associates	**138,768**	**800**	**139,568**
Property, plant and equipment	**1,138**	**-**	**1,138**
	382,185	**125,582**	**507,767**

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2016			
Geographic region:			
Cash and bank balances	13,234	-	13,234
Short term deposits	8,176	-	8,176
Investments at fair value through profit or loss	-	688	688
Accounts receivable and other debit balances	15,058	11	15,069
Available for sale investments	8,632	122,352	130,984
Trading properties under development	29,370	-	29,370
Investment properties under development	78,033	-	78,033
Investment properties	21,280	-	21,280
Investments in associates	135,785	706	136,491
Property, plant and equipment	1,220	-	1,220
	310,788	123,757	434,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, the Group's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	1 - 5 Years KD'000	Total KD'000
31 December 2017					
Financial liabilities (undiscounted)					
Due to banks	**-**	**-**	**10,521**	**-**	**10,521**
Term loans	**-**	**2,586**	**131,708**	**112,750**	**247,044**
Accounts payable and other credit balances	**-**	**-**	**30,882**	**-**	**30,882**
Refundable rental deposits	**-**	**-**	**-**	**8,017**	**8,017**
	-	**2,586**	**173,111**	**120,767**	**296,464**

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	1 - 5 Years KD'000	Total KD'000
31 December 2016					
Financial liabilities (undiscounted)					
Due to banks	-	-	6,846	-	6,846
Term loans	-	445	120,990	84,175	205,610
Accounts payable and other credit balances	-	-	22,174	-	22,174
Refundable rental deposits	-	-	-	6,032	6,032
	-	445	150,010	90,207	240,662

32- CAPITAL MANAGEMENT OBJECTIVES

The Group’s capital management objectives are to ensure the Group’s ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2017 KD’000	31 Dec. 2016 KD’000
Due to banks	**10,521**	6,846
Term loans	**236,208**	194,490
Less: Cash and cash equivalents	**(39,181)**	(21,410)
Net debt	**207,548**	179,926
Equity attributable to owners of the Parent Company	**138,443**	128,627
Non-controlling interests	**82,666**	75,465
Total capital	**428,657**	384,018

The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital as follows:

	31 Dec. 2017 KD’000	31 Dec. 2016 KD’000
Net debt	**207,548**	179,926
Total capital	**428,657**	384,018
Gearing ratio	**48%**	47%