

ANNUAL REPORT

2017

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



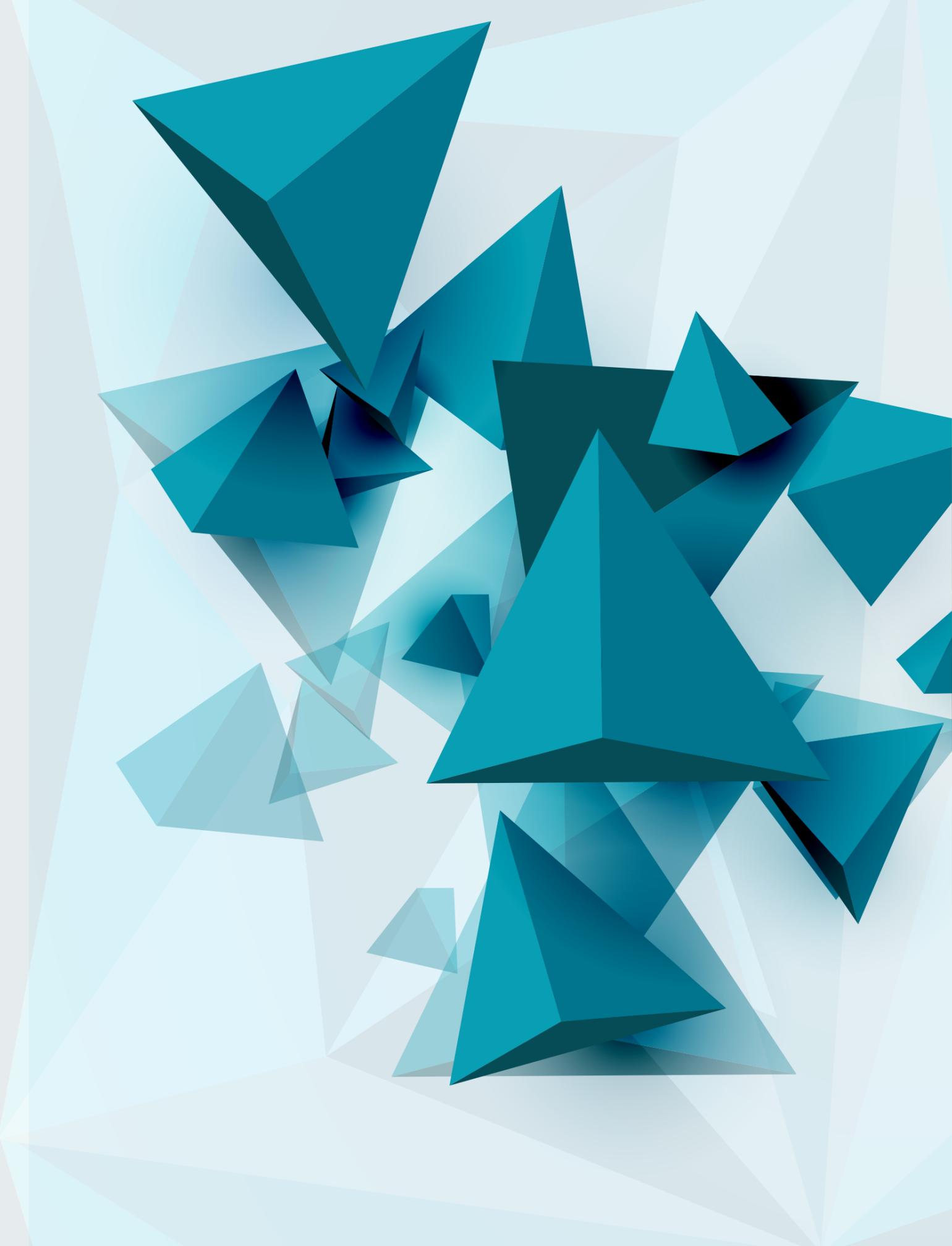
**H.H. Sheikh Nawaf Al Ahmad
Al Jaber Al Sabah**
Crown prince of the State of Kuwait



**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

CHAIRMAN'S LERTTER | 6

BOARD OF DIRECTORS | 9

EXECUTIVE MANAGEMENT | 9

CORPORATE GOVERNANCE | 10

INDEPENDENT AUDITORS' REPORT | 20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 24

CONSOLIDATED STATEMENT OF INCOME | 25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 26

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 28

CONSOLIDATED STATEMENT OF CASH FLOWS | 29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 30

CHAIRMAN'S LETTER

IN THE NAME OF GOD, MOST GRACIOUS, MOST MERCIFUL

ESTEEMED BROTHERS,

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

FOR MYSELF AND ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS OF TAMDEEN INVESTMENT COMPANY, I AM HAPPY TO PRESENT TO YOU THE TWENTY-SECOND ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2017.

The GCC market indexes closed at the end of 2017 with wide difference ranging from rises and declines. On the declines sides stood the "Souq Qatar" which fell by 18.3% - its poorest performance since 2008, against the background of the diplomatic crisis which saw the severance of political and commercial relations between Qatar on the one hand and the majority of the Gulf Cooperation Council countries on the other. Qatar was followed by "Souq Muscat" which was the second poorest performer, with a 12% decline, followed by the "Dubai" and "Abu Dhabi" markets with decline rates of 4.6% and 3.3% successively. On the other side of the picture, the Kuwait market was the best performer with an 11.5% gain, followed by Bahrain, with 9%, and finally Saudi Arabia, with a 0.2% gain.

At the beginning of the year, most GCC markets started trading in the green, with Kuwait rising 19%, while two markets closed the first quarter in the red, notably Saudi Arabia with a loss of 2%. By the end of the second quarter of 2017, all the region's markets declined, under the impact of several factors, mainly the absence of financial incentives and the decline of oil prices to below the \$ 50 line, the start of the holy month of Ramadan and the summer vacations, historically the least active period of the year. The Saudi market was the only exception with a gain of 6% for the second quarter, after Morgan Stanley had placed the Saudi market under observation with a view to including it in its emerging markets index,

Most GCC markets continued their downward trend until the end of third quarter excluding Dubai and Muscat, with the Saudi market as the biggest loser during the third quarter, having lost all the gains it had made during the second quarter, thereby closing the third quarter with a loss of 2%. The fourth quarter saw most regional markets suffer further losses, with the decline of the Dubai, Kuwait, Saudi and Oman markets, while Bahrain and Qatar ended the fourth quarter with a gain of 4% and 3% respectively.

The US currency had its worst year in 2017, losing approximately 10% of its value, causing gold to rise by more than 5% after having reached its lowest level in five years, to register its best annual performance since 2010. On the other hand, the Euro rose approximately 14% against the US \$ in 2017, to have its best year since 2003.

ESTEEMED BROTHERS,

Your company made several remarkable achievements in both operational and investment activities during 2017. This was most manifest in its manifest in the highest operating revenues that was reflected in the distribution of cash dividends, having amounted to KD 8.4 million compared to KD 7.9 million in 2016. The most remarkable achievement was its investment in Ahli United Bank. This achievement underscores a solid financial position and the strength of its existing assets.

With regard to the performance of subsidiary companies, Tamdeen Franchises Holding Company continued its excellent performance during the year with a net profit of KD 4.2 million, reflecting the strength and soundness of its investments that include its investment in Kuwait National Cinema Company.

As for our affiliate companies, Manshar Real Estate Company is getting ready for welcoming the visitors of "Kout Mall" during the first quarter of 2018. With its development works already in their final stage, Kout Mall is located within Kuwait's largest marine front for shopping and entertainment, covering an area of 300,000 square meters in the Fahaheel area of Ahmadi Governorate, which should increase the operating revenues of Tamdeen Investment Company.

Furthermore, Tamdeen Investment Company has completed the implementation of its planned investment agenda of diversifying its sources of revenues by building on the success elements possessed by Tamdeen Group by undertaking new investments in the fields of restaurants and sports activities, for the incorporation process of Tamdeen Foodstuffs Company has been completed and the steps of incorporating Tamdeen Sports Company have already started.

ESTEEMED BROTHERS,

During 2017, the company achieved a net profit of KD 6.7 million, representing a 19.49 Fils earning per share compared to KD 6.7 million with a 19.39 Fils earning per share.

At the end of 2017, total assets stood at KD 277 million against KD 256 million for 2016, while total liabilities amounted to KD 91 million compared to KD 86 million in 2016. Shareholders equity amounted to KD 175 million in 2017 against KD 160 million in 2016. The Board of Directors continued to follow its conservative policy by taking supportive provisions against its unlisted investments in the amount of KD 1 million.

In preparing the Company's financial statements, the requirements of the International Accounting Standards and

all the laws and regulations of the supervision authorities were observed, with a view to ensuring their soundness.

During 2018, the Board of Directors will seek to continue implementing the Company's conservative policies that have been well planned by Tamdeen Group in order to safeguard and develop the assets of the Company.

Underscoring the success the policies and objectives drawn by the Board of Directors of Tamdeen Investment Company, the Board is pleased to recommend to the general assembly to distribute a cash dividend of 12% of the nominal value of the shares, which is equal to 12 Fils per share, for the financial year ended on 31 December 2017. The Board of Directors also recommended granted the members of the Board of Directors remuneration in the amount of KD 50,000 for the year 2017.

ESTEEMED BROTHERS,

I would like to take this opportunity, for myself and on behalf of my fellow directors, to express our deepest thanks and gratefulness, to His Highness the Amir, Sheikh / Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmad Al-Jaber Al Sabah and His Highness the Prime Minister, Sheikh Jaber Mubarak Al-Hamad Al-Sabah. We also thank our honorable shareholders for confidence and support they have given us.

In conclusion, I express my thanks and deep appreciation to the members of the Board of Directors and all our employees for the faithful efforts they made to enable the company to achieve these good results during 2017.

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

NAWAF AHMAD AL MARZOUQ
CHAIRMAN OF THE
BOARD OF DIRECTORS

BOARD OF DIRECTORS

Nawaf Ahmad Al Marzouq
CHAIRMAN OF THE BOARD OF
DIRECTORS

Ahmed Dakhil Al Osaimi
VICE CHAIRMAN OF THE BOARD
OF DIRECTORS

Salah Abdulaziz Al Bahar
BOARD MEMBER

Abdulaziz Abdullah Al Ghanim
INDEPENDENT MEMBER

Talal Yousef Al Marzouq
BOARD MEMBER

Azzam Hamzah Al Homaidi
SECRETARY OF THE BOARD
OF DIRECTORS

EXECUTIVE MANAGEMENT

Mohammed Mustafa Al Marzouq
CHIEF EXECUTIVE OFFICER

Nabil Abdulmoti Sulaiman
DEPUTY GENERAL MANAGER
FOR FINANCIAL AFFAIRS

Sanaa Mousa
INVESTMENT PORTFOLIOS MANAGER

Azzam Hamzah Al Homaidi
ADMINISTRATIVE AFFAIRS MANAGER

Nashmiah Al Hadiyyah
COORDINATION AND FOLLOW-UP
MANAGER

CORPORATE GOVERNANCE REPORT

BRIEF OUTLINE OF THE GROUP'S CORPORATE GOVERNANCE

Corporate Governance is a group of relations that forms the links among the company's management, board of directors, shareholders and stakeholders. It provides the structure through which the objectives of the Company are laid down and its performance monitored on the basis of those objectives.

Tamdeen Investment Company is committed to the highest standards of corporate governance, in full realization that sound governance is a focal element in assisting the company in implementing its strategy while achieving appropriate value for the shareholders and discharging its obligations toward both shareholders and stakeholders.

As a basic part of this commitment, **Tamdeen Investment Company** operates within a well-defined governance structure and incorporates the principles and practices of governance within its operations. The company depends on the support of and partnership with society in the promotion of excellence if corporate governance.

In **Tamdeen Investment Company's** view, management's freedom should be exercised within appropriate controls, for control curbs the abuse of power and enables management to respond to change in a timely manner. Management believes that business risk management should necessarily be pro-active and effective.

UNDERTAKING OF THE BOARD OF DIRECTORS

We, the chairman and members of the Board of Directors of Tamdeen Investment Company, hereby declare and warrant the accuracy and integrity of the financial statements as of 31 December 2017, 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 according to such information and reports as have been received by us from the Executive Management, auditors and that due care has been made to verify the integrity and accuracy of those reports.

Member Name	Position	Signature
Nawaf Ahmad Al Marzouq	Chairman of the Board of Directors	
Ahmed Dakhil Al Osaimi	Deputy Chairman of the Board of Directors	
Talal Yousef Al Marzouq	Member of the Board of Directors	
Abdulaziz Abdullah Al Ghanim	Independent Member of the Board of Directors	
Salah Abdulaziz Al Bahar	Member of the Board of Directors	
Azzam Hamzah Al Homaidi	Secretary	

UNDERTAKING OF THE EXECUTIVE MANAGEMENT

The Chairman and Members of the Board of Directors

Of Tamdeen Investment Company

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwaiti Capital Markets Authority, we undertake and warrant that the consolidated financial statements of Tamdeen Investment Company KSC (Public), the parent company and its subsidiary companies (hereinafter referred to as "the Group") for the financial year ended 31 December 2017, are presented in a sound and fair manner, that they show all the financial aspects of the company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.



Mohammed Mustafa Al Marzouq
Chief Executive Officer



Nabil Abdulmoti Sulaiman
Finance Manager

STRUCTURE OF THE BOARD OF DIRECTORS

Member Name	Classification of the Member / Secretary	Academic Qualification & Practical Experience	Date of Election / Appointment
Nawaf Ahmad Al Marzouq	Chairman of the Board of Directors	Bachelor of Economics and Business Administration / 17 years	31 May 2016
Ahmed Dakhil Al Osaimi	Deputy Chairman of the Board of Directors	Bachelor of Business Administration and Finance / 12 years	31 May 2016
Talal Yousef Al Marzouq	Member of the Board of Directors	Political Science and History / 22 years	31 May 2016
Abdulaziz Abdullah Al Ghanim	Independent Member of the Board of Directors	Bachelor of Commerce - Accounting / 16 years	31 May 2016
Salah Abdulaziz Al Bahar	Member of the Board of Directors	University - Organizational Assistant and Personnel / 23 years	31 May 2016
Azzam Hamzah Al Homaidi	Secretary	General Secondary / 13 years	31 May 2016

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

- Approval of the Company's key objectives, strategies, plans and policies.
- Approval of the annual budgets and the interim and annual financial statements.
- Supervision of the main capital expenditure and ownership and disposal of assets.
- Ensuring that the Company complies with the policies and procedures designed to observe the regulations in force in the company and the internal regulations.
- Ensuring the accuracy and integrity of the data and information that should be disclosed, and ensuring that they conform with the policies and laws of disclosure and transparency in force.
- Approval of the Company's quarterly and annual financial reports and annual report.
- Establishing effective communication channels that enable the Company's shareholders, continuously and periodically, to inspect and be aware of the various activities and key developments of the company.
- Implementing the Company's corporate governance system which does not conflict with these rules and exercise general supervision and control of the effectiveness thereof and amending it whenever necessary.
- Forming specialized board committees according to the competence regulations, determining the term, powers and responsibilities of the committee and the method of the monitoring thereof by the Board. The resolution to form the committee also includes the members and their respective roles, rights and duties, as well as the method of evaluating the performance and procedure of these committees and the basic members thereof.
- Verifying the transparency and clarity of the organization structure of the company which should allow a decision making process and the achievement of sound principles and separation of the functions and powers of the Board of Directors and the executive management.

EXECUTIVE MANAGEMENT CHARTER

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

- The Company's Executive Management, represented by the Chief Executive Officer and key executives, executes a set of functions that may be summarized as follows:
- Execution of all policies, regulations and internal regulations of the company as approved by the Board of Directors.
- Execution of the strategy adopted by the Board of Directors.
- 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.
- Drawing 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 revenue accounts in such way as to safeguard the company's assets.
- Preparing the financial statements according to the International Accounting Standards approved by the Capital Markets Authority.
- 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.
- Effectively participate to the building and development of moral values within the company.
- Lay down an internal control system and risk management system, ensuring the effectiveness and adequacy of those systems while observing the risk aptitude approved by the Board of Directors.

MEETINGS OF THE BOARD OF DIRECTORS DURING 2017

Meeting Date	Meeting Number	Number of Attendees
7 / 2 / 2017	01/2017	5
16 / 3 / 2017	02/2017	5
14 / 5 / 2017	03/2017	5
26 / 7 / 2017	04/2017	5
29 / 10 / 2017	05/2017	5
17 / 12 / 2017	06/2017	5

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

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

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

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

ACHIEVEMENTS OF THE BOARD OF DIRECTORS

- Approval of the Company's objectives and strategies.
- Studying and approving the policies and procedures related to all the departments of the company.
- Applying the requirements of the Capital Markets Authority concerning corporate governance, which requires the following:
 - Pursuance of Board of Directors Committees and determining their functions and powers.
 - Pursuance of an internal audit unit within the organization structure, reporting to the Internal Audit Committee and approving the mechanism of its operation.
 - Pursuance of a risk management unit reporting to the Board of Directors and approving the work mechanism thereof.
 - Approval of policies and regulations related to the requirements of corporate governance and following up the execution thereof.

BOARD OF DIRECTORS COMMITTEES

The Board of Directors of Tamdeen Investment Company enjoys a management model that enables it to perform its functions. Within the framework of that vision, the Board of Directors established the following specialized committees which provide support and recommendations for supporting the Board of Directors in discharging its duties. The Board of Directors has established those committees and approved their operating charters and powers

NOMINATIONS AND REMUNERATION 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 nomination and remuneration in the company. The committee's main function is to prepare recommendations related to nominations to membership of the Board of Directors and executive management, and to present recommendations concerning the policies and regulations governing compensations and remunerations.

The Committee has prepared the annual assessment of the members of the Board of Directors and the Executive Management on the basis of the KPIs approved by the Board based on the concept of self-assessment and comprehensive by the members. It measures the general performance in a neutral and objective manner, which helps to avoid errors and correct the imbalance that impairs the application of governance Right.

FORMATION

The Nominations and Remuneration Committee was formed in June 2016 with a term coinciding with the term of the Board of Directors.

1. Mr. Salah Abdulaziz Al Bahar Committee Chairman
2. Mr. Talal Yousef Al Marzouq Committee Member
3. Mr. Abdulaziz Abdullah Al Ghanim Committee Member

MEETINGS DURING 2017

Meeting Date	Minutes No.	Number of Attendees
19/01/2017	01/2017	3

STATEMENT OF THE REMUNERATION GRANTED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Senior Management Benefits	2017
Remuneration of the executive management	18,500
Remuneration of the members of the Board of Directors	50,000

There is a proposal to the General Assembly to pay remuneration to the members of the Board of Directors in the amount of KD 50,000 for the year ended 31 December 2017. This proposal is subject to approval by the general assembly of the shareholders.

THE AUDIT COMMITTEE

The Board Audit Committee has determined the responsibilities of the Internal Audit Department as part of the audit functions. The Committee seeks to ensure the soundness and integrity of the Company's financial reports and verify the adequacy and effectiveness of the internal audit regulations in force at the company and deepening the culture of compliance within the company.

The Committee has approved the internal audit plan during the year and audited the results of the internal audit reports. It has verified that proper remedial actions are taken concerning the remarks contained in the report.

The Committee has also reviewed the interim quarterly financial reports after they have been audited and a recommendation was presented to the Board of Directors to approve them.

The Committee has recommended the Board of Directors to re-appoint the external auditors after having verified their independence and reviewed their letters of appointment.

FORMATION

The Audit Committee was constituted in June 2017 as follows, and its current term coincides with the term of the Board of Directors.

1. Mr. Ahmed Dakhil Al Osaimi Committee Chairman
2. Mr. Salah Abdulaziz Al Bahar Committee Member
3. Mr. Abdulaziz Abdullah Al Ghanim Committee Member

MEETINGS DURING 2017

Meeting Date	Minutes No.	Number of Attendees
20/02/2017	01/2017	6
25/04/2017	02/2017	6
24/07/2017	03/2017	6
26/10/2017	04/2017	6

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.

RISK MANAGEMENT COMMITTEE

The role of the Risk Management Committee is to help the Company's Board of Directors in performing its supervisory responsibilities related to current and new risk issues associated with the activities of the company. The objective of the Committee is to lay down risk management strategies, policies and procedures in line with the company's risk aptitude. The company has recommended the Board of Directors to appoint an office to provide risk management services and the appointment of the said office was approved. In light of the foregoing, the Committee reviewed the work strategy and prepared a risk management policy which was duly presented to and approved by the Board of Directors.

FORMATION

The Risk Management Committee was constituted in June 2017 as follows, and its current term coincides with the term of the Board of Directors.

1. Mr. Talal Yousef Al Marzouq Committee Chairman
2. Mr. Ahmed Dakhil Al Osaimi Committee Member
3. Mr. Abdulaziz Abdullah Al Ghanim Committee Member

MEETINGS DURING 2017

Meeting Date	Minutes No.	Number of Attendees
05/04/2017	01/2017	3
03/07/2017	02/2017	3
25/10/2017	03/2017	3
26/12/2017	04/2017	3

RISK MANAGEMENT OFFICE

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

INTERNAL CONTROL AND SUPERVISION SYSTEMS

Tamdeen Real Estate Company relies on a set of internal control and supervision systems that cover all the activities and management 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 four eyes principle, including proper identification of authorities and responsibilities, separation of duties, non-conflict of interests, checking, four eyes principles and dual signature.

The Board of Directors appointed an independent consultancy office to implement the internal control systems with regard to Tamdeen Real Estate Company's groups and departments. This office is a consultancy party reporting to the Audit Committee and to the Board directly. The office submits regular reports to review and assess the internal control systems in force in the company. Accordingly, the Internal Audit Officer shall work with the Audit Committee to review the work of the Audit Office and discuss its reports for submission to the Board of Directors

PROFESSIONAL CONDUCT AND MORAL VALUES

Promoting the culture of professional conduct and moral values within the company strengthened investment confidence in the Company's financial integrity and soundness, for observance by all the company's Board members, executive management members another employees of the internal policies and regulations of the company and its legal and supervisory requirements will lead to achieving the interests of all parties related to the Company, particularly the shareholders, without any conflict of interest and with a high level of transparency.

STAKEHOLDERS

Tamdeen Investment Company is keen to respect and protect its stakeholders and makes every possible effort to cooperate with them in numerous areas, for the contributions of stakeholders is a most important resource in building the Company's competitive ability, and improves its profit levels.

TRAINING SESSIONS

Tamdeen Real Estate Company guarantees 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. During the year, workshops and training sessions were held for the Board and Executive Management on money laundering, terrorist financing and corporate governance.

POLICY OF REPORTING VIOLATIONS AND EXCESSES

Tamdeen Investment Company strictly observes the policy of reporting violations and excesses. The policy enables company employees to express internally their suspicious concerning any unsound practices or matters that raise suspicion in the financial reports, internal control systems or any other matters. In addition to laying down appropriate arrangements that allow the conduct of independent and fair investigations of these matters while guarantees the whistleblower protection from any negative reaction or damage that he suffer as a result of having reported such practices.

RESPECT FOR THE RIGHTS OF SHAREHOLDERS

The Company is keen to respect the rights of its shareholders and stakeholders. To this end, the Board of Directors has approved policies that protect the rights of all shareholders, thereby ensuring that the shareholders can exercise the rights provided for in the Companies Law and the instructions of the Capital Markets Authority, which include the following:

1. Maintaining on-going communication with investors in order to respond to enquiries and provide requested information or documents.
2. Modifying communication plans through close collaboration with the media and public relations institutions with a view to analyze the investors' base and draw a framework for data segmentation and classification.

The company has a registered 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.

Tamdeen Investment Company encourages its shareholders by encouraging them to attend the general assembly meeting and gives them the opportunity to vote and exercise all their rights.

INVESTORS AFFAIRS UNIT

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

DISCLOSURE AND TRANSPARENCY

The Board of Directors of Tamdeen Investment Company is keen to build and develop an effective disclosure and transparency system that conforms with the provisions of the law, the Executive Regulations and the instructions of the Capital Markets Authority in this regard. These provisions specify the aspects, scopes and aspects of disclosure with regard to the subjects or elements that should be disclosed.

KEEPING SHAREHOLDERS' RECORDS

The Company keeps a register of its shareholders with the Clearing Agency where shareholders can have access to this register. The Company is keen upon dealing with the data contained in this register in such way as to provide the highest protection and utmost secrecy in a manner consistent with the applicable controls and laws.

COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

The Board of Directors has implemented the **Anti Money Laundering and Terrorism Financing policy** that sets forth the relevant concepts and combats Ministry of Labor and terrorist activities. The company achieves this objective by helping all members of the senior management and employees to understand the following:

- The legal requirements related to combating money laundering and terrorism financing.
- The procedures required identifying and preventing money laundering and terrorism financing activities at the company including the procedures of opening accounts and obtaining data related to the company's customers.
- Determining the information associated with combating money laundering and terrorism financing and the actions that should be taken in connection with such transactions.

SOCIAL RESPONSIBILITY

Tamdeen Investment 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. 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 volunteerism and provide them with training opportunities in relevant specialized fields. Tamdeen Investment Company's CSR efforts stimulate innovation, as well as supporting educational, sports, artistic and cultural activities.

INITIATIVES

Interactive reading program "My Book My Friend"

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

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

PARTNERSHIPS

LOYAC

Tamdeen Investment Company continues 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 and achieve their potential by providing them with training opportunities in vital areas within the labor market.

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Tamdeen Investment Company – K.S.C.P (“the Parent Company”) and its subsidiaries (together referred to as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

OPINION

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

BASIS FOR OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ 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. The following are the key audit matters identified and how we addressed them in our audit.

VALUATION OF INVESTMENTS IN SECURITIES AND IMPAIRMENT OF INVESTMENTS AVAILABLE FOR SALE

Investments in securities primarily comprised of investments in quoted securities. These instruments are classified as investments available for sale and are measured at fair values with the corresponding fair value change recognised in other comprehensive income

(Refer to the significant accounting policy 2.3.2, critical accounting estimates 4 and note 7 to the consolidated financial statements).

The valuation of investment in securities is inherently subjective, most predominantly for the instruments classified under level 2 and level 3 since these are valued using inputs other than quoted prices in an active market.

In addition, the Group determines whether objective evidence of impairment exists for individual investments classified as available for sale. In these cases, the cumulative change in fair value is transferred from other comprehensive income to the consolidated statement of income. Given the inherent subjectivity in the valuation of the instruments classified under level 3 and in the assessment of impairment, we determined this to be a key audit matter. The investments in securities classified under level 3 amounted to KD 2,314,014 as at 31 December 2017 (KD 3,547,787 - 2016), and unquoted investment in securities carried at cost less impairment amounted to KD 2,793,328 as at 31 December 2017 (KD 3,057,496 – 2016).

As part of our audit procedures, we have tested the level 1 fair valuations by comparing the fair values applied by the Group with publicly available market data. For all level 3 valuations, we tested the appropriateness of the models used by the Group and the reliability of the data that was used as input to these models. We also assessed the adequacy of the fair value disclosures in the consolidated financial statements.

In addition, we evaluated management’s assessment of indications of impairment and challenged management’s rationale for identifying significant and prolonged decline in the fair value of the security below its cost, and discussed this with the key management.

IMPAIRMENT OF INVESTMENTS IN ASSOCIATES

As at 31 December 2017, investments in associates amounted to KD 109,737,346 (KD 108,407,640 – 2016) represent 40% of total assets. Refer to significant accounting policies 2.3.1, critical accounting estimates 4 and note 8 to the consolidated financial statements.

The entire carrying amount of individual investment in associate (including goodwill) is tested for impairment, which is judgmental and based on a series of assumptions.

Accordingly, we considered this as a key audit matter.

As part of our audit procedures, we evaluated management’s considerations of the impairment indicators of investment in associates. In such evaluation, we assessed whether any significant adverse changes in the technological, market, economic, or legal environment in which the investee operates, structural changes in the industry in which the investee operates, changes in the political or legal environment affecting the investee’s business and changes in the investee’s financial condition. A significant or prolonged decline in the fair value of investment below its cost is also objective evidence of impairment.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditors’ report thereon. The annual report for the year 2017 is expected to be made available to us after the date of this auditors’ report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged With Governance. 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 International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged With Governance are responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' 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 auditors' 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 auditors' 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 auditors' 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 No. 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2017 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968 as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business and its related regulations or of the provisions of Law No. 7 of 2010, as amended, concerning

the Capital Markets Authority and its related regulations during the year ended 31 December 2017, that might have had a material effect on the business of the Group or on its consolidated financial position.



Dr. Saad Munir Al-Muhanna
Licence No. 29A
Horwath Al-Muhanna & Co.
Kuwait, 22 February 2018



Talal Yousef Al-Muzaini
Licence No. 209A
Deloitte & Touche, Al-Wazzan & Co.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2017

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2017	2016
Assets			
Cash and cash equivalents	5	26,489,587	18,604,688
Receivables	6	2,047,733	703,189
Investments available for sale	7	138,095,242	128,610,566
Investments in associates	8	109,737,346	108,407,640
Properties and equipment		239,307	221,779
Total assets		276,609,215	256,547,862
Liabilities and equity			
Liabilities			
Accounts payable	9	1,158,585	979,508
Bank facilities	10	89,707,500	84,990,000
End of service indemnity		173,520	150,665
Total liabilities		91,039,605	86,120,173
Equity			
Share capital	11	34,506,371	34,506,371
Share premium		15,672,351	15,672,351
Treasury shares	12	(445,960)	(34,476)
Gain on sale of treasury shares		6,886,779	6,886,779
Statutory reserve	13	7,602,791	6,907,523
Change in fair value reserve		71,548,163	58,908,061
Group's share in associates' reserves		1,166,471	1,519,587
Retained earnings		37,980,486	35,411,976
Equity attributable to Parent Company's shareholders		174,917,452	159,778,172
Non-controlling interests		10,652,158	10,649,517
Total equity		185,569,610	170,427,689
Total liabilities and equity		276,609,215	256,547,862

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

Nawaf Ahmad Al Marzouq
Chairman

Ahmed Dakhil Al Osaimi
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2017	2016
Revenues			
Net investments income	15	7,744,977	6,785,005
Group's share from associates' results	8	4,219,035	4,462,277
Management fees		71,173	102,392
Other income	16	231,133	784,553
		12,266,318	12,134,227
Expenses			
Staff costs		465,840	670,308
Other expenses		1,034,322	1,224,588
Finance charges		3,498,111	3,405,449
Foreign currency exchange differences		312,724	(186,632)
		5,310,997	5,113,713
Profit for the year before deductions		6,955,321	7,020,514
Kuwait Foundation for Advancement of Science		2,911	61,659
National Labour Support Tax		137,251	167,149
Zakat		52,312	63,552
Board of Directors' remuneration		50,000	50,000
Net profit for the year		6,712,847	6,678,154
Distributed as follows:			
Parent Company's shareholders		6,710,206	6,688,462
Non-controlling interests		2,641	(10,308)
		6,712,847	6,678,154
Earnings per share attributable to the Parent Company's shareholders (fils)	17	19.49	19.39

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

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	<u>2017</u>	<u>2016</u>
Net profit for the year	<u>6,712,847</u>	<u>6,678,154</u>
Other comprehensive income items:		
<i>Items that may be reclassified subsequently to statement of income:</i>		
Transferred to statement of income on sale of investments available for sale	(662,686)	(770,964)
Change in fair value of investments available for sale	13,302,788	(2,809,114)
Group's share in associates' reserves	(353,116)	(582,656)
Total other comprehensive income/ (loss) items	<u>12,286,986</u>	<u>(4,162,734)</u>
Total comprehensive income for the year	<u>18,999,833</u>	<u>2,515,420</u>
Distributed as follows:		
Parent Company's shareholders	18,997,192	2,525,728
Non-controlling interests	<u>2,641</u>	<u>(10,308)</u>
	<u>18,999,833</u>	<u>2,515,420</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Equity attributed to the Parent Company's shareholders									Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total		
Balance as at 1 January 2016	32,863,210	15,672,351	(26,827)	6,886,779	6,204,441	62,488,139	2,102,243	34,354,858	160,545,194	15,712,310	176,257,504
Net profit for the year	-	-	-	-	-	-	-	6,688,462	6,688,462	(10,308)	6,678,154
Total comprehensive loss for the year	-	-	-	-	-	(3,580,078)	(582,656)	-	(4,162,734)	-	(4,162,734)
Effect of acquisition of subsidiary	-	-	-	-	-	-	-	-	-	47	47
Effect of disposal of subsidiary	-	-	-	-	-	-	-	-	-	(5,052,532)	(5,052,532)
Bonus shares	1,643,161	-	-	-	-	-	-	(1,643,161)	-	-	-
Cash dividends	-	-	-	-	-	-	-	(3,285,101)	(3,285,101)	-	(3,285,101)
Purchase of treasury shares	-	-	(7,649)	-	-	-	-	-	(7,649)	-	(7,649)
Transferred to statutory reserve	-	-	-	-	703,082	-	-	(703,082)	-	-	-
Balance as at 31 December 2016	34,506,371	15,672,351	(34,476)	6,886,779	6,907,523	58,908,061	1,519,587	35,411,976	159,778,172	10,649,517	170,427,689
Balance as at 1 January 2017	34,506,371	15,672,351	(34,476)	6,886,779	6,907,523	58,908,061	1,519,587	35,411,976	159,778,172	10,649,517	170,427,689
Net profit for the year	-	-	-	-	-	-	-	6,710,206	6,710,206	2,641	6,712,847
Total comprehensive loss for the year	-	-	-	-	-	12,640,102	(353,116)	-	12,286,986	-	12,286,986
Cash dividends (note 14)	-	-	-	-	-	-	-	(3,446,428)	(3,446,428)	-	(3,446,428)
Purchase of treasury shares	-	-	(411,484)	-	-	-	-	-	(411,484)	-	(411,484)
Transferred to statutory reserve	-	-	-	-	695,268	-	-	(695,268)	-	-	-
Balance as at 31 December 2017	34,506,371	15,672,351	(445,960)	6,886,779	7,602,791	71,548,163	1,166,471	37,980,486	174,917,452	10,652,158	185,569,610

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2017	2016
Cash flows from operating activities			
Net profit for the year		6,712,847	6,678,154
Adjustments:			
Net investments income		(7,744,977)	(6,785,005)
Group's share from associates' results		(4,219,035)	(4,462,277)
Interest income		(197,023)	(35,110)
Finance charges		3,498,111	3,405,449
Depreciation and amortization		20,117	694,809
End of service indemnity		24,226	65,290
Operating loss before changes in operating assets and liabilities		(1,905,734)	(438,690)
Receivables		(1,306,857)	(100,028)
Accounts payable		175,682	(253,482)
End of service indemnity paid		(1,371)	(15,796)
Net cash used in operating activities		(3,038,280)	(807,996)
Cash flows from investing activities			
Paid for purchase of investments available for sale		(58,500)	(798,000)
Proceeds on sale of investments available for sale		2,797,506	2,419,169
Cash generated from acquisition of a subsidiary		-	934,399
Effect of losing control over a subsidiary		-	682,970
Paid for purchase of properties and equipment		(37,645)	(38,141)
Dividends received from investments available for sale		8,361,301	7,913,435
Dividends received from an associate		2,336,212	2,336,213
Interest income received		159,336	34,366
Net cash generated from investing activities		13,558,210	13,484,411
Cash flows from financing activities			
Cash dividends paid		(3,446,428)	(3,285,101)
Paid for purchase of treasury shares		(411,484)	(7,649)
Proceeds from bank facilities		17,965,500	7,990,000
Repayment of bank facilities		(13,250,000)	(6,208,875)
Finance charges paid		(3,494,619)	(3,358,687)
Net cash used in financing activities		(2,635,031)	(4,870,312)
Increase in cash and cash equivalents		7,884,899	7,806,103
Cash and cash equivalents at the beginning of the year		18,604,688	10,798,585
Cash and cash equivalents at the end of the year	5	26,489,587	18,604,688

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

1- BACKGROUND ON THE GROUP

Tamdeen Investment Company - KSCP "the Parent Company" was incorporated in Kuwait as per incorporation memorandum No. 359, Vol. 1 dated 3 March 1997. The Parent Company is registered in the Commercial Register under registry No. 69476 on 30 April 1997 and registered as an investment company at the Central Bank of Kuwait on 20 August 1997. On 29 May 2006, the Parent Company's shares have been listed in the Kuwait Stock Exchange. The Head office of the Company is located in South Al Sura – Al Zahra'a area – 360 Mall– 6th ring road– 4th floor, Kuwait, Box No. 22509 Safat – 13066 Kuwait.

These consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as described in note 19.1, (together referred to as the "Group").

The main objectives of the Group are conducting financial investment transactions in all economic sectors inside and outside Kuwait, performing transactions related to dealing in securities such as purchase and sale of shares and bonds of both companies and government authorities, carrying out investment and portfolio management activities, acting as an intermediary in lending and borrowing transactions, financing international trading transactions, providing researches and studies, establishing and managing various investment funds, in addition to conducting real estate and general trading and contracting activities, conducting all kinds of investment in real estates for the purpose of development except for areas and houses for private residential purposes, whether directly or indirectly, in favour of the company or others.

The Parent Company is owned with a percentage of 55.94% by Tamdeen Real Estate Company K.S.C.P as at 31 December 2017 (55.94% - 2016).

The consolidated financial statements have been authorized for issuance by the Board of Directors on 22 February 2018. The ordinary general assembly for the shareholders of the Parent Company has the authority to amend the consolidated financial statements after issuance.

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These consolidated financial statements have been prepared on the historical cost basis except for certain assets and financial instruments that are measured at fair values, as described in the accounting policies below.

2-2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2-2-1 New and revised IFRSs applied with no material effect on the financial statements

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

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

2-2-2 New and revised IFRSs issued but not yet effective

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

New and revised IFRSs

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

IFRS 9 contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar to IAS 39. However there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets. It is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.
- **IFRS 15: Revenue from Contracts with Customers** 1 January 2018

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

- **IFRS 16 Leases**

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

- **Amendments to IAS 28: Investment in Associates and Joint Ventures**

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

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

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

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

2-3 SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Basis of Consolidation

SUBSIDIARIES

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

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

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

1 January 2019

1 January 2019

When IFRS 9 is first applied

Effective date deferred indefinitely. Adoption is still permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

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

BUSINESS COMBINATIONS

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

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

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

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

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

Business combinations involving entities under common control are excluded from IFRS 3 (revised)'s scope. Management could use predecessor accounting. Predecessor accounting may lead to differences on consolidation between the consideration given and the aggregate book value of the assets and liabilities (as at the date of the transaction) of the acquired entity. The differences are included in equity in retained earnings or in a separate reserve.

GOODWILL

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

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

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

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

INVESTMENTS IN ASSOCIATES

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

for impairment in accordance with IAS 36 "Impairment of Assets" (Note 4).

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

2-3-2 Financial instruments

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

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

FINANCIAL ASSETS

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

LOANS AND RECEIVABLES

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

AVAILABLE FOR SALE (AFS)

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

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

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in

an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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

IMPAIRMENT IN VALUE

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

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

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

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

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

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

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

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

DERECOGNITION

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

FINANCIAL LIABILITIES

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

DERECOGNITION

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

2-3-3 Property and equipment

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

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

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

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

2-3-4 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are

tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

2-3-5 Provisions

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

2-3-6 End of service indemnity

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

2-3-7 Treasury share

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are disposed, gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account to the limit of its credit balance, any additional losses are charged to retained earnings, the reserves and to share premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2-3-8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

- Revenues from sale of goods are recognized when significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred generally to the buyer on delivery.
- Services revenues are recognized when the services are rendered.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on time basis.

2-3-9 Leases

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

The Group as lessor

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

Rental income from finance lease is allocated over the accounting periods to reflect a fixed return on the net value of the leased asset.

The Group as lessee

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

2-3-10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2-3-11 Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Outstanding monetary items in foreign currency are translated at the date of financial statements.

Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

2-3-12 Dividends

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

2-3-13 Fiduciary assets

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

3- FINANCIAL RISK MANAGEMENT

3-1 FINANCIAL RISK FACTORS

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

a. MARKET RISK

Foreign currency risk

The Group is exposed to foreign currency risk resulting primarily from dealing in financial instruments with US Dollar. Foreign currency risk is resulting from future transactions on financial instruments in foreign currency recorded in the financial statements of the Group. The Group's policies for managing foreign currency risk is by carefully monitoring the changes in currency rates and its related impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advises in case of any significant change in foreign currencies' rates.

Had the US Dollar changed against the Kuwaiti Dinar by 5%, the Group's equity would have changed by KD 6,075,361 as at 31 December 2017 (KD 5,495,396 - 2016).

Following is the significant foreign currencies' net positions as at 31 December

	2017	2016
US Dollar / Surplus	144,771,803	125,925,025

Equity price risk

The equity price risk arises from fluctuation of financial instrument value resulting from change in market prices. The Group is exposed to the price risk as a result of holding investments classified as available for sale investments in the consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

The Group is managing this risk through monitoring the market prices of these investments if they are listed in an active market, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for other investments.

The following sensitivity analysis shows the impact of the change on the indexes of the financial markets on the Group's business, as well as equity. This analysis is based on the change in the index by 5%.

	Impact on equity	
	2017	2016
Index of the Kuwait Stock Exchange	600,684	461,813
Index of the Bahrain Stock Exchange	6,048,712	2,681,212

Interest rate risk

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's assets are not exposed to this risk as the Group does not hold financial assets bearing fixed interests. The Group's exposure to cash flow interest rate risk arises from loans and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to meet the possibility of these probability.

As at 31 December 2017, had the interest rates increased by 0.5% with all other variables held constant, the net profit would have decreased by KD 174,906 (KD 170,272 - 2016).

b. CREDIT RISK

Credit risk is the risk that the Group will incur a loss because the counterparties of financial instruments failed to discharge their contractual obligations.

Credit risk is highly concentrated in cash and cash equivalents and receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation.

The Group does not approve credit unless within the limits of requirements and normal course of business taking into consideration the financial position of clients and the previous history of transaction and reputation.

c. LIQUIDITY RISK

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

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

All outstanding liabilities, bank facilities and related finance charges will mature within one year from the date of consolidated financial statements. Based on the bank facilities contracts, all facilities are renewable on periodic basis.

3-2 CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group comprising issued capital, reserves, retained earnings.

The gearing ratio as at 31 December:

	2017	2016
Total Borrowings	89,707,500	84,990,000
Less: cash and cash equivalents	(26,489,587)	(18,604,688)
Net debt	63,217,913	66,385,312
Total equity	185,569,610	170,427,689
Total capital	248,787,523	236,813,001
Gearing ratio (%)	25	28

3-3 FAIR VALUE ESTIMATION

The fair values of financial instruments are determined as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

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

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2017	31/12/2016				
Financial assets						
Investments available for sale						
Quoted Shares	132,987,900	122,005,283	1	Last bid price	-	-
Unquoted shares	2,314,014	3,547,787	3	Adjusted book value	Book value adjusted with market risk	The higher market risk the lower the fair value

Reconciliation of Level 3 fair value measurements

	Unquoted investments available for sale	
	2017	2016
Balance as at 1 January	3,547,787	3,981,500
Transfers into level 3	7,500	141,101
Impairment – charged to statement of income	(814,837)	(574,814)
Transfers out of level 3	(426,436)	-
Balance as at 31 December	<u>2,314,014</u>	<u>3,547,787</u>

The fair values of other financial assets and financial liabilities which are not measured at fair value on an ongoing basis equal approximately their carrying values.

4- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

JUDGEMENTS:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

Classification of investments

On acquisition of an investment, the Group decides its classification. The Group follows the guidance of IAS 39 on classifying its investments.

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

SOURCES OF ESTIMATION UNCERTAINTY

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

Fair value measurements and valuation techniques

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

Evidence of impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the value of available for sale investments. The determination of what is "significant" or "prolonged" requires significant judgment in this regard. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Note (15) sets out the impact of that on the consolidated financial statements.

Impairment of associates

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

5- CASH AND CASH EQUIVALENTS

	2017	2016
Current accounts at banks	4,796,648	10,385,244
Time deposits (less than 3 months)	21,687,357	8,100,942
Cash in portfolios	4,882	118,002
Cash on hand	700	500
	<u>26,489,587</u>	<u>18,604,688</u>

The effective interest rate on time deposits is 1.25% as at 31 December 2017 (1% - 2016).

6- RECEIVABLES

	2017	2016
Due from customers' portfolios	29,595	37,278
Prepayments	23,899	17,281
Due from related parties (note 18)	-	41,934
Paid for incorporation of a subsidiary	1,000,000	-
Others	994,239	606,696
	<u>2,047,733</u>	<u>703,189</u>

Accounts receivables do not include impaired balances as at 31 December 2017 and 2016.

7- INVESTMENTS AVAILABLE FOR SALE

	2017	2016
Investment in foreign securities – Quoted	120,974,230	110,297,089
Investment in local securities – Quoted	12,013,670	11,708,194
Investment in local securities – Unquoted	3,293,328	4,157,496
Investment in foreign securities – Unquoted	1,814,014	2,447,787
	<u>138,095,242</u>	<u>128,610,566</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

The fair value of investments available for sale was determined based on basis mentioned in (note 3.3) in the consolidated financial statements.

Unquoted investments available for sale of KD 2,793,328 as at 31 December 2017 (KD 3,057,496 - 2016) are carried at cost less impairment, as there are no fair values.

Certain investments available for sale are pledged against bank facilities (note 10).

Following is the analysis of investments available for sale by currencies as at 31 December:

	2017	2016
US Dollar	120,974,230	109,437,240
Kuwaiti Dinar	15,306,998	16,725,540
Other currencies	1,814,014	2,447,786
	<u>138,095,242</u>	<u>128,610,566</u>

8- INVESTMENTS IN ASSOCIATES

Company name	Country of incorporation	Main Activity	2017		2016	
			%	Carrying Value	%	Carrying Value
Manshar Real Estate Co. KSCC	Kuwait	Real estate	50	15,998,517	50	16,328,449
Kuwait National Cinema Co. KSCP	Kuwait	Entertainment	46.75	58,367,412	46.85	56,346,518
Tamdeen Pearl Real Estate Co. KSCC	Kuwait	Real estate	30.74	27,560,352	30.74	27,553,743
Others				7,811,065		8,178,930
				<u>109,737,346</u>		<u>108,407,640</u>

All investments above are accounted for using equity method in these consolidated financial statements.

The Group's share in associates' results is based on the audited financial statements amounted to KD 4,219,035 for the year ended 31 December 2017 (KD 4,462,277 - 2016).

Investment in Kuwait National Cinema Company (KSCP) is partially pledged against bank facilities as at 31 December 2017 (note 10).

The associates are not listed in active markets except for Kuwait National Cinema Company KSCP for which the fair value of the Group's investment amounted at KD 59,948,113 as at 31 December 2017 (KD 49,369,034 - 2016).

Following is a summary of the financial information of the material associates based on the latest available financial statements which have been prepared in accordance with IFRS:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

Manshar Real Estate Co. - KSCC

	2017	2016
Current assets	8,703,219	11,613,845
Non-current assets	136,676,645	99,777,564
Current liabilities	28,169,094	13,544,176
Non-current liabilities	85,213,736	65,190,336

	2017	2016
Revenues	1,948,388	2,729,107
Total comprehensive (loss)/ income for the year	(659,863)	320,494

	2017	2016
Net assets of the associate	31,997,034	32,656,897
Carrying value (ownership 50%)	<u>15,998,517</u>	<u>16,328,449</u>

Kuwait National Cinema Co. - KSCP

	2017	2016
Current assets	36,446,781	24,015,076
Non-current assets	90,400,934	92,727,021
Current liabilities	34,408,194	29,078,576
Non-current liabilities	1,652,353	1,490,381

	2017	2016
Revenues	17,850,613	18,647,019
Profit for the year	10,167,707	9,337,363
Other comprehensive income for the year	(855,585)	(2,825,788)
Total comprehensive income for the year	9,312,122	6,510,635
Cash dividends collected from associate during the year	2,336,212	2,336,213

	2017	2016
Net assets of the associate	90,787,168	86,173,140
Ownership interest (46.75% / 46.85%)	42,443,001	40,372,116
Goodwill	14,462,685	14,462,685
Others	1,461,726	1,511,717
Carrying value	<u>58,367,412</u>	<u>56,346,518</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

Tamdeen Pearl Real Estate Co. – KSCC

	2017	2016
Total assets	91,198,816	90,868,330
Total liabilities	1,542,495	1,233,510
	<u>2017</u>	<u>2016</u>
Revenues	50,000	112,976
Total comprehensive income for the year	21,504	45,569
	<u>2017</u>	<u>2016</u>
Net assets of the associate	89,656,321	89,634,820
Carrying value (ownership 30.74%)	<u>27,560,352</u>	<u>27,553,743</u>
	<u>2017</u>	<u>2016</u>
Aggregate information of associates that are not individually material		
	<u>2017</u>	<u>2016</u>
The Group's share of loss from continuing operations	(213,030)	(14,815)
The Group's share of other comprehensive income for the year	1,433	16,207
The Group's share of total comprehensive income / (loss) for the year	(211,597)	1,392

9- ACCOUNTS PAYABLE

	2017	2016
Accrued expenses	567,211	499,739
Kuwait Foundation for Advancement of Science	2,911	61,659
National Labour Support Tax	137,251	167,149
Zakat	52,312	63,552
Due to related parties (note 18)	45,867	40,812
Others	353,033	146,597
	<u>1,158,585</u>	<u>979,508</u>

10- BANK FACILITIES

	2017	2016
Term loans	89,707,500	84,990,000
Average interest rate on borrowings (%)	<u>3.97</u>	<u>3.70</u>

The following assets are pledged against bank facilities as at 31 December:

	2017	2016
Investments available for sale (note 7)	99,940,276	73,177,006
Investment in an associate (note 8)	27,806,935	42,714,911
	<u>127,747,211</u>	<u>115,891,917</u>

All bank facilities are maturing within one year from the date of the consolidated financial statements and renewed periodically.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

11- SHARE CAPITAL

The authorized, issued and fully paid capital of the Parent Company is KD 34,506,371 comprising of 345,063,710 shares of 100 fils share and fully paid in cash.

12- TREASURY SHARES

	2017	2016
Number of shares (share)	1,528,295	153,979
Percentage to issued shares (%)	0.44	0.05
Market value	458,488	40,035

The Parent Company is required to retain reserves and retained earnings equivalent to the cost of treasury shares throughout the period, in which they are held by the Parent Company, in accordance with the instructions of the relevant regulatory authorities.

13- STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the net profit for the year distributed to Parent Company's shareholders before deductions is required to be transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfer when the reserve balance reaches 50% of the share capital of Company. This reserve is used to secure appropriation of profit to shareholders, up to 5% in such years when the profit of the Company does not allow such percentage of appropriation. When the balance of the reserve exceeds 50% of the share capital, the General Assembly, is permitted to utilized amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Company and its shareholders.

14- DIVIDENDS

On 22 February 2018, the Parent Company's Board of Directors proposed cash dividends of 12 fils per share for the year ended 31 December 2017 (10 fils per share – 2016), also proposed remuneration for the Parent Company's Board of Directors of KD 50,000 for the year then ended (KD 50,000 – 2016). These proposals are subject to shareholders' approval.

15- NET INVESTMENTS INCOME

	2017	2016
Investments available for sale	8,361,301	7,913,435
Cash dividends	398,513	1,744,512
Gain on sale	(814,837)	(574,814)
Impairment losses	<u>7,944,977</u>	<u>9,083,133</u>
Investments in subsidiaries and associates	(200,000)	(2,298,128)
Impairment losses	<u>7,744,977</u>	<u>6,785,005</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

16- OTHER INCOME

	2017	2016
Gross profit from operating activities	-	747,037
Interest income	197,023	35,110
Others	34,110	2,406
	<u>231,133</u>	<u>784,553</u>

17- EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS

Earnings per share for the shareholders of the Parent Company are calculated based on net profit attributable to shareholders of the Parent Company divided by the weighted average number of common shares outstanding during the year (excluding treasury shares). The following is the computation of earnings per share:

	2017	2016
Net profit for the year attributable to the Parent Company's shareholders	6,710,206	6,688,462
Weighted average number of outstanding shares (share)	344,242,210	344,930,325
Earnings per share (fils)	<u>19.49</u>	<u>19.39</u>

18- RELATED PARTIES TRANSACTIONS

Related parties are the shareholders of the Parent Company who are represented in Board of Directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the Parent Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried some transactions during the year with related parties. The transactions which are included in the consolidated financial statements as follows:

	2017	2016
Transactions		
Management fees	49,237	67,926
Salaries and key management compensation	154,117	163,909
Net sale and purchase of shares in subsidiaries	-	2,660,909
Balances		
Accounts receivable and other assets (note 6)	-	41,934
Accounts payable (note 9)	45,867	40,812
Off balance sheet items		
Net assets of clients portfolios' (major shareholders)	157,735,058	152,802,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

19- SUBSIDIARIES

COMPANY NAME:	LEGAL ENTITY	ACTIVITY	OWNERSHIP (%)	
			2017	2016
Al-Madina Al-Thaniya General Trading and Contracting Company	W.L.L.	General Trading and Contracting	100	100
Wafra Holding Company	K.S.C. (Holding)	Holding	100	100
Tamdeen first for Real Estate Trading Company	W.L.L.	Real Estate	100	100
Tamdeen Imtiazat Holding Company	K.S.C. (Holding)	Holding	100	100
Gulf Spears Catering Company	K.S.C. (Closed)	Catering	100	-
Tamdeen Resorts Company	W.L.L.	Real Estate	61.72	61.72
Tamdeen Real Estate Development Company	K.S.C. (Closed)	Real Estate	99.99	99.99

As at 31 December 2017, total assets of the subsidiaries amounted to KD 97,618,942 (KD 95,186,362 – 2016), and their profits amounted to KD 4,226,760 for the year ended 31 December 2017 (KD 3,802,048 - 2016) based on the audited financial statements which were relied on when consolidating the subsidiaries as at 31 December 2017.

Summary of the financial statements of the Group's subsidiaries with significant non-controlling interests is as follows:

	2017	2016
Tamdeen Resorts Company		
Current assets	220,020	220,365
Non-current assets	27,610,252	27,601,143
Current liabilities	2,053	542
Non-current liability	618	508
Equity attributable to shareholders of the Parent Company	17,175,490	17,170,987
Non-controlling interests	10,652,158	10,649,517
	<u>2017</u>	<u>2016</u>
Revenues	9,277	15,625
Expenses	(2,133)	(2,057)
Profit for the year	7,144	13,568
Profit for the year attributable to shareholders of the Parent Company	4,407	8,375
Profit for the year attributable to non-controlling interests	2,737	5,193
Total comprehensive income attributable to shareholders of the Parent Company	4,407	8,375
Total comprehensive income attributable to non-controlling interests	2,737	5,193
Total comprehensive income for the year	7,144	13,568
Net cash flow used in operating activities	(764)	(2,033)
Net cash flow generated from / (used in) investing activities	168	1,581
Net cash flows generated from financing activities	-	-
Net change in cash and cash equivalents of the subsidiary	(596)	(452)

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS
UNLESS OTHERWISE STATED)

20- SEGMENT INFORMATION

The management has determined segments based on the reports reviewed by the executive management of the Group.

The main activity of the Company is investment and asset management. The executive management has taken into consideration dividing the activities geographically as follows:

	2017		
	Kuwait	G.C.C.	Total
Segment revenues	3,908,685	8,357,633	12,266,318
Segment expenses	5,207,384	-	5,207,384
Unallocated expenses	-	-	192,474
Assets	153,287,974	123,321,241	276,609,215
Liabilities	91,039,605	-	91,039,605

	2016		
	Kuwait	G.C.C.	Total
Segment revenue	4,473,053	7,661,174	12,134,227
Segment expenses	5,113,713	-	5,113,713
Unallocated expenses	-	-	342,360
Assets	136,183,047	120,364,815	256,547,862
Liabilities	86,120,173	-	86,120,173

21- OFF BALANCE SHEET ITEMS

The Group manages portfolios for clients of KD 209,332,359 as at 31 December 2017 (KD 198,062,562 – 2016).