2018 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 ALLAH, MOST GRACIOUS, MOST MERCIFUL

ESTEEMED SHAREHOLDERS,

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

IT GIVES ME A GREAT PLEASURE TO MEET WITH YOU TODAY, ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS TO REVIEW WITH YOU THE ANNUAL REPORT OF TAMDEEN REAL ESTATE COMPANY AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED ON 31ST DECEMBER 2018 AND TO PRESENT AN OUTLINE OF THE MAIN ASPECTS OF YOUR COMPANY'S ACHIEVEMENTS DURING THAT YEAR.

ESTEEMED BROTHERS,

BY THE END OF 2018, KUWAIT ENJOYED A HEALTHY ECONOMY AS CONFIRMED BY THE THREE MAIN INTERNATIONAL CREDIT RATING AGENCIES; THE KUWAITI ECONOMY HAD A CREDIT RATING OF "AA" BY "STANDARD & POORS", WHILE "MOODY'S" KEPT THE COUNTRY'S RATING AT "AA2" AND "FITCH" AT "AA".

IN THEIR RESPECTIVE REPORTS, THE THREE RATING AGENCIES STATED THAT BEHIND KUWAIT'S GOOD RATING BASICALLY LIES IN ITS EXCEPTIONALLY STRONG FINANCIAL AND EXTERNAL POSITION, WITH THE OIL PRICED AT US $ 56 PER BARREL FOR THE PURPOSES OF THE COUNTRY'S GENERAL BUDGET. THIS PRICE BEING THE LOWEST AMONG OIL EXPORTING COUNTRIES APPRAISED BY "FITCH".

Kuwait received this high credited rating as a result of the huge efforts of the Ministry of Finance and the Central Bank of Kuwait, through their monetary and fiscal policies that contributed to maintaining the stability of the national economy during the crisis witnessed by the region and the global economy during the past years. The success of those policies was, significantly reflected in maintaining the country's rating amongst the best in international ranking.

Huge and remarkable steps are being taken by the State of Kuwait to diversify the source of income in line with the (New Kuwait 2035) Vision with a comprehensive economic reformed plan that focuses on increasing the private sector's participation in the local economy, developing partnership projects between the public and private sectors, and supporting small and medium sized enterprises. Serious efforts are being made to improve the business environment and creating an appropriate atmosphere for attracting foreign investors. Kuwait is attempting to reduce its dependency on oil exportation by encouraging investment in the non-oil sectors by seeking to become a financial and touristic center.

ESTEEMED BROTHERS,

Having said this, and in view of Tamdeen Real Estate Company's serious desire to contribute to the desired development and reform efforts, the Company continued to execute several projects during 2018. These include the development of the investment lands it owns within the "Tamdeen Square" project, located in a vital location in Sabah Al-Salem to the West of King Abdulaziz Al Saud Express Road. This location is among the most strategic in the State of Kuwait, and it is currently witnessing the execution of the last phase of the internal finishing of the residential units in the project's three towers that was expected to be completed by the end of 2018. The towers, along with the two hotel apartment buildings, hotel and shopping center will form a vibrant hub of upscale units that set new standards in modern residential compound quality and providing a new lifestyle in the State of Kuwait.

ESTEEMED BROTHERS,

Tamdeen Real Estate Company continued to develop the Fahaheel Water Front project "Souk Al Kout" which is a part of "Al-Kout project", a hallmark project of Tamdeen Real Estate Company in the South of the State of Kuwait. The company has already completed the implementation of its comprehensive development plan regarding all the elements of the North Pier sector to be reopened during the first quarter of 2019 with a new look that combines heritage with modernity in architectural style, matching that of Al-Kout Project as a whole.

The development works also included the replacement of the floors and renovation of all facilities and services including the Music Fountain, the icon of the Souk. "Al-Kout Project" will be dazzling with totally new music fountains renovated with gloriously stunning colors to present magnificent artistic portraits accompanied by Arabic and Western music. "Souk Al-Kout" will house new shops featuring world class and local brands to satisfy all tastes. The renovated Souk will also feature a variety of restaurants, coffee shops, and three movie theaters offering a total new concept managed by Kuwait National Cinema Company in addition to the traditional souk currently located on the South Pier including the Fruits, Vegetables and Fish Markets. It is worth mentioning that, despite those ongoing large development works within the project area, this project achieved operating revenues amounting to KD 1.8 million, approximately, during 2018.

ESTEEMED BROTHERS

During 2018, Tamdeen Real Estate Company continued to apply its strategic thought based on focusing on real estate development by entrusting the management and implementation of the operation plans to specialized subsidiary and associate companies within the investment, real estate and services development sectors. The ongoing application of this strategic thought contributes to increasing the value of the Company's investments, which positively reflects on the size of the parent company's assets and results in the improved efficiency and effectiveness of operating its assets.

The following are the main aspects of the achievements made by those companies during 2018:

At the level of the subsidiary companies, Tamdeen Investment Company continued to reap achievements in its operating and investment activities. This can be clearly seen in the increasing of operating revenues and larger cash dividends received in the amount of KD 8.9 million compared to KD 8.4 million in 2017. Most notable is the distribution of dividends received from investing in Ahli United Bank, which underlines the soundness and strength of the company's present assets.

This is in addition to the tangible achievements made by the subsidiary companies of Tamdeen Investment Company, as follows:

Tamdeen Imtiazat Holding Company's profits in 2018 amounted to KD 3.4 million, while Tamdeen Food Company inaugurated three restaurants at Al-Kout Mall and one at Mall 360 all of which are global brands.

Manshar Real Estate Company (a subsidiary company) opened "Al-Kout Mall', one of the experiences provided by "Al-Kout Project", the largest shopping and entertainment center in South of the State of Kuwait. "Al-Kout Mall" is distinguished by its contemporary and spacious architectural designs, serving the Southern areas and all inhabitants of and visitors to Kuwait. The mall enriches the family shopping experience, by combining it with joy and amusement. With the opening of "Al-Kout Mall", the total leasing area at "Al-Kout Project" incrased to 100 thousand square meters.

Al-Kout Project, is the largest water front for shopping and entertainment in the State of Kuwait. It offers a one-stop diversified and unique experience in amusement, shopping and hospitality. Offering 360 shops, 12 sophisticated movie theaters equipped with IMAX, 4DX and other state-of-the-art systems with the most advanced cinematic effects managed by Kuwait National Cinema Company (Cinescape). In addition to a staggering array of world-class and local restaurants and coffee shops, including 11 local brands, that underline our unrelenting support to the initiatives of ambitious young Kuwaitis, as well as the various entertainment facilities to attract all age groups.

To facilitate movement among the various parts of "Al-Kout Project", "Al-Kout Mall" is linked with a pedestrian overpass to the traditional "Souk Al-Kout" with its charming water fountains so that visitors may round up their trip with a visit to the remaining experiences of "Nag'aat Al-Kout", "Marsa Al-Kout" and "Sahel Al-Kout". To ensure the comfort of our visitors, the Mall provides internal and external car parks for 3600 cars.

The Project also includes "Hyatt Regency Al-Kout Mall Hotel", one of the major high points of "Al-Kout Project" experience. The hotel management agreement has recently been signed with Hyatt Hotels Group. The "Hyatt Regency" brand, offers an integrated experience that provides all the needs of its guests under one roof, in addition to a magnificent package of services and facilities, many of which have been renovated with the addition of advanced technology services and comfortable spaces for work and relaxation, all under the supervision of a highly experienced professional team who are attentive of the smallest detail. The hotel with its vibrant lobby, will provide an integrated residence experience with unlimited communication possibilities, and the "Regency Club Lounge", which provides an exclusive experience to the guests, whuch also include a new Italian cuisine restaurant. Furthermore, the hotel's guestrooms will be fully renovated with a creative modern design, as well as the modern Grand Banqueting hall and several meeting rooms equipped with state-of-the-art systems, all of which guarantees that guests, both businessmen and tourists, will have a thrilling experience.

With regard to our sister companies, Tamdeen Shopping Centers Company accomplished the following operating and financial developments during 2018:-

The company increased its holding in the subsidiary company, "Spirit Real Estate Company" which is completing the "Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex Project". One of the major projects of the partnership between the public and private sectors in the State of Kuwait and the largest sports project in terms of cost and size related to the Public Authority for Sports since its establishment. Through this partnership, the company will not only operate the project in terms of design, building, operation and maintenance, but will also support the establishment of the largest tennis academy in the Middle East in coordination with the Kuwait Tennis Federation. This project will maximize benefits for the State of Kuwait since "land tennis" is the second most famous and popular sport in the world.

Being directly connected to "Mall 360", one of Kuwait's busiest commercial malls, which is owned by Tamdeen Shopping Centers Company, "Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex" will benefit from the movement of visitors to Mall 360. This is expected to increase young individuals' awareness and interest in this popular sport, as well as attracting new generations of spectators and fans.

This is in addition to the following tangible achievements made by the subsidiary companies of Tamdeen Shopping Centers Company in 2018:

Tamdeen Entertainment Company, (a subsidiary company), opened the first and second phases of the new family entertainment center INFUNITY SEA at the new "Al-Kout Mall" in Fahaheel, and signed a contract with Salhiah Real Estate Company to open the second branch of the Sky Zone project "Trampoline City" in "Al-Asimah Mall" over an area of 2,447 square meters. The company will also open the long-awaited car arena "Kuwait Carting" at Al-Kout Mall, to be the largest indoor arena of its kind in the Middle East.

In retail, Three-Sixty Style (a subsidiary company) had an excellent performance in 2018. It is currently negotiating with several international high fashion brands adding to its impressive array of famous brands.

ESTEEMED SHAREHOLDERS,

In 2018, the Company's operating revenues amounted to approximately KD 11.4 million, and achieved a net profit of KD 5.4 Million, representing an earnings per share amounting to 13.5 Fils (compared to 20.8 Fils in the previous year).

Based on these positive results, the Board of Directors has decided to recommend to the General Assembly to distribute a cash dividend equal to 10% of the paid-up capital to the shareholders of the Company and to grant the members of the Board of Directors a remuneration of KD 60,000 (KD 10,000 for each member director) for the financial year ended on 31 December 2018. This recommendation is subject to the approval of the General Assembly of the shareholders.

IN CONCLUSION,

I would like to take the opportunity, for myself and on behalf of the Board of Directors, to express our deepest thanks and appreciation to His Highness the Amir, Sheikh/ Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh/ Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Highness the Prime Minister, Sheikh/ Jaber Al-Mubarak Al-Hamad Al-Sabah for their lasting support to the private sector in Kuwait.

We would also like to thank our esteemed shareholders for the trust and support they have always extended to us. Finally, I express my thanks and appreciation to my colleagues on the Board of Directors of the Company, and the employees of the Company for their unrelenting and fruitful efforts to achieve the desired results in the year 2018.

PEACE AND ALLAH'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 2018 in order to achieve the results outlined in the report.

A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS
BOARD OF DIRECTOR'S FORMATION

Member name	Classification of the Member / Secretary	Academic Qualification & Practical Experiance	Date of Election/ Assignment
Mr. Meshal Jassim Al Marzouq	Chairman of the Board of Directors – Non Executive	BA and 23 years of experience	11/05/2016
Mr. Abdulwahab Marzouq Al Marzouq	Vice Chairman of the Board of Directors – Non Executive	Diploma and 23 years of experience	11/05/2016
Sheikh Majed Jaber Al Sabah	Member of the Board of Directors – Non Executive	BA and 27 years of experience	11/05/2016
Mr. Mohammed Fouad Al Ghanim	Member of the Board of Directors – Independent	BA and 21 years of experience	11/05/2016
Mr. Zeyad Hassan Al Qaissy	Member of the Board of Directors – Independent	BA and 28 years of experience	11/05/2016
Mr. Mohammed Dawoud Al Marzouq	Member of the Board of Directors – Independent	BA and 10 years of experience	11/05/2016
Mr Salah Abdualziz Al Bahar	Secretary of the Board of Directors	BA and 30 years of experience	11/05/2016

BOARD OF DIRECTORS MEETING DURING 2018

Member name	Meeting number: (01/2018) Date: 30/01/2018	Meeting number: (02/2018) Date: 11/03/2018	Meeting number: (03/2018) Date: 15/05/2018	Meeting number: (04/2018) Date: 06/06/2018	Meeting number: (05/2018) Date: 14/08/2018	Meeting number: (06/2018) Date: 13/11/2018	Number of attendees
Mr. Meshal Jassim Al Marzouq Chairman	✓		✓	✓	✓	✓	5
Mr. Abdulwahab Marzouq Al Marzouq Vice Chairman	✓	✓	✓	✓	✓	✓	6
Sheikh Majed Jaber Al Sabah	✓	✓	✓	✓	✓	✓	6
Mr. Mohammed Fouad Al Ghanim	✓	✓	✓	✓	✓	✓	6
Mr. Zeyad Hassan Al Qaissy	✓	✓	✓	✓	✓		5
Mr. Mohammed Dawoud Al MArzouq	✓	✓	✓	✓	✓	✓	6

REGISTRATION, COORDINATION AND KEEPING THE MINUTES OF THE BOARD 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.

PROPER SPECIFICATION OF DUTIES AND RESPONSIBILITIES

DUTIES AND 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.

DUTIES AND 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 Financial Reporting Standards approved by the Kuwaiti Capital Markets Authority.
- Effectively participating to the building and development of moral values within the Company.

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 2017 and the interim statements for 2018.
- Effective follow up of the execution of the Kuwaiti Capital Markets Authority requirements related to Corporate Governance by:
  - Approving the governance report for the year 2017.
  - 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.

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.

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 during 2018 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.

In addition, the committee had proposed the remuneration for the members of the Board of Directors and the Chief Executive Officer and Prepared the Bonus Report of 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 2018

Meeting Date	Meeting Number	Number of Attendees
28/01/2018	01-2018	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 for 2018

Remunerations of the Executive Management	115,632 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 2018. 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 2018, the Audit Committee has held its periodical meetings with the External Auditor, the Internal Audit Officer has attended all the 4 Audit Committee meetings during 2018. Also the Committee reviewed the interim financial statements for the year 2018 and the annual financial statements for 2017. A recommendation was made to the Board of Directors for approval. In addition to Recommending to the Board of Directors to reappoint the External Auditor after verifying their independence and reviewing their letters of appointment.

The committee also approved the Audit Committee report for 2017, reviewed Internal Audit report and ICR for year 2017 and take the corrective actions and followed up these actions. The Committee decided to renew the contract with the independent internal audit office as there was no conflict between the recommendations of the committee and the resolutions of the Board of Directors of the company during 2018.

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 2018

Meeting Date	Meeting Number	Number of Attendees
04/03/2018	01 – 2018	3
09/05/2018	02 – 2018	3
12/08/2018	03 – 2018	3
11/11/2018	04 – 2018	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 reviewed the Periodic Risk Management Reports and ensured that corrective actions are taken concerning the remarks contained in the report. Also the committee Amended the risk management structure in order for the Risk Management Office to report directly to the Risk Management Committee.

Formation of the risk management committee

The Risk Management 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.	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 2018

Meeting Date	Meeting Number	Number of Attendees
25/01/2018	01 – 2018	3
15/05/2018	02 – 2018	3
23/08/2018	03 – 2018	3
18/11/2018	04 – 2018	3

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

ENSURING THE INTEGRITY OF THE FINANCIAL REPORTS

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) 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 2018 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. Mohammed Fouad Al Ghanim	Member of the Board of Directors Independent	
Mr. Zeyad Hassan Al Qaissy	Member of the Board of Directors Independent	
Mr. Mohammed Dawoud Al Marzouq	Member of the Board of Directors Independent	

THE EXECUTIVE MANAGEMENT UNDERTAKES TO ENSURE THE SOUNDNESS AND THE INTEGRITY OF FINANCIAL REPORTS

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.

EXTERNAL AUDITOR

The General Assembly appointed an auditor registered in the Auditors' Register at the Authority upon the proposal of the Board of Directors pursuant to a recommendation from the Audit Committee. This appointment of the auditor satisfies all the conditions of the Authority in terms of his being independent and his not undertaking any additional services to the company other than the services required by auditing profession so that his appointment would not affect his neutrality and independence.

LAYING DOWN A SOUND SYSTEMS FOR RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT OFFICE

Tamdeen Real Estate has a Risk Management Office that operates and reports directly to the Risk Management Committee. 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 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 Audit Committee is responsible for reviewing the adequacy and efficiency of the company's internal control systems applied in the company.

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.

ENHANCING 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.

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.

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 and shareholders have the right to peruse this register.

INVESTORS AFFAIRS 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.

DEVELOPING INFORMATION TECHNOLOGY

Tamdeen Real Estate Company is keen to develop its information technology infrastructure that serves as the key driver of its disclosure process. In this regard, the Company's web site serves as an essential part of the disclosure mechanism in addition to the annual reports, financial statements, and notes to the financial statements and information related to the Company's activities.

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.

STAKEHOLDERS

Tamdeen Real Estate Company has adopted a policy that regulates its relations with stakeholders. The policy features rules and procedures that guarantee protection and recognition of the rights of stakeholders and ensures that they are properly indemnified in the event of violation of any of their rights in strict observance of the letter and spirit of the relevant laws.

The Company guarantees stakeholder rights by providing information periodically by maintaining continuous communication with them and encouraging them to follow up the Company's activities within a framework of clear transparency and open dialogue by keeping them informed of all developments related to its periodical financial statements and on-going disclosures subject to the Company's contracts and operational policies.

PERFORMANCE ENHANCEMENT AND IMPROVEMENT

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

Tamdeen Real Estate Company provides the needful 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. In this regard, in 2018, the company has coordinated with training and consultancy authorities in various fields.

PREFORMANCE APPRAISAL

The performance of the Board of Directors and the Executive Management is appraised first as a whole, and second, individually for each member separately by means of key performance indicators.

CORPORATE VALUE CREATION

At the beginning of every year, the Company identifies the values that it will seek to enhance on the short, medium and long terms by laying down such mechanisms and procedures that would achieve the Company's strategic objectives. Furthermore, Kuwait National Cinema Company continuously develops its internal integrated reporting systems thereby re-affirming its ongoing focus on creating institutional values for all its employees in order to motivate them to strive to achieve financial prosperity for their Company.

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.

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 5-30 years 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 2018 the eighth generation of protégés was launched in Kuwait, that is 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, all guided by a group of the most talented experts and influentials across multiple fields

The Protégés is a mentorship program designed to positively influence the youth and push them towards realizing their own potential and becoming their improved selves.

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 director general and co-founder Sheikha Hussah Sabah al Salem al Sabah. DAI has already become an internationally recognized cultural organization through the uniqueness of its curated collection as well as the highly regarded cultural, academic and musical events it hosts.

"Nuqat"

Nuqat Programs aim to develop the creativity of talented people. In 2018 we completed the seventh sense program which highlights the unique human potential in inspiration and creative problem-solving. Nuqat organizes activities which focus on various subjects related to the visual arts, therapeutic and performing arts; as well as more commercial fields such as graphic and product design and entrepreneurship. Furthermore, Nuqat launched the special edition of the Human Resources program "Investing in Creativity for Social Impact" through various means such as training programs, lectures and cultural entertainment activities.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

OF TAMDEEN REAL ESTATE COMPANY – KPSC - KUWAIT

REPORT ON THE AUDIT OF 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 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (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 represent 28% 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 5.11, 16 and 30.4 for more information on investment properties.

Our audit procedures included, among others, assessing the appropriateness of the ways and means of evaluation and inputs used in the evaluation. 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 10% 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 5.13 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 25% 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 2018 ANNUAL REPORT

Management is responsible for the other information. Other information consists of the information included in the Group’s 2018 Annual Report, other than the consolidated financial statements and our auditor’s report thereon. We obtained the report of the 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

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 2018 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

19 March 2019

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

31 DECEMBER 2018

	NOTE	**Year ended 31 Dec. 2018 KD'000**	Year ended 31 Dec. 2017 KD'000
Revenue			
Operating revenue		**11,364**	7,662
Cost of revenue	8	**(4,190)**	(2,344)
Net income		**7,174**	5,318
Management and consultancy fees		**989**	836
Change in fair value of investment properties	16	**154**	(1,280)
Net income from investments	10	**9,190**	9,492
Share of results of associates	17	**6,747**	8,119
Gain on sale of investment in an associate	17	**-**	1,445
Foreign currency exchange gain/(loss)		**214**	(337)
Other income		**708**	70
		25,176	23,663
Expenses and other charges			
Staff costs		**3,119**	2,534
General, administrative & other expenses		**4,386**	3,089
Finance costs		**8,639**	6,241
		16,144	11,864
Profit for the year before contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	9	**9,032**	11,799
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	9	**(22)**	(8)
Provision for Zakat	9	**(71)**	(71)
Provision for National Labour Support Tax (NLST)		**(221)**	(267)
Board of directors' remuneration		**(60)**	(60)
Profit for the year		**8,658**	11,393
Attributable to :			
Owners of the Parent Company		**5,434**	8,402
Non-controlling interests		**3,224**	2,991
		8,658	11,393
Basic and diluted earnings per share attributable to the owners of the Parent Company	11	**13.5 Fils**	20.8 Fils

The notes set out on pages 36 to 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

31 DECEMBER 2018

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Profit for the year	**8,658**	11,393
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	**17**	(44)
Net change in fair value of available for sale investments during the year	**-**	14,052
Transferred to consolidated statement of profit or loss on sale of available for sale investments	**-**	(3,766)
Transferred to consolidated statement of profit or loss on impairment in value	**-**	2,289
Share of other comprehensive loss of associates	**(852)**	(337)
	(835)	12,194
Items not to be reclassified to consolidated statement of profit or loss in subsequent periods:		
Net change in fair value of equity investments designated at FVOCI	**13,735**	-
Share of other comprehensive loss of associates	**(339)**	-
	13,396	-
Total other comprehensive income for the year	**12,561**	12,194
Total comprehensive income for the year	**21,219**	23,587
Attributable to:		
Owners of the Parent Company	**12,382**	14,679
Non-controlling interests	**8,837**	8,908
	21,219	23,587

The notes set out on pages 36 to 80 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 2018

	NOTE	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Assets			
Cash and bank balances	25	**15,590**	14,483
Short term deposits	25	**25,409**	24,698
Accounts receivable and other debit balances	12	**11,987**	12,539
Investments at fair value through other comprehensive income	13	**146,005**	-
Available for sale investments	13	**-**	133,870
Trading properties under development	14	**57,715**	46,092
Investment properties under development	15	**3,509**	115,379
Investment properties	16	**153,746**	20,000
Investments in associates	17	**140,698**	139,568
Property, plant and equipment		**1,996**	1,138
Total assets		**556,655**	507,767
Liabilities and equity Liabilities			
Due to banks	18	**23,885**	10,521
Term loans	19	**247,902**	236,208
Accounts payable and other credit balances	20	**39,190**	30,882
Refundable rental deposits		**8,874**	8,017
Provision for end of service indemnity		**1,236**	1,030
Total liabilities		**321,087**	286,658
Equity			
Share capital	21	**43,193**	43,193
Share premium		**11,132**	11,132
Treasury shares	22	**(11,419)**	(11,396)
Reserve of profit on sale of treasury shares		**756**	756
Legal reserve	23	**12,848**	12,291
Voluntary reserve	23	**14,246**	13,689
Foreign currency translation reserve		**401**	384
Cumulative changes in fair value		**48,833**	41,902
Retained earnings		**25,940**	26,492
Equity attributable to the owners of the Parent Company		**145,930**	138,443
Non-controlling interests		**89,638**	82,666
Total equity		**235,568**	221,109
Total liabilities and equity		**556,655**	507,767

Meshal Jassim Al Marzouq
Chairman

Abdulwahab Marzouq Al Marzouq
Vice Chairman

The notes set out on pages 36 to 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2018

	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 2018	43,193	11,132	(11,396)	756	12,291	13,689	384	41,902	26,492	138,443	82,666	221,109
Adjustment arising on adoption of IFRS 9 on 1 January 2018 (Note 4.1)	-	-	-	-	-	-	-	-	(31)	(31)	(15)	(46)
Balance as at 1 January 2018 (restated)	43,193	11,132	(11,396)	756	12,291	13,689	384	41,902	26,461	138,412	82,651	221,063
Net change in treasury shares	-	-	(23)	-	-	-	-	-	-	(23)	-	(23)
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1.805)	(1,805)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(45)	(45)
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	(4,841)	(4,841)	-	(4,841)
Transactions with the owners	-	-	(23)	-	-	-	-	-	(4,841)	(4,864)	(1,850)	(6,714)
Profit for the year	-	-	-	-	-	-	-	-	5,434	5,434	3,224	8,658
Other comprehensive income for the year	-	-	-	-	-	-	17	6,931	-	6,948	5,613	12,561
Total comprehensive income for the year	-	-	-	-	-	-	17	6,931	5,434	12,382	8,837	21,219
Transferred to reserves (Note 23)	-	-	-	-	557	557	-	-	(1,114)	-	-	-
Balance as at 31 December 2018	43,193	11,132	(11,419)	756	12,848	14,246	401	48,833	25,940	145,930	89,638	235,568

The notes set out on pages 36 to 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

31 DECEMBER 2018

	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 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

31 DECEMBER 2018

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
OPERATING ACTIVITIES		
Profit for the year	**8,658**	11,393
Adjustments:		
Depreciation	**234**	184
Provision for end of service indemnity	**267**	147
Unrealised gain from investments at fair value through profit or loss	**-**	(156)
Change in fair value of investment properties	**(154)**	1,280
Net gain on sale of available for sale investments	**-**	(2,772)
Impairment in value of investment in an associate (Note 10)	**100**	200
Impairment in value of available for sale investments (Note 10)	**-**	2,289
Net loss on sale of investments at fair value through profit or loss	**-**	19
Dividends income	**(8,725)**	(8,861)
Interest income	**(565)**	(211)
Share of results of associates	**(6,747)**	(8,119)
Gain on sale of investment in an associate	**-**	(1,445)
Finance costs	**8,639**	6,241
	1,707	189
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**619**	2,529
Accounts payable and other credit balances	**6,129**	2,934
Refundable rental deposits	**857**	1,985
End of service indemnity paid	**(61)**	(28)
Net cash from operating activities	**9,251**	7,609

The notes set out on pages 36 to 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

31 DECEMBER 2018

	NOTE	**Year ended 31 Dec. 2018 KD'000**	Year ended 31 Dec. 2017 KD'000
INVESTING ACTIVITIES			
Purchase of investments at fair value through other comprehensive income		**(187)**	-
Proceeds from sale of investments at fair value through other comprehensive income		**1,783**	-
Net purchase of available for sale investments		**-**	(58)
Proceeds from sale of available for sale investments		**-**	10,430
Proceeds from sale of Investments at fair value through profit or loss		**-**	824
Proceeds from sale of investment in an associate		**-**	2,265
Investment in an associate		**-**	(470)
Additions to investment properties		**(2,450)**	-
Additions to investment properties under development		**(16,768)**	(31,446)
Additions to trading properties under development		**(9,692)**	(15,168)
Net purchase of property, plant and equipment		**(1,092)**	(102)
Dividends income received		**8,725**	8,861
Dividends income received from associates		**4,374**	4,136
Interest income received		**498**	211
Net cash used in investing activities		**(14,809)**	(20,517)
FINANCING ACTIVITIES			
Cash dividends paid to shareholders		**(4,829)**	(4,232)
Cash dividends paid to non-controlling interests by subsidiary		**(1,805)**	(1,516)
Net change in treasury shares		**(23)**	(651)
Change in due to banks		**13,364**	3,675
Proceeds from term loans		**15,694**	58,468
Repayment of term loans		**(4,000)**	(16,750)
Finance costs paid		**(11,025)**	(8,315)
Net cash from financing activities		**7,376**	30,679
Net increase in cash and cash equivalents		**1,818**	17,771
Cash and cash equivalents at the beginning of the year		**39,181**	21,410
Cash and cash equivalents at the end of the year	25	**40,999**	39,181

The notes set out on pages 36 to 80 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 2018 WERE AUTHORISED FOR ISSUE BY THE PARENT COMPANY'S BOARD OF DIRECTORS ON 19 MARCH 2019 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 investment properties, financial assets at fair value through profit or loss, investment at fair value through other comprehensive income.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

The Group has elected to present the "consolidated statement of comprehensive income" in two statements: the "consolidated statement of profit or loss" and a "consolidated statement of profit or loss and other comprehensive income".

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 2018 which have been adopted by the Group. Information on these new standards is presented below:

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018

IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 4 and IFRS 9 - Amendments	1 January 2018*
IAS 40 Investment Property – Amendments	1 January 2018*
IFRS 2 Share-based Payment-Amendments	1 January 2018*
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018*

*These standards and/or amendments are not relevant to the Group and do not have a material effect on the Group's consolidated financial statements.

IFRS 9 FINANCIAL INSTRUMENTS

The Group has adopted IFRS 9, Financial Instruments effective from 1 January 2018.

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: 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 impact are as follows:

• the classification and measurement of the financial assets are 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 is recognised on the trade receivables and investments in debt-type assets previously 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 is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are 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 are 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 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) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification. The Group does not hold such investments at 1 January 2018.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in other comprehensive income (presented in the "cumulative change in fair value" reserve in equity), and transferred to retained earnings on derecognition and are not recycled to profit or loss. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the financial statements of the Group 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.

Accordingly, cash and bank balances, short term deposits, accounts receivable & other debit balances 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 FVTOCI as the 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.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets at 1 January 2018:

	Original Classification under IAS 39	New classification under IFRS 9	Original Carrying amount under IAS 39	Re-measurement – ECL	New carrying amount under IFRS 9
			KD'000	KD'000	KD'000
FINANCIAL ASSETS					
Cash and bank balances	Loans & receivables	Amortised cost	14,483	-	14,483
Short term deposits	Loans & receivables	Amortised cost	24,698	-	24,698
Accounts receivable and other debit balances*	Loans & receivables	Amortised cost	8,931	(57)	8,874
Equity investments	AFS	FVOCI	133,870	-	133,870
			181,982	(57)	181,925

(AFS – Available for sale, FVOCI – Fair value through other comprehensive income).

*Excludes non-financial assets amount of KD3,608 thousand.

The following table summarises the new measurement categories under IFRS 9 by class of financial asset as at 1 January 2018:

	IFRS 9 CATEGORIES		
	Financial assets at Fair Value Through Profit or Loss (FVTPL) KD'000	Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) KD'000	Financial Assets at Amortised cost KD'000
Cash and bank balances	-	-	14,483
Short term deposits	-	-	24,698
Accounts receivable and other debit balances	-	-	8,874
Equity investments	-	133,870	-
Balance at 1 January 2018	-	133,870	48,055

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

Impairment:
The Group records expected credit losses (ECL) for debt instruments measured at amortised cost or FVOCI. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Under IFRS 9, the Group measures ECL as follows:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Group has applied simplified approach to impairment for accounts receivable (Note 12) as required or permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's balances with banks are low risk and considered to be fully recoverable and hence no ECL is measured.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowances as follows:

	Provision as at 31 Dec. 2017 KD'000	Adjustments KD'000	Provision as at 1 Jan. 2018 KD'000
Accounts receivable and other debit balances	(267)	(57)	(324)

Summary of impact on application of IFRS 9:
As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in the retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The implementation of IFRS 9 has resulted in the following impact:

ASSETS	Balance at 31 Dec. 2017 as reported KD'000	Adjustment KD'000	Balance at 1 Jan. 2018 as restated KD'000
Available for sale investments	133,870	(133,870)	-
Investments at fair value through other comprehensive income	-	133,870	133,870
Accounts receivable and other debit balances	8,931	(57)	8,874
Investments in associates**	139,568	11	139,579

**The adjustments to "investments in associates" represents the Group's share of the IFRS 9 impact related to the associates on 1 January 2018.

The following table analyses the impact on transition to IFRS 9 to retained earnings, non-controlling interests and total equity:

	Retained earnings	Equity attributable to the owners of the Parent Company	Non-controlling Interests	Total equity
Closing balance under IAS 39 – 31 December 2017	26,492	138,443	82,666	221,109
Impact of remeasurements:				
Recognition of expected credit losses under IFRS 9	(28)	(28)	(29)	(57)
Group's share of IFRS 9 adjustment done by associates	(3)	(3)	14	11
Opening balance under IFRS 9 – 1 January 2018	26,461	138,412	82,651	221,063

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.

As the Group's revenue is mainly arising from rental income, sale of trading properties, hotel operating income and related services and income from investments, the adoption of this standard did not result in any material changes in the accounting policies of the Group and does not have any material effect 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.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

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 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
IAS 28 - Amendments	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020

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.

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.

IAS 28 – AMENDMENTS

The amendments to IAS 28 clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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 2015-2017 CYCLE

Amendments to IFRS 3 and IFRS 11 - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings

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 3 – AMENDMENTS

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

• clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
• narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
• add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
• remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
• add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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.

IAS 1 AND IAS 8 – AMENDMENTS

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

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- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and measurement bases adopted in the preparation of the consolidated financial statements are summarised 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 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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.

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

The Group recognises revenue from the following major sources:

- Rendering of services
- Revenue from sale of properties
- Rental income and other services income from investment properties
- Providing hotel services

- Interest and similar income
- Dividends income

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when / as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

5-6-1 Rental income

Rental income from investment properties is recognised as noted in note 5.9.

5-6-2 Services income

The Group earns revenue from maintenance, advertising and other services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

5-6-3 Management and consultancy fees

The Group earns fees and commission income from diverse range of asset management, investment banking, custody, consultancy and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

5-6-4 Revenue from sale of trading properties

The Group develops and sells residential apartments, which is part of a condominium project located in Kuwait. Revenue on sale of these properties is recognised when control over the property has been transferred to the customer. Management is of the view that an enforceable right to payment with regard to this project does not arise until legal title of the property is passed to the customer / legal notice is served to the customer to take possession of the property. Therefore, revenue is recognised at a point in time when either the legal title is passed to the customer, when legal notice is served to customer to take the possession of the property or on actual hand over to the customer.

5-6-5 Rendering of hotel services

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.

5-6-6 Interest and similar income

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

5-6-7 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 LEASES

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

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

5-10 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.

5-11 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.

5-12 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.

5-13 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.

5-14 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.

5-15 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.

5-16 FINANCIAL INSTRUMENTS

5-16-1 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 directly attributable 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 the consolidated statement of profit or loss.

5.16.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable election/ designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other
- comprehensive income if certain criteria are met (5.16.3 below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the period presented no such designation has been made.

5-16-3 Subsequent measurement of financial assets

• *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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.

The Group's financial assets at amortised cost comprise of the following:

• Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short term deposits, which are subject to an insignificant risk of changes in value.

• Accounts receivable and other financial assets

Accounts receivable are stated at original invoice amounts less allowance for any impairment (refer 5.16.4).

Financial assets at amortised costs, which are not categorised under any of the above are classified as "Receivables and other debit balances".

• Financial assets at FVOCI

The Group's financial assets at FVOCI comprise of the following:

- Investment in equity shares: These represent investments in equity shares of various companies and include both quoted and unquoted.

Debt instruments at FVOCI

The Group accounts for debt instruments at FVOCI if the assets meet the following conditions:

• they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and

• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset. The Group does not hold any such debt instruments as of the reporting date.

Equity instruments at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

• it has been acquired principally for the purpose of selling it in the near term; or

• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or

• it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently these assets are measured at fair value. Dividend on these investments in equity instruments are recognised in the consolidated statement of profit or loss. All other gains and losses are recognised in other comprehensive income (accumulated in the fair value reserve) and are never reclassified to profit or loss. Transfers of realised gains on disposal within components of equity (to retained earnings) are done based on management discretion.

Equity instruments at FVOCI are non-current assets unless management intends to dispose of it within 12 months of the end of the reporting period.

• Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of 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.

The Group does not hold any financial assets at FVTPL as of the reporting date.

5-16-4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity instruments at FVOCI 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.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or debt instruments at FVOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group always recognises lifetime ECL for trade receivables (the simplified approach). The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

5-16-5 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.

• Refundable rental deposits

The refundable rental deposits represent amounts received from tenants in accordance to the signed rental contracts and will be refunded upon expiry of such contracts.

• 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.

5-16-6 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.

5-16-7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

5-16-8 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.

5-17 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.

Other components of equity include the following:

- 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 FVOCI investment (2017: 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.

5-18 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 "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the 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.

5-19 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. Provisions for such cost are recognised based on terms of the contracts.

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

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

5-20 FOREIGN CURRENCY TRANSLATION

5-20-1 Functional and presentation currency

The financial statements are presented in currency Kuwait Dinar (KD) which is also the functional currency of the Group

5-20-2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Parent Company, 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. Translation difference on non-monetary assets classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "fair value through OCI" (2017: "available for sale") are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5-20-3 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.

5-21 End of service indemnity

The Parent Company 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, the Parent Company makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Parent Company's obligations are limited to these contributions, which are expensed when due.

5-22 Taxation and other statutory contributions

5-22-1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Kuwait Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, cash dividends from listed companies which are subjected to NLST.

5-22-2 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 transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Accumulated losses brought forward can be deducted from the adjusted profit for the year when calculating the KFAS contribution for the year.

5-22-3 Zakat

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

Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5-23 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.

5-24 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 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 financial statements:

6-1-1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.16). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6-1-2 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.

6-1-3 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.6 are met requires significant judgement.

6-1-4 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.

6-1-5 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6-2 Estimates 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 Estimation of impairment of property, plant and equipment and their useful lives

The Group's management tests annually whether property plant and equipment have suffered impairment in accordance with the accounting policies stated within note 5 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

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

6-2-2 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 (see note 30).

6-2-3 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The calculation of which includes historical data, assumptions and expectations of future conditions. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

6-2-4 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.

6-2-5 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 an 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.

6-2-6 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.

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. 2018 %	31 Dec 2017 %				
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. 2018	31 Dec. 2017	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Tamdeen Investment Company-KPSC*	44.06%	44.06%	3,224	2,991	89,628	82,656
Immaterial subsidiaries with non-controlling interests			-	-	10	10
			3,224	2,991	89,638	82,666

* 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. 2018 KD'000	31 Dec. 2017 KD'000
Non-current assets	187,655	168,943
Current assets	108,326	109,239
Total assets	295,981	278,182
Non-current liabilities	(15,258)	(10,173)
Current liabilities	(80,232)	(83,403)
Total liabilities	(95,490)	(93,576)
Equity attributable to the shareholders of the Parent Company	106,190	103,269
Non-controlling interests (including non-controlling interests in the subsidiary's statement of financial position)	94,301	81,337

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Revenue	14,393	12,266
Profit for the year attributable to the shareholders of the Parent Company	4,091	3,794
Profit for the year attributable to NCI	3,224	2,991
Profit for the year	7,315	6,785
Other comprehensive income for the year attributable to the owners of the Parent Company	6,651	6,873
Other comprehensive income for the year attributable to NCI	5,239	5,414
Total other comprehensive income for the year	11,890	12,287
Total comprehensive income for the year attributable to the shareholders of the Parent Company	10,788	10,628
Total comprehensive income for the year attributable to NCI	8,498	8,372
Total comprehensive income for the year	19,286	19,000
Dividends paid to non-controlling interests	1,805	1,516

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Net cash flows used in operating activities	(3,572)	(3,039)
Net cash flows from investing activities	12,295	13,559
Net cash flows used in financing activities	(7,103)	(2,635)
Net change in cash flow	1,620	7,885

8- COST OF REVENUE

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Direct staff costs	**948**	786
Other real estate expenses	**3,242**	1,558
	4,190	2,344

9- CONTRIBUTION TO KFAS, PROVISION FOR ZAKAT AND NLST

The contribution to Kuwait Foundation for Advancement of Sciences (KFAS), provision for Zakat and provision for National Labour Support Tax (NLST) of the Parent Company and subsidiaries are as follows:

	Year ended 31 December 2018			Year ended 31 December 2017		
	Parent Company KD'000	**Subsidiaries KD'000**	**Total KD'000**	Parent Company KD'000	Subsidiaries KD'000	Total KD'000
Contribution to KFAS	**-**	**22**	**22**	5	3	8
Provision for Zakat	**-**	**71**	**71**	19	52	71
Provision for NLST	**71**	**150**	**221**	130	137	267
	71	**243**	**314**	154	192	346

10- NET INCOME FROM INVESTMENTS

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Net gain on sale of available for sale investments	**-**	2,772
Net loss on sale of investments at fair value through profit or loss	**-**	(19)
Impairment in value of available for sale investments	**-**	(2,289)
Unrealised gain from investments at fair value through profit or loss	**-**	156
Dividends income	**8,725**	8,861
Interest income	**565**	211
	9,290	9,692
Impairment in value of investment in an associate	**(100)**	(200)
	9,190	9,492

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. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Profit for the year attributable to the owners of the Parent Company (KD'000)	**5,434**	8,402
Weighted average number of the outstanding shares (excluding treasury shares) (in thousands)	**403,430**	404,172
Basic and diluted earnings per share attributable to owners of the Parent Company	**13.5 Fils**	20.8 Fils

12- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Receivable from tenants	**400**	720
Due from related parties (a)	**2,009**	1,645
Due from sale of trading properties (a)	**4,950**	4,950
Advance payments to contractors (b)	**2,107**	2,435
Paid for incorporation of a subsidiary	**500**	1,000
Advance to acquire properties	**830**	830
Prepaid expenses	**648**	173
Other debit balances	**896**	1,053
	12,340	12,806
Provision for impairment (c)	**(353)**	(267)
	11,987	12,539

(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 considers the credit risk for these amounts as low as the counterparties are reputable with no history of default and confirms that these due amounts are totally collectible from the concerned parties, and these balances are guaranteed by a related party as well.

(b) The advance payments to contractors mainly 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 investment properties and trading properties under development respectively.

(c) The Group has determined that ECL allowance for trade receivables amounts to KD281 thousand and due from related parties and due from sale of trading properties amounts to KD72 thousand. The movement in the provision for impairment was as follows:

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Balance as at 1 January	267	361
Adjustment arising from adoption of IFRS 9 (Note 4.1)	57	-
Balance as at 1 January(restated)	324	361
ECL provision/(reversal of provision) for the year (net)	29	(94)
Balance at end of the year	353	267

13- INVESTMENTS

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Investments at fair value through other comprehensive income:		
Local managed portfolios	104	-
Participations in local companies shares	11,633	-
Participations in capital of companies located outside Kuwait	134,268	-
	146,005	-
Available for sale investments:		
Local managed portfolios	-	133
Participations in local companies shares	-	8,960
Participations in capital of companies located outside Kuwait	-	124,777
	-	133,870

As described in Note 4.1, on adoption of IFRS 9, the investments which were classified as available for sale were reclassified as investments at fair value through other comprehensive income. These equity instruments, are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these investments in equity instruments as at FVOCI as it believes that recognising short-term fluctuations in the fair value of these investments in consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

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 KD93,547 thousand (31 December 2017: KD99,940 thousand) mortgaged against term loans (Note 19).

During the year, a subsidiary of the Group disposed part of an investment classified at FVOCI (fair value KD1,783 thousand) and the related cumulative gain of KD1,105 thousand (attributable to the owners of the Parent Company of KD618 thousand) carried in fair value reserve.

Refer to note 30.3 for further details relating to the carrying value and fair value of the above investments.

14- TRADING PROPERTIES UNDER DEVELOPMENT

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Cost		
At beginning of the year	**46,092**	29,370
Additions during the year *	**11,623**	16,722
At end of the year	**57,715**	46,092

* 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. Finance costs of KD758 thousand (2017: KD359 thousand) have been capitalized during the year.

15- INVESTMENTS PROPERTIES UNDER DEVELOPMENT

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Cost		
At beginning of the year	**118,153**	80,807
Additions during the year	**19,272**	37,346
Transferred to investment properties*	**(131,142)**	-
At end of the year	**6,283**	118,153
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	**3,509**	115,379

The additions to the investment properties under development mainly represent the costs incurred during the year for the redevelopment of Al-Kout Mall project (located in Fahaheel) through one of the subsidiaries [Manshar Real Estate Company – KSC (Closed)].

Investment Properties under development with a carrying value of KD114,209 thousand as at 31 December 2017 [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 KD1,641 thousand (31 December 2017: KD2,655 thousand) have been capitalized during the current year.

* During the current year, Al-Kout Mall project was substantially completed and commenced generating revenue. Consequently, the related project costs of the mall were transferred to investment properties (Note 16).

16- INVESTMENT PROPERTIES

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Balance at beginning of the year	20,000	21,280
Transferred from investment properties under development (Note 15)	131,142	-
Additions during the year	2,450	-
Change in fair value during the year	154	(1,280)
Balance at end of the year	**153,746**	20,000

The additions to investment properties represent the costs incurred during the year for the redevelopment of Al-Kout Complex.

The estimation of fair value by an independent real estate valuer has resulted in a change in fair value of KD154 thousand (KD1,280 thousand as at 31 December 2017) being recognized in the consolidated statement of profit or loss for the year (refer Note 30.4).

The investment properties (Al-Kout Rotana Hotel and Al-Kout Mall collectively referred to as "Al-Kout Complex") 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 cash flows 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 Nil value, as done previously.

17- INVESTMENTS IN ASSOCIATES

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

		31 Dec. 2018			31 Dec. 2017		
		Ownership %			Ownership %		
	Place of incorporation	Direct	Indirect *	Value KD'000	Direct	Indirect *	Value KD'000
Company's name							
Tamdeen Shopping Centers Company – KSC (Closed)	Kuwait	**30**	**-**	**45,502**	30	-	44,407
Kuwait National Cinema Company – KPSC	Kuwait	**-**	**48**	**58,554**	-	47	58,165
Tamdeen Pearl Real Estate Company – KSC (Closed)	Kuwait	**-**	**31**	**27,563**	-	31	27,560
Others (a)	Kuwait & Bahrain	**-**	**-**	**9,079**	-	-	9,436
				140,698			139,568

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

(a) During the previous 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 in 2017.

(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. 2018 KD'000	31 Dec. 2017 KD'000
Non-current assets	302,059	239,896
Current assets	63,560	86,287
Non-current liabilities	(156,243)	(114,069)
Current liabilities	(40,032)	(46,436)
Non-controlling interest	(9,081)	(9,066)
Equity attributable to the shareholders of the associate	160,263	156,612

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Revenue	34,500	36,161
Profit for the year	10,507	11,152
Other comprehensive loss for the year	(660)	(212)
Total comprehensive income for the year	9,758	11,046
Dividends received from the associate during the year	1,950	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. 2018 KD'000	31 Dec. 2017 KD'000
Net assets of the associate attributable to the shareholders of the associate	160,263	156,612
Proportion of the Group's ownership interest in the associate	30%	30%
Other adjustments	(2,577)	(2,577)
Carrying value of the investment	45,502	44,407

17- INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Non-current assets	**90,045**	90,401
Current assets	**37,209**	36,447
Non-current liabilities	**(1,893)**	(1,652)
Current liabilities	**(35,371)**	(34,408)
Non-controlling interest	**(36)**	(33)
Equity attributable to the shareholders of the associate	**89,954**	90,755

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Revenue	**16,667**	17,851
Profit for the year	**8,341**	10,168
Other comprehensive loss for the year	**(2,583)**	(856)
Total comprehensive income for the year	**5,758**	9,312
Dividends received from the associate during the year	**2,424**	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. 2018 KD'000	31 Dec. 2017 KD'000
Net assets of the associate attributable to the shareholders of the associate	**89,954**	90,755
Proportion of the Group's ownership interest in the associate	**47.53%**	46.75%
Goodwill	**15,799**	15,728
Carrying value of the investment	**58,554**	58,165

The investment in this associate company with a carrying value of KD34,124 thousand (2017: KD27,807 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. 2018 KD'000	31 Dec. 2017 KD'000
Total assets	106,819	91,199
Total liabilities	(16,953)	(1,341)
Non-controlling interest	(201)	(201)
Equity attributable to the shareholders of the associate	89,665	89,657

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Revenue	44	50
Profit for the year	8	22
Total comprehensive income for the year	8	22

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. 2018 KD'000	31 Dec. 2017 KD'000
Net assets of the associate attributable to the shareholders of the associate	89,665	89,657
Proportion of the Group's ownership interest in the associate	30.74%	30.74%
Carrying value of the investment	27,563	27,560

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 KD47,121 thousand as at 31 December 2018 (31 December 2017: KD59,948 thousand). The Group's management believes that the carrying amount of investment in Kuwait National Cinema Company is not impaired based on assessment of its recoverable value estimated suing the value in-use method.

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

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
The Group's share in (loss)/profit for the year	(390)	25
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	9,079	9,436

(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 2018.

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. 2018 KD'000	31 Dec. 2017 KD'000
Term loans (a)	247,902	236,208
Average interest rate – range (above CBK rate)	0.75%-1.65%	0.75%-1.65%

(a) Term loans of KD110,000 thousand (2017: KD102,500 thousand) are contractually due after one year, and the remaining term loans of KD137,902 thousand (2017: KD133,708 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 KD93,547 thousand (2017: KD99,940 thousand) (Note 13), mortgage of investments in associates by an amount of KD34,124 thousand (2017: KD27,807 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. 2018 KD'000	31 Dec. 2017 KD'000
Retentions for executed works	11,272	9,236
Rental received in advance	1,834	1,758
Accrued leave and expenses	4,334	4,434
Due to related parties	294	767
Dividends payable to shareholders	334	238
Advance payments received from customers	8,632	8,318
Accrued construction costs	5,408	-
Provisions and other credit balances	7,082	6,131
	39,190	30,882

21- SHARE CAPITAL

As of 31 December 2018, 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 (2017: 431,933 thousand shares of 100 Kuwaiti Fils each).

22- TREASURY SHARES

	31 Dec. 2018	31 Dec. 2017
Number of shares - share	**28,525,910**	28,466,571
Percentage of issued shares	**6.6%**	6.6%
Market value (KD'000)	**9,984**	11,387
Cost (KD'000)	**11,419**	11,396

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. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Profit for the year	**8,658**	11,393
Deduct:		
Profit attributable to non-controlling interests	**(3,224)**	(2,991)
Profit attributable to owners of the Parent Company	**5,434**	8,402
Add:		
Board of directors' remuneration of the Parent Company	**60**	60
Provision for National Labour Support Tax (NLST) of the Parent Company	**71**	130
Provision for Zakat of the Parent Company	**-**	19
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	**5,565**	8,616
Transferred to legal reserve (10%)	**557**	862
Transferred to voluntary reserve (10%)	**557**	862

24- PROPOSED DIVIDENDS AND REMUNERATIONS

The board of directors of the Parent Company proposed to distribute cash dividends of %10 or 10 Kuwaiti Fils per share from the paid-up share capital, and to pay a remuneration of KD 60 thousand to the board of directors and these proposals are subject to the approval of the general assembly of shareholders.

The General Assembly of shareholders held on 11 April 2018 approved the consolidated financial statements for the year ended 31 December 2017 and directors' proposal to distribute cash dividends of 12% or equivalent to 12 Kuwaiti Fils per share from the paid-up share capital to the shareholders and to pay a remuneration of KD 60 thousand to the board of directors for the year ended 31 December 2017 (the General Assembly of shareholders held on 25 April 2017 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 to pay a remuneration of KD 60 thousand to the board of directors for the year ended 31 December 2016).

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. 2018 KD'000	31 Dec. 2017 KD'000
Cash and bank balances	**15,590**	14,483
Short term deposits	**25,409**	24,698
	40,999	39,181

Short term deposits earn interest at average annual rate of 2.2% (annual rate of 1.25% in 2017).

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 2018			
Gross income	**12,875**	**16,491**	**29,366**
(Loss)/profit for the year	**(806)**	**9,464**	**8,658**
Total assets	**235,828**	**320,827**	**556,655**
Total liabilities	**(225,597)**	**(95,490)**	**(321,087)**
Total equity	**10,231**	**225,337**	**235,568**
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

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. 2018 KD'000	31 Dec. 2017 KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances (Note 12)	**2,009**	1,645
Accounts payable and other credit balances (Note 20)	**294**	767
Acquisition of an associate	**-**	470
Additions to investment properties under development and trading properties under development	**1,293**	1,552

	Year ended 31 Dec. 2018 KD'000	Year ended 31 Dec. 2017 KD'000
Consolidated statement of profit or loss		
Management fees and consultancy income	**978**	814
Cost of revenue	**1,001**	514
General, administrative and other expenses	**804**	443
Benefits of key management personnel of the Group		
Short term employee benefits and board of directors' remuneration	**863**	754

	31 Dec. 2018 KD'000	31 Dec. 2017 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)	**127,376**	157,735

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 KD1,711 thousand (KD1,605 thousand at 31 December 2017).

The Group had capital commitments amounting to KD4,754 thousand (KD17,914 thousand at 31 December 2017) 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 KD189,874 thousand at 31 December 2018 (2017: KD209,332 thousand) including KD127,376 thousand (2017: KD157,735 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. 2018 KD'000	31 Dec. 2017 KD'000
Financial assets		
Financial assets at amortised cost:		
- Accounts receivable and other debit balances (excluding non-financial assets)*	**7,902**	8,931
- Cash and cash equivalents	**40,999**	39,181
	48,901	48,112
Investments at fair value through other comprehensive income	**146,005**	-
Available for sale investments :		
-At fair value	**-**	129,174
-Carried at cost less impairment in value, if any	**-**	4,696
	-	133,870
Total financial assets	**194,906**	181,982
Financial liabilities		
Financial liabilities at amortised cost:		
- Due to banks	**23,885**	10,521
- Term loans	**247,902**	236,208
- Accounts payable and other credit balances	**39,190**	30,882
- Refundable rental deposits	**8,874**	8,017
Total financial liabilities	**319,851**	285,628

* Non financial assets represent advance payments to contractors, paid for incorporation of a subsidiary, advance to acquire properties and prepaid expenses.

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 investments at fair value through other comprehensive income (2017: 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 2018					
Investments at fair value through other comprehensive income					
- Local managed portfolios					
• Quoted shares	**a**	**104**	**-**	**-**	**104**
- Participations in local companies shares					
• Quoted shares	**a**	**8,054**	**-**	**-**	**8,054**
• Unquoted shares	**b**	**-**	**-**	**3,579**	**3,579**
- Participations in capital of companies located outside Kuwait					
• Quoted shares	**a**	**130,908**	**-**	**-**	**130,908**
• Unquoted shares	**b**	**-**	**-**	**3,360**	**3,360**
		139,066	**-**	**6,939**	**146,005**

	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

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. 2018 KD'000	31 Dec. 2017 KD'000
Balance as at 1 January	**2,314**	3,548
Transfer to level 3	**4,625**	7
Impairment in value – recognised in consolidated statement of profit or loss	**-**	(815)
Transfer out of level 3	**-**	(426)
Balance as at 31 December	**6,939**	2,314

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 2018 and 31 December 2017:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 December 2018				
Investment properties				
- Al-Kout Mall and Al-Kout Rotana Hotel (Al-Kout Complex)	-	-	153,746	153,746
	-	-	153,746	153,746
31 December 2017				
Investment properties				
- Al Kout Rotana Hotel property	-	-	20,000	20,000
	-	-	20,000	20,000

The fair value of the investment properties has been determined , 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. One of the valuers has valued the investment properties 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. The other valuer has used the market comparison approach in arriving at the fair value. When the market comparison approach is used, adjustments have been incorporated for factors specific to the properties 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 properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment properties within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Opening balance	**20,000**	21,280
Transferred from properties under development	**131,142**	-
Additions during the year	**2,450**	-
Changes in fair value recognised in profit or loss	**154**	(1,280)
Ending balance	**153,746**	20,000

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.

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-1 MARKET RISK (CONTINUED)

a) FOREIGN CURRENCY RISK (CONTINUED)

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 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. 2018 KD'000	31 Dec. 2017 KD'000
US Dollar	**165,222**	155,206

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5%, then this would have impact on the equity by KD8,261 thousand (2017: KD7,760 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% (2017: +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. 2018		Year ended 31 Dec. 2017	
	+ 0.5 % KD'000	**- 0.5 % KD'000**	+ 0.5 % KD'000	- 0.5 % KD'000
Effect on profit for the year	**(827)**	**827**	(750)	750

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 investments at fair value through other comprehensive income (2017: available for sale investments). 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 analysis 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. 2018 KD'000	Year ended 31 Dec. 2017 KD'000	**31 Dec. 2018 KD'000**	31 Dec. 2017 KD'000
Market Stock Exchange index + 5%	**-**	-	**7,001**	6,343
Market Stock Exchange index – 5%	**-**	-	**(7,001)**	(6,343)

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. 2018 KD'000	31 Dec. 2017 KD'000
Cash and cash equivalents	**40,999**	39,181
Accounts receivable and other debit balances (excluding non-financial assets)	**7,902**	8,931
Investments at fair value through other comprehensive income	**146,005**	-
Available for sale investments	**-**	133,870
	194,906	181,982

The credit risk for bank balances included within cash and cash equivalents is considered negligible since the counterparties are reputable financial institutions with high credit quality.

Credit risk details relating to accounts receivable are disclosed in Note 12.

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 2018			
Geographic region:			
Cash and bank balances	**15,590**	**-**	**15,590**
Short term deposits	**25,409**	**-**	**25,409**
Accounts receivable and other debit balances	**11,987**	**-**	**11,987**
Investments at fair value through other comprehensive income	**11,737**	**134,268**	**146,005**
Trading properties under development	**57,715**	**-**	**57,715**
Investment properties under development	**3,509**	**-**	**3,509**
Investment properties	**153,746**	**-**	**153,746**
Investments in associates	**139,708**	**990**	**140,698**
Property, plant and equipment	**1,996**	**-**	**1,996**
	421,397	**135,258**	**556,655**

	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

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 2018					
Financial liabilities (undiscounted)					
Due to banks	**-**	**-**	**23,885**	**-**	**23,885**
Term loans	**-**	**3,579**	**131,555**	**119,999**	**255,133**
Accounts payable and other credit balances	**-**	**-**	**39,190**	**-**	**39,190**
Refundable rental deposits	**-**	**-**	**-**	**8,874**	**8,874**
	-	**3,579**	**194,630**	**128,873**	**327,082**

	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

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. 2018 KD'000	31 Dec. 2017 KD'000
Due to banks	**23,885**	10,521
Term loans	**247,902**	236,208
Less: Cash and cash equivalents	**(40,999)**	(39,181)
Net debt	**230,788**	207,548
Equity attributable to owners of the Parent Company	**145,930**	138,443
Non-controlling interests	**89,638**	82,666
Total capital	**466,356**	428,657

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. 2018 KD'000	31 Dec. 2017 KD'000
Net debt	**230,788**	207,548
Total capital	**466,356**	428,657
Gearing ratio	**50%**	48%

33- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including total assets, total liabilities, equity, net profit and cash and cash equivalents.