2017

ANNUAL REPORT

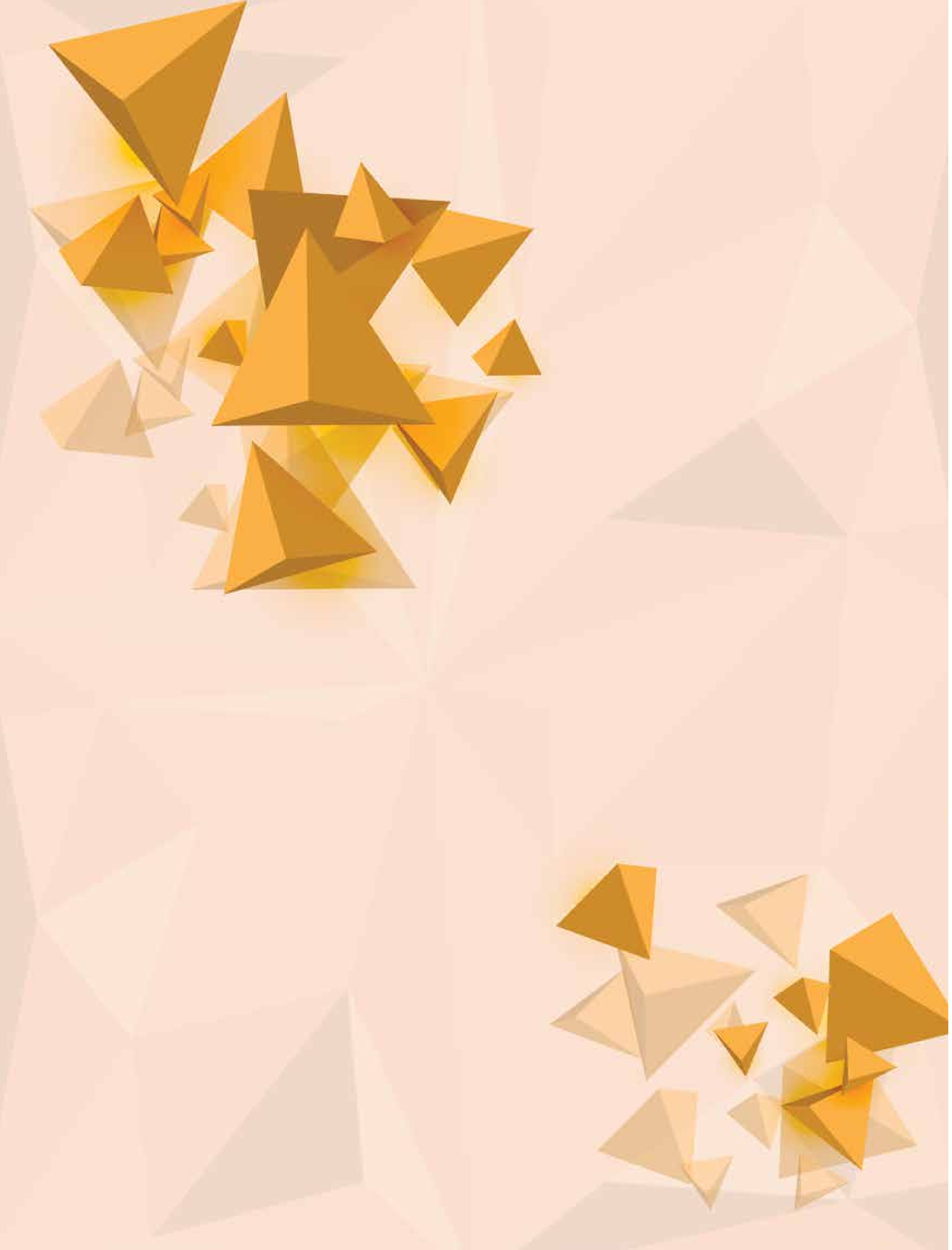
تمدين
TAMDEEN
SHOPPING CENTERS

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



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BOARD MEMBERS

Mohammad Jassim Al Marzouq
CHAIRMAN

Osama Abdulatif Alabd Al Jaleel
VICE CHAIRMAN

Shavak Srivastava
BOARD MEMBER

Tareq Abdulmohsin Al Julaibi
BOARD MEMBER

Mohammad Mostafa Al Marzouq
BOARD MEMBER

EXECUTIVE MANAGEMENT

Ahmad Abdulaziz Al Sarawi
CEO

Mohammed Metwally
DEPUTY CEO – DEVELOPMENT

Tamer Ali Ayoub
DEPUTY FINANCE MANAGER

CHAIRMAN'S LETTER

HONORABLE SHAREHOLDERS

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

ON BEHALF OF MY FELLOW DIRECTORS AND ALL THE EMPLOYEES OF TAMDEEN SHOPPING CENTERS COMPANY, IT GIVES ME GREAT PLEASURE MEET WITH YOU TO PRESENT THE COMPANY'S ANNUAL REPORT, INCLUDING THE FINANCIAL RESULTS FOR THE YEAR ENDED ON 31 DECEMBER 2017 AND THE REPORT OF THE INDEPENDENT AUDITOR FOR THE YEAR. IN THIS REPORT, I WILL REVIEW THE KEY ACHIEVEMENTS OF OUR COMPANY DURING THE YEAR AND PRESENT AN OUTLINE OF WHAT WE WILL SEEK TO ACHIEVE IN THE COMING PERIOD.

ESTEEMED SHAREHOLDERS,

2017 was a year full of events and developments, foremost among which was the promotion of Boursa Kuwait on the FTSE Russell Emerging Markets Index, the improvement of the business environment, the issue of the Commercial Licenses Law to be administered through One Window and Kuwait's success as chairman of OPEC's Ministerial Committee commissioned to monitor the oil production reduction accord. These successes were accompanied by optimism following the positive statements made by the International Monetary Fund about Kuwait's ability to contain the impact of the decline of oil prices thanks to its huge financial reserves and low national debt.

All these events coincided with the launching by the Kuwaiti government of its ambitious project "New Kuwait 2035" to be achieved through 164 development projects. The project is based on seven key elements: effective government administration, sustainable and diversified economy, a developed infra-structure, High-quality health care, creative human capital, sustainable living environment and a prestigious international position.

The New Kuwait 2035 vision embodies a pivotal role for the private sector in leading the development drive, supporting the national economy, adopting more effective policies for attracting foreign investments, all of which will result in limiting the participation by government institutions in executing development projects through the execution of that vision.

ESTEEMED SHAREHOLDERS,

The year 2017 witnessed the continuation of the efforts undertaken by Tamdeen Shopping Centers Company to develop its operations and financial performance according to pre-drawn plans and strategies thereby achieving positive results.

In the following presentation, I report on the Company's key operating and financial developments and achievements during 2017.

The prominent global brand, Bloomingdales, opened shop at Mall 360 during the first quarter of the last year, adding a unique shopping experience for the benefit of the Mall's visitors. Bloomingdales joined a huge array of new, luxury brands already present. The Food Court became fully operative following completion of the development work and the addition of a number of new, famous names in the hospitality industry worldwide.

The Company completed the development and building of Sama Commercial Center at Jahra. The center is partially operative now after its addition to the company's real estate portfolio.

Through a profitable finalized during the past year, the Company sold its investment in the Fucom Supermarkets Company which owns the Geant trade mark to a regional retail company which replaced it with the Carrefour, a world leader in the departmental store industry.

Similar achievements were made in our subsidiary companies. The foremost achievement in this regard is represented by the efforts being made by Spirit Real Estate Development Company to complete the Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Compound according to the time schedule agreed upon with the Kuwaiti Tennis Federation. To this end, the company has signed a contract with the French-based Mouratoglou Tennis Academy, one of the world's leading tennis academies from which a number of the most prominent tennis champions have graduated, to manage the Tennis Academy as a key element of the project. The company has also agreed with Live Nation Canada, a world leader in this field, to manage events and activities at the main covered hall of Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Compound which has 6000 seats. The purpose of this step is to ensure that the project reflects Kuwait's prominent international position.

During the second half of 2017, Tamdeen Entertainment Company, a subsidiary company, opened the new games hall SKYZONE isn't this supposed to be SKYZONE at Rayy, which has been quite popular with children and young people. We hope to complete the INFIUITY do you mean INFUNITY SEA PROJECT AT Kout Mall in Fahaheel, the largest and most modern indoor entertainment center in Kuwait. The "Kuwait Carting" car arena, the largest covered arena of its kind in the Middle East will also open shortly at Kout Mall.

On the retail trade side, "Three Sixty Style", a subsidiary company, had an excellent year with the addition of new brands and occupation of new retail units at Mall 360.

The year also witnessed a number of remarkable achievements for our associate company, Tamdeen Pearl Real Estate Company: Phase 1 of the project – migrating the infra-structure services of Khairan Project at Sabah Al-Ahmad Marine City – has been completed and handed over to the competent ministries. The final stages is being completed now – the signing of the contract with the main contractor of the project, to be followed by executing the works of Phase 2 during the second quarter of 2018.

It is worth mentioning that this Tamdeen Group project, which is being built on an area of 115,000 m2 at the heart of Sabah Al-Ahmed Marine City in the Southern part of the country on the sea front, will include a spacious commercial center, hotel and extensive landscaping green areas and overlooks Kuwait's largest yacht marina in Kuwait.

ESTEEMED SHAREHOLDERS,

The achievements made during 2017 contributed to the increase of the Company's consolidated revenues to KD 29,021,344 up from KD 26,377,797 in 2016, and consolidated assets rose to KD 326,183,023 at the end of 2017 from KD 293,549,388 as at 31 December 2016, supported by the ongoing capital expenditure on the projects of the Company and its subsidiaries.

Net profits for 2017 amounted to KD 11,274,288 compared to KD 11,201,281 in 2016.

In light of these positive results, the Board of Directors recommends the distribution of a cash dividend to the shareholders for the year ended on 31 December 2017 at the rate of 6.5% of the nominal value of the share, which is equal to 6.5 Fils per share. The Board of Directors also recommends the payment of an annual remuneration of KD 50,000 as directors remuneration (KD 10,000 for every member of the Board of Directors), subject to approval by the General Assembly of the Shareholders.

IN CONCLUSION,

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

I would also like to thank our honorable shareholders for their confidence and support.

Finally, I want to thank the members of our Board of Directors and all the employees of the company for their valuable efforts that enabled the company to achieve the desired results during 2017.

May Peace and God's Mercy
and Blessings be upon you

MOHAMMAD JASSIM AL MARZOUQ
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of Tamdeen Shopping Centers Company K.S.C.C. ("Parent Company") and its subsidiaries (referred collectively 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.

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

BASIS FOR OPINION

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of 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.

Ali Bader Al-Wazzan

(Licence No. 246)

Deloitte & Touche

Al Wazzan & Co.

Kuwait, 13 February 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	5	9,051,462	8,469,958
Lands, properties and projects under development	6	54,295,820	41,689,148
Investment properties	7	145,038,500	138,100,000
Investment in associates	8	24,580,089	25,315,689
Available for sale investments	9	6,641,190	7,343,190
Intangible assets		289,146	39,374
		239,896,207	220,957,359
Current assets			
Lands held for trading	10	32,791,650	32,791,650
Inventories		1,031,852	802,133
Trade and other receivables	11	17,188,913	7,737,154
Available for sale investments	9	12,342,989	13,875,304
Cash at bank, on hand and investment portfolios	12	22,931,412	17,385,788
		86,286,816	72,592,029
Total assets		326,183,023	293,549,388
Equity and liabilities			
Equity			
Share capital	13	100,000,000	100,000,000
Share premium	13	14,000,000	14,000,000
Statutory reserve	14	6,765,101	5,624,284
Change in fair value reserve		3,445,926	3,444,656
Foreign currency translation reserve		1,149,886	1,273,295
Retained earnings		31,267,147	27,284,917
Equity attributable to shareholders of the Parent Company		156,628,060	151,627,152
Non-controlling interests		9,066,329	8,553,518
Total equity		165,694,389	160,180,670
Liabilities			
Non-current liabilities			
Bank facilities	17	112,570,000	93,530,000
Post-employment benefits	18	1,499,246	1,384,889
		114,069,246	94,914,889
Current liabilities			
Bank facilities	17	25,482,968	21,288,943
Trade and other payables	19	20,936,420	17,164,886
		46,419,388	38,453,829
Total liabilities		160,488,634	133,368,718
Total equity and liabilities		326,183,023	293,549,388

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

Mohammad Jassim Al Marzouq
Chairman

Osama Abdulatif Alabd Al Jaleel
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(ALL AMOUNTS ARE IN KUWAITI DINAR)

	Note	2017	2016
Revenues			
Operating revenues	20	29,021,344	26,377,797
Operating costs	21	(11,461,968)	(9,863,546)
Gross profit		17,559,376	16,514,251
Other income	22	2,856,302	2,943,675
General and administrative expenses	23	(6,196,059)	(4,994,903)
Other expenses	24	(2,733,102)	(51,239)
Net profits of investments	25	2,774,812	707,356
Net profit from disposal of associates	8.2	1,427,631	22,480
Group's share from associates' results	8.1	80,471	70,120
Net finance costs	26	(4,255,566)	(3,774,803)
Profit for the year before deductions		11,513,865	11,436,937
Contribution to KFAS		(86,781)	(88,309)
Zakat		(102,796)	(97,347)
Board of Directors' remunerations	16	(50,000)	(50,000)
Net profit for the year		11,274,288	11,201,281
Attributable to:			
Shareholders of the Company		11,168,591	11,200,793
Non-controlling interests		105,697	488
Net profit for the year		11,274,288	11,201,281

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

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

	Note	2017	2016
Net profit for the year		11,274,288	11,201,281
Other comprehensive income items			
Items that may be reclassified subsequently to statement of income:			
Transferred to statement of income on sale of available for sale investments		(735,252)	-
Change in fair value of available for sale investments		745,222	(621,713)
Foreign currency translation		(212,959)	98,426
Group's share of associate's reserves	8.1	(8,700)	6,661
Total other comprehensive income items		(211,689)	(516,626)
Total comprehensive income for the year		11,062,599	10,684,655
Attributable to:			
Shareholders of the Company		11,046,452	10,647,321
Non-controlling interests		16,147	37,334
		11,062,599	10,684,655

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINAR)

	Equity attributable to shareholders of the Parent Company								
	Share capital	Share premium	Statutory reserve	Change in fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling Interest	Total
Balance as at 1 January 2016	100,000,000	14,000,000	4,480,639	4,059,708	1,211,715	23,227,769	146,979,831	8,516,184	155,496,015
Net profit for the year	-	-	-	-	-	11,200,793	11,200,793	488	11,201,281
Other comprehensive income items	-	-	-	(615,052)	61,580	-	(553,472)	36,846	(516,626)
Transferred to statutory reserve	-	-	1,143,645	-	-	(1,143,645)	-	-	-
Dividend	-	-	-	-	-	(6,000,000)	(6,000,000)	-	(6,000,000)
Balance as at 31 December 2016	100,000,000	14,000,000	5,624,284	3,444,656	1,273,295	27,284,917	151,627,152	8,553,518	160,180,670
Balance as at 1 January 2017	100,000,000	14,000,000	5,624,284	3,444,656	1,273,295	27,284,917	151,627,152	8,553,518	160,180,670
Net profit for the year	-	-	-	-	-	11,168,591	11,168,591	105,697	11,274,288
Other comprehensive income items	-	-	-	1,270	(123,409)	-	(122,139)	(89,550)	(211,689)
Disposal of share in subsidiary	-	-	-	-	-	(45,544)	(45,544)	496,664	451,120
Transferred to statutory reserve	-	-	1,140,817	-	-	(1,140,817)	-	-	-
Dividends (Note 16)	-	-	-	-	-	(6,000,000)	(6,000,000)	-	(6,000,000)
Balance as at 31 December 2017	100,000,000	14,000,000	6,765,101	3,445,926	1,149,886	31,267,147	156,628,060	9,066,329	165,694,389

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017	2016
Cash Flows from operating activities		
Net profit for the year	11,274,288	11,201,281
Adjustments for:		
Depreciation	1,110,166	830,551
Change the fair value of investment properties	(254,653)	(31,240)
Provisions & Impairment (Note 24)	2,733,102	51,239
Net profits from disposal and acquisition of associates	(1,427,631)	(22,480)
Provide/ (reversal) of impairment of inventory	407,725	(131,739)
Net profits from available for sale investments	(2,774,812)	(707,356)
Group's share from associate's results (Note 8)	(80,471)	(70,120)
Net finance costs	4,255,566	3,774,803
Post-employment benefits (Note 18)	256,375	339,673
Operating profit before changes in the working capital	15,499,655	15,234,612
Inventory	(637,444)	95,586
Trade and other receivables	(896,208)	(676,657)
Trade and other payables	1,243,330	797,127
Paid Post-employment benefits (Note 18)	(142,834)	(252,947)
Net cash generated from operating activities	15,066,499	15,197,721
Cash flows from investing activities		
Net paid for acquisition of property, plant, equipment, lands, real estates and projects under development	(28,928,392)	(15,914,470)
Paid for construction and development of investment properties	(334,000)	(1,410,246)
Paid for acquisition of intangible assets	(34,977)	-
Net proceeds from sale of and return from reduction in share capital of available for sale investments	3,496,913	-
Paid for acquisition of an associate	-	(49,426)
Proceeds from sale and reduction of associates' share capital	2,235,000	1,153,636
Net cash paid for acquisition and establishment of subsidiaries	-	(20,000)
Cash dividends received	1,027,986	707,356
Net cash used in investing activities	(22,537,470)	(15,533,150)
Cash flows from financing activities		
Net paid from finance costs	(5,030,447)	(4,044,086)
Net proceeds from Bank facilities	23,496,917	6,780,529
Cash dividends paid	(5,943,369)	(6,027,617)
Net cash generated from/ (used in) financing activities	12,523,101	(3,291,174)
Net increase/ (decrease) in cash and cash equivalents	5,052,130	(3,626,603)
Cash and cash equivalents at the beginning of the year	17,385,788	21,012,391
Cash and cash equivalents at the end of the year (Note 12)	22,437,918	17,385,788

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

1- COMPANY'S OVERVIEW

TAMDEEN SHOPPING CENTERS (K.S.C.C) "THE PARENT COMPANY" WAS INCORPORATED ON 1 MARCH 2005 UNDER AUTHENTICATED ARTICLE OF ASSOCIATIONS NO. 1148/VOL.(1). THE COMPANY IS LOCATED AT AL - ZAHRAA – 360 MALL – 4TH FLOOR – OFFICE 5 - P.O. BOX 29060 – SAFAT – 13151 KUWAIT.

THE OBJECTIVES OF THE COMPANY ARE:

- Owning, sale and purchase of lands and properties and development thereof for the Company inside and outside Kuwait, and carrying out maintenance and management of third parties' properties.
- Owning, sale and purchase of shares and bonds in real estate companies for the Company's account only inside and outside Kuwait, and establish and manage real estate funds (subject to approval of Central Bank of Kuwait).
- Conducting studies and providing any advisory services in the real estate sector, provided that the conditions applicable to the service provider should be met.
- Owning, managing and operating hotels, Health clubs and touristic facilities, and renting in and renting out thereof.
- Owning and managing the commercial markets and residential complexes.
- Utilization of the surplus funds by investing these funds in portfolios managed by specialized entities.
- Direct participating in setting up the infrastructures of BOT based residential, commercial and industrial areas and projects and real estate facility management.

The Company may have interest, or participate with entities that carry out similar activities or these that can assist the Company in achieving its objectives inside Kuwait and abroad and it may establish, incorporate, acquire or affiliate these entities.

These consolidated financial statements include the financial statements of the Company and its subsidiaries as set out in (Note 27) (together referred to as "the Group").

These consolidated financial statements were authorized for issue by the Board of Directors on 13 February 2018. The 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

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).These consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments that are re-measured at fair value, as explained in the accounting policies below. The accounting policies of the Group have been consistently applied to all years presented, except as stated in note 2.2 in relation to adoption of new and revised International Financial Reporting Standards.

2.2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

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

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

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

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

2.2.2 New and revised IFRS in issue but not yet effective

THE GROUP HAS NOT YET APPLIED THE FOLLOWING NEW AND REVISED IFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE:

New and revised IFRSs	Effective for annual periods beginning on or after
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 manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity›s own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an ‹expected credit loss› model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15: Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018
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, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IAS 28: Investment in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 7: Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
Amendments to IFRS 10: Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES

2.3.1 BASIS OF CONSOLIDATION OF THE FINANCIAL STATEMENTS

SUBSIDIARIES

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

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

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

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

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

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

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

When the Group loses control of the subsidiary, a gain or loss is recognised 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,

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

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, or the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except for 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 IFRSs.

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 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, the excess is recognised immediately in the consolidated statement of income as profits.

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (date of initial acquisition) and the gain or loss, if any, is recognized in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in the consolidated statement of comprehensive income are transferred to the consolidated statement of income where such treatment would be appropriate if that interest is disposed of.

GOODWILL

Goodwill, arising on an acquisition of a subsidiary is carried at cost as 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 less frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating units 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 in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

The results, assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method, 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 or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

When the Group transacts with an associate or a joint venture, profits or losses resulting from the transactions with the associates or joint ventures are derecognised only to the extent of the Group's share in the associate or joint venture.

2.3.2 PROPERTY, PLANT AND EQUIPMENTS

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are included in the statement of income in the period in which they were 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 such assets 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 method except for lands. The value of property, plant and equipment is reduced to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The residual value, useful life and depreciation method are reviewed at the end of each financial period. Any change in the estimated lives is accounted as of the beginning of the financial year in which it is occurred.

Gains or losses resulted from the disposal of property, plant and equipment are included in the consolidated statement of income being the difference between the selling price and carrying value of such assets.

2.3.3 LANDS AND PROPERTIES UNDER DEVELOPMENT

Incurred costs on construction or production of capital assets are charged under "lands and properties under development" till construction or production of these assets is complete, at which time it is reclassified as property, plant and equipment, investment property, or trading properties. The cost includes all direct costs and other costs attributable on a reasonable basis.

Lands and properties under development; intended to be used as investment properties, are considered as investment properties recognized at cost and then re-measured at fair value through accredited independent valuers where the lower valuation is adopted. In case there is no reliable method for measuring the fair value of such land under development, the properties are recognized at cost till the date of completion of developing the property or the date of reliably determining their fair value, whichever occurs first.

2.3.4 INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.3.5 INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line method over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statement of income when the asset is derecognized.

2.3.6 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

The Group annually, reviews the tangible and intangible assets to determine whether there is objective evidence that those assets may be impaired. If 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.

Net recoverable amount is the higher of the asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment loss subsequently reverses, the impairment is reversed to the extent of the net carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.7 FINANCIAL INSTRUMENTS

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

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

FINANCIAL ASSETS

Financial assets are classified into 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'. At the date of acquisition, the Group determines the appropriate classification of its financial assets based on the purpose of acquisition of such financial assets. All regular way purchases or sales of financial assets are recognised on a trade date basis. The Group classifies its financial assets as follows:

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 (trade and other receivables and cash at banks) are measured at amortized cost using the effective yield rate, less any impairment losses.

Available for sale (AFS) Financial Assets

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 in the manner described in note 3.3.

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

When the financial assets "Available for sale" are disposed of or 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

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Impairment loss is recognized directly in the statement of income 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 will be affected.

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of income 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 securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other consolidated 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 all the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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 the consolidated statement of income.

FINANCIAL LIABILITIES

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently re-measured at amortised cost using the effective yield 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 the consolidated statement of income.

2.3.8 LANDS HELD FOR TRADING

Lands held for trading are stated at cost when acquired. Cost is determined on an individual basis for such lands, cost represents the fair value of the consideration given, plus ownership transfer fee, brokerage and any other expenses necessary to develop land or real estate. Land or real estate held for trading are classified under current assets and are valued at the lower of cost or net realisable value on an individual basis. Net realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale.

2.3.9 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average cost basis. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to complete the sale.

2.3.10 CASH AND CASH EQUIVALENT

Cash and cash equivalents represent cash on hand and at banks, cash at investment portfolios, and time deposits that mature within three months from the date of placement.

2.3.11 POST-EMPLOYMENT BENEFITS

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

2.3.12 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 economic 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 discount rate that reflects market's assessments and the time value of money and the risks specific to the obligation.

2.3.13 DIVIDENDS

The dividends attributable to shareholders of the Company are recognized as liabilities in the consolidated financial statements in the period, in which the dividends are approved by the Company's shareholders.

2.3.14 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 Dinar.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinar using the exchange rates prevailing at the date of the transaction. Items of monetary nature denominated in foreign currencies are retranslated at the financial statements date.

Foreign exchange gains or losses resulting from the settlement of such transactions and also the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Group's companies

The operating results and financial position of all the Group's entities that have a functional currency different from the presentation currency (except for companies which are operated in countries with very high inflation rates) are translated into the presentation currency as follows:

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

2.3.15 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other allowances or similar deductions. The following specified recognition standards should be met before the revenue recognition.

- Gains and losses resulted from the sale of financial investments, and land and real estate held for trading are recognized in consolidated statement of income when sale is completed. Sale is completed when the risks and rewards related to the assets sold are transferred to the buyer.
- Dividends from investments are recognized in the consolidated statement of income when the right to receive payment has been declared.
- Services revenues are recognized when the services are rendered.
- Interest income from deposits is recognized on time basis.
- Revenues from sale of inventories are recognized when risks and rewards of ownership are transferred to the buyer. Risks and rewards of ownership are transferred to the buyer on delivery.

2.3.16 ACCOUNTING FOR LEASE

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

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the leased asset's net value.

The Group as lessee

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

2.3.17 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 recognized as expenses in the period in which they are incurred.

3- FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to group of financial risks: market risk (including foreign exchange risk, USD, fair value risk of interest rate, risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices) in addition to credit risk and liquidity risks.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group currently does not use derivative financial instruments to manage the risks that it may be exposed to.

MARKET RISK

Market risk is the risk that an enterprise may incur financial losses due to adverse movements in market price of investments, interest and foreign currency rates.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is not exposed to this risk due to concentration of monetary assets and liabilities in Kuwaiti dinar.

Foreign currency risks are resulting from the future transactions on financial instruments in foreign currency as reflected in the Group's consolidated financial statements.

The Group's management monitoring the change in exchange rates of foreign currencies and positions of foreign currencies that might negatively affect the Group's results.

Interest rate risk.

Interest rate risk is the risk that the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to risk of fluctuation in cash flows resulting from changes in interest rates from Bank facilities granted to the Group and embedded with variable finance cost.

The Group is exposed to interest rate risk as it holds Bank facilities (Note 17) as at 31 December 2017 and 2016.

Financial instruments issued at fixed interest rate expose the Group to fair value interest rate risk arises from changes in interest rates. Financial instruments issued at variable interest rates expose the Group to risk of fluctuation in cash flows resulting from changes in interest rates.

The Group is studying in regular basis all the income data related to the interest rate to determine the probability of changes in interest rates and the effect of such changes in the cash flow of the Group and the net profit in order to take the necessary actions in the timely manner.

Price risks

Equity price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange risk and interest rate risk).

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated financial position as available for sale.

The Group manages these risks through:

- Managing of the Group's investments through portfolios managed by specialized companies.
- Most of Group's investments are in listed companies' shares, otherwise there are opportunities of direct investment in unlisted shares for similar activities. Such investments are studied and approved by the key management.
- Periodic tracking of changes in market prices.
- Investment generally in shares of companies having good financial positions that generate high operating income and cash dividends.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss.

Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents, trade and other receivables and due from related parties. The Group manages this risk by placing cash and cash equivalents with highly credit rated banks and dealing with high credit worthiness parties.

For credit risk of trade receivables the Group dealings with various groups of customers in order to mitigate such risk as well as analysis the credit worthiness of each customer. Moreover, the Group is obtaining securities deposits from tenants.

For credit risk of related parties, these parties have a good credit reputation in the market and there is a contractual terms with these parties for payment of due balances.

The management of the Group believes that the maximum exposure to credit risk as at 31 December is as follows:-

	2017	2016
Trade and other receivables (Note 11)	16,646,972	7,453,323
Cash at banks and investment portfolios (Note 12)	22,919,334	17,381,809

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with the financial liabilities on maturity.

The management of liquidity risk includes mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity. The Group monitors the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

The following are the maturity dates of the Group's liabilities as at 31 December 2017:

	1 - 3 Months	3 months - 1 year	1 - 2 years	More than 2 years
Liabilities				
Trade payables	363,888	8,783,798	-	-
Bank facilities	839,512	27,769,102	6,104,819	95,076,000

The following are the maturity dates of the Group's liabilities as at 31 December 2016:

	1 - 3 Months	3 months - 1 year	1 - 2 years	More than 2 years
Liabilities				
Trade payables	305,556	6,521,097	-	-
Bank facilities	904,751	24,230,347	5,984,483	99,587,000

3.2 CAPITAL RISK MANAGEMENT:

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the equity balance.

The capital structure of the Group consists of net debt (bank facilities less cash and balances at banks) and equity (comprising capital, reserves, retained earnings and non-controlling interests).

The gearing ratios at 31 December 2017 and 2016 are as follows:

	2017	2016
Total bank facilities (Note 17)	138,052,968	114,818,943
Less: cash at bank, on hand and investment portfolios (Note 12)	(22,931,412)	(17,385,788)
Net debt	115,121,556	97,433,155
Total equity	165,678,233	160,180,670
Total capital	280,799,789	257,613,825
Gearing ratio %	41.00	37.82

3.3 FAIR VALUE ESTIMATION

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

- **Level one:** Quoted prices in active markets for identical assets or liabilities.
- **Level two:** Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in inactive market. Observable inputs other than quoted prices of financial instruments.
- **Level three:** Valuation methods, which use inputs that are not based on observable market data.

The carrying amount of other financial assets and liabilities is not materially different from their fair value as at the financial statements date.

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

4- SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Management is required to make judgments, estimates and assumptions 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 recognised in the period of the revision and future periods if the revision affects future periods. The following are the key estimates and assumptions concerning the future that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial years.

Critical Judgements:

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

Classification of investments

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

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

Classification of real estate

The management will decide on the acquisition of a real estate whether it should be classified as held for trading, property under development or investment property.

On acquisition, such judgments will determine whether these properties will be measured subsequently at cost less impairment, or a cost or realizable value, whichever is lower, or at fair value, and whether changes in the fair value of such properties will be recorded in the statement of income or in the other comprehensive income.

The Group classifies property as held for trading property if acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development when acquired for the purpose of development.

The Group classifies property as investment property if acquired to generate rental income or for capital appreciation, or for undetermined future use.

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 of valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group 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).

Impairment of tangible, intangible assets and inventory

The Group reviews tangible, intangible assets and inventory on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Evidence of impairment of investments

Management determines the impairment in the available for sale instruments when there is a long-term or a material impairment in the value of investments classified as available for sale investments. Determination of the long-term or the material impairment requires the management to exercise its 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, operational and financial relate to the cash flow.

Impairment of associates

Estimation of impairment of an associate is made when there is an indicator for this impairment. The assessment is made for the entire carrying amount of the Group's investments in associate including goodwill. Accordingly, impairment testing of goodwill is not prepared independently.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Management will increase the depreciation charge when the useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of receivables

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period, change in global and local economies which led the customers to default in payment. Impairment of receivables is recorded for receivables when there is a certainty that these other parties will not be able to pay according to the contractual agreement.

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

5- PROPERTY, PLANT AND EQUIPMENTS

	Buildings & constructions	Games, machinery & equipments	Furniture, fixtures & computers Vehicles	Total
Cost				
As at 1 January 2016	7,817,323	4,977,864	1,730,643	14,525,830
Additions	9,225	38,760	181,620	229,605
Disposals	(219,269)	-	(12,485)	(231,754)
Transferred from projects in progress	186,554	98,196	25,031	309,781
As at 31 December 2016	7,793,833	5,114,820	1,924,809	14,833,462
Additions	417,927	512,671	951,031	1,881,629
Disposals	-	(2,015)	(4,693)	(6,708)
Transferred from projects in progress	73,257	17,543	-	90,800
As at 31 December 2017	8,285,017	5,643,019	2,871,147	16,799,183
Accumulated depreciation and impairment				
As at 1 January 2016	2,441,069	2,385,232	948,260	5,774,561
Depreciation for the year	436,964	219,492	164,241	820,697
Disposals	(219,269)	-	(12,485)	(231,754)
As at 31 December 2016	2,658,764	2,604,724	1,100,016	6,363,504
Depreciation for the year	451,219	266,701	152,538	870,458
Impairment (Note 24)	467,266	13,730	41,397	522,393
Disposals	-	(58)	(8,576)	(8,634)
As at 31 December 2017	3,577,249	2,885,097	1,285,375	7,747,721
Net book value				
As at 31 December 2017	4,707,768	2,757,922	1,585,772	9,051,462
As at 31 December 2016	5,135,069	2,510,096	824,793	8,469,958
Useful lives / year	20-50	4-25	4-20	

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6- LANDS, PROPERTIES AND PROJECTS UNDER DEVELOPMENT

This item represents lands and properties owned and leased which are developed for the purpose of establishment of business and entertainment projects within the Group's objectives. The following is the movements of lands, properties and projects under development during the year:

	2017	2016
Balance as at 1 January	41,689,148	26,889,926
Translation difference	(207,156)	103,280
Additions	20,963,538	15,005,723
Transfers to investments properties (Note 7)	(6,404,271)	-
Transfers to intangible assets	(454,500)	-
Disposals and transfers	(130,882)	(309,781)
Impairment (Note 24)	(1,160,057)	-
Balance as at 31 December	54,295,820	41,689,148

Lands and properties under development are stated at cost less impairment losses and whose fair value cannot be reliably measured.

7- PROPERTY INVESTMENT

	2017	2016
Balance as at 1 January	138,100,000	136,405,000
Net additions	279,576	1,663,760
Transfers from lands, real estates and projects under development (Note 6)	6,404,271	-
Change in fair value (Note 20)	254,653	31,240
Balance as at 31 December	145,038,500	138,100,000

Certain of investments properties are pledged at local banks against bank facilities (Note 17).

The fair value of the Group's investment properties as at 31 December 2016 are estimated based on valuations carried out by independent valuers not related to the Group. The independent valuers are licensed from the relevant regulatory bodies and they have appropriate qualifications and recent experiences in valuation of properties at the relevant locations.

The fair value of investment properties was determined based on capitalisation of net income method, where the market rental of all units of the properties. (Level 3"Note 3.3").The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties, the valuation model used involves significant unobservable inputs include average capitalisation rate (taking into account the capitalisation of rental income, nature of the property and current market conditions) and monthly rents (taking into account the site, descriptions and area).

The increase in the unobservable inputs would result in a decrease in the fair value in general, and vice versa.

In estimating the fair value, their current use was assumed to be the best use of these properties.

8- INVESTMENTS IN ASSOCIATES

8.1 FINANCIAL INFORMATION

	Activities	Ownership percentage % 2017	Ownership percentage % 2016	2017	2016
Tamdeen Pearl Real Estate Co. K.S.C.C	Real estate	25.66	25.66	23,007,837	22,988,678
Tamdeen General Trading Co. W.L.L	Trade	40.00	40.00	1,460,664	1,506,262
Fu-com Central Market Co. K.S.C.C	Trade	-	24.83	-	703,998
Tamdeen Consulting Co. W.L.L	Services	37.00	37.00	111,588	116,751
				24,580,089	25,315,689

The following is the movements of investments in associates during the year:

	2017	2016
Balance as at 1 January	25,315,689	26,267,943
Additions	-	126,387
Disposal an associate	(807,371)	(1,155,422)
Group's share from associates' results	80,471	70,120
Group's share from an associate reserves	(8,700)	6,661
Balance as of 31 December	24,580,089	25,315,689

The shares of the associates are unquoted.

The following is the assets, liabilities, revenue, profit and loss of the associate as at 31 December:

2017	Assets	Liabilities	Revenues	Total Comprehensive income / (loss)
Tamdeen Pearl Real Estate Co.	91,198,817	1,340,699	50,000	21,821
Tamdeen General Trading Co.	3,675,149	23,488	38,195	(113,992)
Tamdeen Consulting Co. W.L.L	561,241	259,652	1,590,000	(14,334)

2016	Assets	Liabilities	Revenues	Total Comprehensive income / (loss)
Tamdeen Pearl Real Estate Co.	90,806,625	1,023,032	51,272	(7,136)
Tamdeen General Trading Co.	3,769,669	4,015	63,085	20,568
Fu-com Central Market Co.	10,415,400	7,580,600	43,379,600	289,500
Tamdeen Consulting Co.	539,880	224,336	1,505,000	(26,042)

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8.2 DISPOSAL OF SUBSIDIARY

During the year, the Group has sold its share in Fu-com Central Market Co. (K.S.C.C) (associate by 24.83%) to a third party, which resulted in profits of KD 1,427,631 and recognized in the consolidated statement of income.

9- AVAILABLE FOR SALE INVESTMENTS

	2017	2016
Non-current portion		
Investments in unquoted shares	6,641,190	7,343,190
Current portion		
Investments in quoted shares	12,342,989	13,875,304
	18,984,179	21,218,494

- Fair value has been determined according to valuation hierarchy described in note 3.3.as the investments in quoted shares were assessed based on the last quoted bid price as of the date of the consolidated financial statements.
- Investments in unquoted shares were recognized at cost less impairment due to lack of an active market for such investments.
- The Group's Management believes that there are no impairment indications of such investments as at 31 December 2017.

10- LANDS HELD FOR TRADING

As at 31 December 2017, lands held for trading include an amount of KD 7,318,554 pledged to local banks against bank facilities (Note 17).

11- TRADE AND OTHER RECEIVABLES

	2017	2016
Trade and notes receivables	494,084	420,692
Other receivables		
Advance payments to purchase properties and projects under development	12,207,139	4,034,798
Prepaid expenses	230,254	486,239
Staff receivables	159,821	153,205
Deposits of letters of guarantee	1,038,500	1,038,500
Due from related parties (Note 28)	2,517,174	1,319,889
Others	898,402	589,640
	17,051,290	7,622,271
Provision of other receivables	(356,461)	(305,809)
	16,694,829	7,316,462
	17,188,913	7,737,154

Trade receivables of KD 494,084 that are past due and not collected as well as not impaired as at 31 December 2017 (KD 420,692 as at 31 December 2016).

-The movement of provision for impairment in trade and other receivables during the year is as follows:

	2017	2016
Balance at the beginning of the year	305,809	254,570
Provided (Note 24)	50,652	51,239
Balance as at 31 December	356,461	305,809

12- CASH AT BANK, ON HAND AND INVESTMENT PORTFOLIOS

	2017	2016
Cash on hand	12,078	3,979
Current accounts at banks	16,077,263	17,379,338
Time deposits	1,068,588	-
Cash at investment portfolios (Note 28)	5,773,483	2,471
Total cash at banks, on hand and investment portfolios	22,931,412	17,385,788
(Less)		
Blocked cash balances against letters of guarantee	(493,494)	-
Cash and cash equivalents	22,437,918	17,385,788

13- SHARE CAPITAL / SHARE PREMIUM

Share capital

TheThe authorized, issued and paid up capital of the parent company is amounted to KD 100,000,000 as at 31 December 2017 and 2016, divided into 1,000,000,000 shares with nominal value of 100 fils per share. All shares are in cash.

Share premium

Share premium could be used in order to amortize the losses or increase the capital.

14- STATUTORY RESERVE

In accordance with the Company's law and the Parent Company's memorandum of Incorporation, 10% of the profit of the year before KFAS, Zakat and Board of Directors' remunerations is transferred to statutory reserve.

Such transfer may be discontinued when the reserve reaches 50% of the share capital. Distribution of such reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up capital to be made in years when profits are not sufficient for the payment of such dividend.

15- VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, a proportion; supposed by the board of directors and approved by the general assembly, will be allocated to be transferred to the voluntary reserve. The Ordinary General Assembly may resolve to discontinue such transfer based on a proposal by the Board of Directors.

The board of directors did not suggest to transfer a proportion to the voluntary reserve.

16- DIVIDENDS

- On 12 April 2017, Shareholders' Ordinary General Assembly Meeting approved the financial statements for the year ended 31 December 2016 and approved cash dividends @ 6% of the share's nominal value equivalent to 6 fils per share and approved the Board of Directors' remunerations for the fiscal year 2016.

- On 13 February 2018, Board of Directors proposed cash dividends of 6.5% of the share's nominal value equivalent to 6.5 fils per share. The BOD proposed an amount of KD 50,000 as the Board of Directors' remunerations for the fiscal year 2017. This proposal is subject to the shareholder's approval in the General Assembly.

17- BANK FACILITIES

	2017	2016
Non-current	112,570,000	93,530,000
Current	25,482,968	21,288,943
	138,052,968	114,818,943
Interest rate %	4.00	3.57

The non-current portion of Bank facilities is due during periods ranging from 2 to 9 years.

Bank facilities are granted to the Group from local banks and a foreign branch against the following guarantees:

	2017	2016
Investment properties (Note 7)	119,198,500	118,750,000
Lands held for trading	7,318,554	-
	126,517,054	118,750,000

18- POST-EMPLOYMENT BENEFITS

	2017	2016
Balance as at 1 January	1,384,889	1,298,163
Charged to statement of income	256,375	339,673
Paid	(142,834)	(169,287)
Received from/ (paid to) related parties	816	(83,660)
Balance as at 31 December	1,499,246	1,384,889

19- TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	647,365	872,239
Refundable deposits	4,206,608	3,917,961
Claims provision (Note 24)	6,200,000	5,200,000
Staff bonuses and accrued expenses and leaves	3,328,856	2,609,292
Retention	3,014,090	1,428,862
Due to related parties (Note 28)	1,046,315	960,020
Prepaid rents	1,376,028	1,220,272
Dividends payable	142,929	86,298
KFAS	86,781	88,309
Zakat	102,796	86,396
Others	784,652	695,237
	20,936,420	17,164,886

20- OPERATING REVENUES

	2017	2016
Real estate revenues		
Rent revenues (Note 30.1)	19,037,125	17,638,945
Change in fair value of investment properties (Note 7)	254,653	31,240
	19,291,778	17,670,185
Services activity revenues	1,040,200	624,000
Retail activity revenues	4,573,163	4,430,282
Entertainment activity revenues	4,116,203	3,653,330
	29,021,344	26,377,797

21- OPERATING COSTS

	2017	2016
Staff cost	2,679,924	2,956,744
Sold goods cost	3,296,260	2,721,934
Security and cleaning	933,281	862,766
Depreciation and amortization	716,333	666,294
Investment properties management fees	480,000	480,000
Publicity and advertisement	507,233	584,146
Maintenance fees	999,308	527,750
Electricity and energy	752,488	461,080
Insurance	117,804	96,576
Rents	583,888	281,054
Others	395,449	225,202
	11,461,968	9,863,546

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22- OTHER INCOME

	2017	2016
Engineering consultancy and real estate project management	1,802,863	1,564,435
Car parking and other operating income	909,950	1,195,837
Other	143,489	183,403
	2,856,302	2,943,675

23- GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Staff costs	3,784,784	3,060,532
Professional and consultancy fees	1,070,317	1,042,891
Depreciation and amortization	393,833	164,257
Donations	44,250	72,017
Travel and accommodation expenses	73,677	69,169
Maintenance expenses and information technology	228,538	196,705
Rents	169,713	88,564
Others	430,947	300,768
	6,196,059	4,994,903

24- OTHER EXPENSES

	2017	2016
Impairment of property, plant and equipment (Note 5)	522,393	-
Impairment of lands, real estate and projects under development (Note 6)	1,160,057	-
Impairment of trade and other receivables (Note 11)	50,652	51,239
Provision for claims (Note 19)	1,000,000	-
	2,733,102	51,239

25- INVESTMENTS NET PROFIT

	2017	2016
Profits from sale of available for sale investments	1,252,627	-
Dividends from available for sale investments	1,522,185	707,356
	2,774,812	707,356

26- NET FINANCE COSTS

	2017	2016
Finance cost of Bank facilities	5,099,911	3,868,962
Less:		
Capitalized finance cost for qualifying assets	(815,800)	(83,671)
Credit interest on deposits	(28,545)	(10,488)
Net finance costs	4,255,566	3,774,803

27- INVESTMENTS IN SUBSIDIARIES

27.1 SUBSIDIARIES STATEMENTS

The consolidated financial statements include the financial statements of Tamdeen Shopping Centers Company K.S.C.C and the following subsidiaries (together referred to as "the Group").

	Country of incorporation	Activity	Ownership percentage % 2017	Ownership percentage % 2016
Tamdeen Entertainment Co. K.S.C.C	Kuwait	Entertainment	99.65	99.65
Tamdeen Bahraini Real Estate Co. B.S.C.C	Bahrain	Real Estate	59.00	59.00
GLA property management Co. W.L.L	Kuwait	Services	51.00	98.00
Three Sixty Style Co. K.S.C.C	Kuwait	Trade	92.50	92.50
Spirit for Real Estate Development Company K.S.C.C	Kuwait	Real Estate	90.35	90.35

As mentioned above, the Company has full control over most of its subsidiaries and the only significant non-controlling interests appears in Tamdeen Bahraini Company. Non-controlling interests is 41% as at 31 December 2017 and 2016.

Total assets and liabilities of Tamdeen Bahraini Company amounted to KD 16,123,478 and KD 1,605 respectively as at 31 December 2017 (KD 16,347,277 and KD 3,644 respectively as at 31 December 2016). The revenues and net loss of the Subsidiary amounted to Nil and KD 12,593 respectively for the year ended

31 December 2017 (Nil and KD 15,444 respectively for the year ended 31 December 2016).

27.2 SUBSIDIARIES STATEMENTS

During the year, the Group had sold 47 share of GLA property management Co. to related party, a loss of KD 45,544 have been resulted from this transaction and charged to retained earnings as at 31 December 2017.

28- RELATED PARTIES TRANSACTIONS

The related parties include shareholders who are members in the Board of Directors, key managements, directors and companies in which the major shareholders have significant control. In the Company's ordinary course of business, the Company has entered into transactions with related parties during the year.

The following is the statement of transactions and balances resulting from such transactions:

	2017	2016
Transactions with related parties		
Operation revenues	3,492,630	3,783,334
Consulting income and others	1,928,179	1,676,518
Gains from available for sale investments	1,308,278	502,779
Key management benefits	(208,846)	(238,376)
Board of director remuneration	(50,000)	(50,000)
Management and Consultancy Expenses	(1,832,714)	(1,910,376)
Sale of share in subsidiary	470,000	-
Sale or reduction of the associate's share capital	-	1,155,422
Reduction of available for sale investments	(702,000)	-
Acquisition of lands, properties and projects under development	323,400	393,980
Establishment and acquisition of investments in a subsidiary and an associate	-	69,426
Post-employment benefits	816	(83,660)

	2017	2016
Balances arising from such transactions		
Due from related parties (Note 11)	2,517,174	1,319,889
Cash at investment portfolios (Note 12)	5,773,483	2,471
Due to related parties (Note 19)	1,046,315	960,020
Key management benefits - long term	86,523	75,715
Key management benefits - short term	21,532	8,846

In addition to above, the investment portfolios are managed by a related party on behalf of the Company. Book value of the investment portfolios was amounted to KD 12,342,989 as at 31 December 2017 (KD 13,875,304 as at 31 December 2016).

Transactions with related parties are subject to the approval of the General Assembly of the Shareholders.

29- FUTURE COMMITMENTS AND CONTINGENT LIABILITIES

	2017	2016
Estimated capital expenditure contracted for at the financial position date	9,443,569	10,267,175
Letters of guarantees commitments	2,316,003	2,212,247

30- OPERATING LEASE ARRANGEMENTS

30.1 THE GROUP AS LESSOR

Operating leases are related to real estate investments owned by the Group and leased to others under investment agreements for short and medium terms, which are renewable by mutual consent. The Group is entitled to review the terms before renewal. Revenues were recognized under operating revenues (Note 20).

30.2 THE GROUP AS LESSEE

Operating lease expenses mainly represent utilization rights of the project of Al-Sheikh Jabir Al-Abdullah International Tennis Complex, which expires in 2048. The land together with its constructions shall be devolved at the end of the utilization period to Kuwait Tennis Federation, it also includes rental of shops, stores and entertainment areas. Rental expenses are recognized in operating expenses (Note 21) and general and administrative expenses (Note 23).

Annual contracted payments are as follows:

	2017	2016
During 1 year	924,195	870,803
More than 1 year to 5 years	2,065,855	2,380,772
More than 5 years	7,770,705	7,912,429
	10,760,755	11,164,004