2018 ANNUAL REPORT

تمدين
TAMDEEN
INVESTMENT

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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CHAIRMAN'S LETTER

ESTEEMED SHAREHOLDERS,

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

FOR MYSELF AND ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS OF TAMDEEN INVESTMENT COMPANY, I AM PLEASED TO REVIEW WITH YOU THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED ON THE 31ST OF DECEMBER 2018 AND THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED ON THAT DATE.

ESTEEMED BROTHERS,

Boursa Kuwait general index recorded gains for the third successive year, driven by increasing buying of the shares of major companies. This performance reflected in index of the first market which rose by 9.9% thereby making up for the decline of the main market index by 1.9%, and resulting in a 5.2% gain for the general index for the year. Boursa Kuwait was further supported by being promoted by the FTSE Index to the Emerging Markets class in two stages. In another development, the global rating agencies raised Kuwait's credit rating, with a stable outlook, as a result of the huge efforts made by the Kuwaiti Ministry of Finance and the Central Bank of Kuwait through monetary and financial policies, that contributed to maintaining the stability of the financial economy against the backdrop of the crisis witnessed by the region and the world economy.

Overall, the GCC exchanges outperformed global exchanges during 2018 by achieving an annual growth of 12% in 2018 against a no-growth performance in 2017. However, only four exchanges (Qatar, Abu Dhabi, Saudi Arabia and Kuwait) contributed to this increase, with Qatar rising by 20.8%, Abu Dhabi and Saudi Arabia 11.7% and 8.3% respectively, followed by Boursa Kuwait with a 5.2% gain for the year, while Dubai and Muscat declined by 24.9% and 15.2% respectively.

ESTEEMED BROTHERS,

During 2018, the Board of Directors of Tamdeen Investment Company continued to implement the Company's investment agenda designed to create separate investment arms specialized in various investment fields with a view to diversify the Company's sources of revenue. To this end, Wafra Holding Company, a subsidiary company, has been designated to be the investment arm in the banking sector. Its capital was increased by KD 24 million during the year in order to transfer to Wafra 50% of the shares owned by Tamdeen Investment Company in Ahli United Bank. In the sports sector, the steps of incorporating Tamdeen Sports Company (a subsidiary company) with a capital of KD 1 million were completed. This subsidiary will undertake, in coordination with the Kuwait Tennis Federation, the management of Sheikh Jaber Al-Abdullah Al-Jaber Al Sabah International Tennis Complex, the largest tennis academy in the Middle East.

In the media sector, a new subsidiary, Tamdeen Publicity & Advertising Company was incorporated with a capital of KD 500,000. The new company will carry on business audio and visual publicity and advertising activities. In the field of entertainment, Kuwait Carting Company, another subsidiary, was incorporated with a capital of KD 500,000. This company will manage the Kuwait Carting cars arena in Al-Kout Mall, a key experience at Al-Kout Project, and the largest indoor arena of its kind in the Middle East. Within our expansion drive in the restaurants sector, the International Restaurants Company, a subsidiary, was incorporated with a capital of KD 250,000, to introduce a new vision in innovative restaurants, while a new subsidiary - Spirit Arts Company - was established in the arts sector with a capital of KD 500,000. It will organize celebrations and events that accompany Tamdeen Group's sports and entertainment activities.

Financially speaking, Tamdeen Investment Company's revenues from its investments, particularly in the banking sector, represented by its holding in Ahli United Bank, and in the petrochemicals sector through its investment in Boubyan Petrochemicals. Cash dividends received during 2018 amounted to KD 8.9 million compared to KD 8.4 million in 2017.

Regarding the performance of our subsidiary companies, Tamdeen Franchises Holding Company achieved a net profit of KD 3.4 million in 2018, thereby underlining the strength and soundness of the Company's assets and investments, including its investment in Kuwait National Cinema Company. In 2018, too, Tamdeen Foods Company opened three new restaurants for the first time in the State of Kuwait at Al-Kout Mall: Black Tab Restaurant, Bianca Restaurant and More & Glow Restaurant and Coffeshop. A second Branch of Black Tab Restaurant was also opened at Mall 360. All these restaurants are well-known international brands.

At the level of our associate companies, Manshar Real Estate Company opened "Al-Kout Mall", an experience of Al-Kout Project, the largest shopping and amusement center in the Southern part of the State of Kuwait. Al-Kout Mall features contemporary architectural designs and a spacious environment that serves the Southern areas and all the inhabitants of the State of Kuwait as well as visitors from abroad. The Mall enriches the experience of family shopping by giving it a measure of both enjoyment and amusement, a key factor in increasing the operating revenues of Tamdeen Investment Company, starting in 2019.

ESTEEMED BROTHERS,

During 2018, the Company achieved a net profit of KD 7.4 million, with some earnings per share of 21.53 Fils, compared to KD 6.7 million and 19.49 Fils respectively in 2017.

The Company's total assets amounted to KD 293 million in 2018 against 277 million in 2017, while total liabilities amounted to KD 92.7 million in 2018 compared to KD 91 million in 2017. At the end of 2018, shareholders' equity stood at KD 190 million against KD 175 million on the 31st of December 2017.

In preparing the Company's financial statements, the requirements of the international financial reports standards and all the laws and regulations of the supervision authorities were fully observed to ensure sound and proper reporting.

In 2019, the Board of Directors will make all possible efforts to continue to implement the Company's conservative investment policies that have been carefully drawn by Tamdeen Group in order to preserve and grow the Company's assets.

Reaffirming the success of the policies and goals drawn by the Board of Directors of Tamdeen Investment Company, we are pleased to recommend to the General Assembly the distribution of a cash dividend to the shareholders at the rate of12% of the nominal value of each share, i.e.12 Fils per share for the financial year ended on the 31st of December 2018, and further recommend the payment of a remuneration to the members of the Board of Directors in a total amount of KD 50,000 for the year 2018.

ESTEEMED BROTHERS,

For myself and on behalf of the Board of Directors, I would like to seize this opportunity to express my deepest thanks and appreciation to His Highness the Amir, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmed Al-Jaber Al-Sabah and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al-Saba. I also wish to thank our esteemed shareholders for their valuable confidence and support.

In conclusion, I wish to extend my thanks and appreciation to the members of our Board of Directors and all the employees of the Company for their unrelenting and fruitful efforts that enabled the Company to achieve good results in 2018.

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

NAWAF AHMAD AL MARZOUQ
CHAIRMAN OF THE
BOARD OF DIRECTORS

BOARD OF DIRECTORS

Nawaf Ahmad Al Marzouq
CHAIRMAN OF THE BOARD OF DIRECTORS

Ahmed Dakhil Al Osaimi
VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Salah Abdulaziz Al Bahar
BOARD MEMBER

Abdulaziz Abdullah Al Ghanim
INDEPENDENT MEMBER

Talal Yousef Al Marzouq
BOARD MEMBER

Azzam Hamzah Al Homaidi
SECRETARY OF THE BOARD OF DIRECTORS

EXECUTIVE MANAGEMENT

Mohammed Mustafa Al Marzouq
CHIEF EXECUTIVE OFFICER

Nabil Abdulmoti Sulaiman
DEPUTY GENERAL MANAGER FOR FINANCIAL AFFAIRS

Sanaa Mousa
INVESTMENT PORTFOLIOS MANAGER

Azzam Hamzah Al Homaidi
ADMINISTRATIVE AFFAIRS MANAGER

Nashmiah Al Hadiyyah
COORDINATION AND FOLLOW-UP MANAGER

CORPORATE GOVERNANCE REPORT

BRIEF OUTLINE OF THE GROUP'S CORPORATE GOVERNANCE

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

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

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

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

UNDERTAKING OF THE BOARD OF DIRECTORS

We, the chairman and members of the Board of Directors of Tamdeen Investment Company, hereby declare and warrant the accuracy and integrity of the financial statements as of 31 December 2018, and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait according to such information and reports as have been received by us from the Executive Management, auditors and that due care has been made to verify the integrity and accuracy of those reports.

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

UNDERTAKING OF THE EXECUTIVE MANAGEMENT

The Chairman and Members of the Board of Directors Of Tamdeen Investment Company

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwaiti Capital Markets Authority, we undertake and warrant that the consolidated financial statements of Tamdeen Investment Company KSC (Public), the parent company and its subsidiary companies (hereinafter referred to as ""the Group") for the financial year ended 31 December 2018, are presented in a sound and fair manner, that they show all the financial aspects of the company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.

Mohammed Mustafa Al Marzouq Chief Executive Officer	Nabil Abdulmoti Sulaiman Finance Manager

STRUCTURE OF THE BOARD OF DIRECTORS

Member Name	Classification of the Member / Secretary	Academic Qualification & Practical Experience	Date of Election / Appointment
Nawaf Ahmad Al Marzouq	Chairman of the Board of Directors	Bachelor of Economics and Business Administration / 18 years	31 May 2016
Ahmed Dakhil Al Osaimi	Deputy Chairman of the Board of Directors	Bachelor of Business Administration and Finance / 13 years	31 May 2016
Talal Yousef Al Marzouq	Member of the Board of Directors	Political Science and History / 23 years	31 May 2016
Abdulaziz Abdullah Al Ghanim	Independent Member of the Board of Directors	Bachelor of Commerce - Accounting / 17 years	31 May 2016
Salah Abdulaziz Al Bahar	Member of the Board of Directors	University - Organizational Assistant and Personnel / 24 years	31 May 2016
Azzam Hamzah Al Homaidi	Secretary of the Board of Directors	General Secondary / 14 years	31 May 2016

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

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

EXECUTIVE MANAGEMENT CHARTER

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

- The Company's Executive Management, represented by the Chief Executive Officer and key executives, executes a set of functions that may be summarized as follows:
- Execution of all policies, regulations and internal regulations of the company as approved by the Board of Directors.
- Execution of the strategy adopted by the Board of Directors.
- Preparing periodical financial and non-financial reports on the progress of the company's activities in light of the strategic plans and objectives of the company, and submitting those reports to the Board of Directors.
- Drawing an integrated accounting system that ensures the keeping of books, registers and accounts that reflect in a detailed and accurate manner the financial data and revenue accounts in such way as to safeguard the company's assets.
- Preparing the financial statements according to the International Accounting Standards approved by the Capital Markets Authority.
- Undertaking the daily management of the business and administration of the activity, managing the company's resources in an optimum manner and seeking to maximize profits and minimize expenses in accordance with the company's objectives and strategy.
- Effectively participate to the building and development of moral values within the company.
- Lay down an internal control system and risk management system, ensuring the effectiveness and adequacy of those systems while observing the risk aptitude approved by the Board of Directors.

MEETINGS OF THE BOARD OF DIRECTORS DURING 2018

Meeting Date	Meeting Number	Number of Attendees
22 / 02 / 2018	(1/2018)	5
24 / 04 / 2018	(2/2018)	5
10 / 05 / 2018	(3/2018)	5
05 / 08 / 2018	(4/2018)	4
16 / 09 / 2018	(5/2018)	5
01 / 11 / 2018	(6/2018)	5

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

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

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

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

ACHIEVEMENTS OF THE BOARD OF DIRECTORS

- Approval and follow-up implementation of the Company's objectives and strategies.
- Studying and approving the policies and procedures related to all the departments of the company.
- Applying the requirements of the Capital Markets Authority concerning corporate governance, which requires the following:
  - Pursuance of Board of Directors Committees and determining their functions and powers.
  - Pursuance of an internal audit unit within the organization structure, reporting to the Internal Audit Committee and approving the mechanism of its operation.
  - Pursuance of a risk management unit reporting to the Board of Directors and approving the work mechanism thereof.
  - Approving the governance report for the year 2017

BOARD OF DIRECTORS COMMITTEES

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

NOMINATIONS AND REMUNERATION COMMITTEE

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

Also, job descriptions and key performance indicators (KPI) of the members of the Board of Directors and Executive Management were approved during 2018 and the annual assessment was prepared according to the assessment results. Based on the concept of comprehensive self-evaluation by the members, were the overall performance is measured in a neutral and objective manner, helping to avoid mistakes and to correct the imbalance that hinders the application of corporate governance property.

FORMATION

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

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

MEETINGS DURING 2018

Meeting Date	Minutes No.	Number of Attendees
21 / 01 / 2018	(01 / 2018)	3
03 / 12 / 2018	(02 / 2018)	3

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

Senior Management Benefits	2018
Remuneration of the executive management	22,564
Remuneration of the members of the Board of Directors	50,000

There is a proposal to the General Assembly to pay remuneration to the members of the Board of Directors in the amount of KD 50,000 for the year ended 31 December 2018. This proposal is subject to approval by the general assembly of the shareholders.

THE AUDIT COMMITTEE

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

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

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

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

FORMATION

The Audit Committee was constituted in June 2016 as follows, and its current term coincides with the term of the Board of Directors.

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

MEETINGS DURING 2017

Meeting Date	Minutes No.	Number of Attendees
19 / 02 / 2018	(01 / 2018)	7
08 / 05 / 2018	(02 / 2018)	7
01 / 08 / 2018	(03 / 2018)	7
01 / 11 / 2018	(04 / 2018)	7

INTERNAL AUDIT OFFICE

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

RISK MANAGEMENT COMMITTEE

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

FORMATION

The Risk Management Committee was constituted in June 2016 as follows, and its current term coincides with the term of the Board of Directors.

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

MEETINGS DURING 2017

Meeting Date	Minutes No.	Number of Attendees
08 / 04 / 2018	(01 / 2018)	3
09 / 07 / 2018	(02 / 2018)	3
02 / 10 / 2018	(03 / 2018)	3
23 / 10 / 2018	(04 / 2018)	3
25 / 12 / 2018	(05 / 2018)	3

RISK MANAGEMENT OFFICE

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

INTERNAL CONTROL AND SUPERVISION SYSTEMS

Tamdeen Real Estate Company relies on a set of internal control and supervision systems that cover all the activities and management of the company in order to maintain the financial integrity of the company's financial position, accuracy of data as well as the efficiency of its operations in various aspects.The organizational structure of the company reflects four eyes principle, including proper identification of authorities and responsibilities, separation of duties, non-conflict of interests, checking, four eyes principles and dual signature.

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

PROFESSIONAL CONDUCT AND MORAL VALUES

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

STAKEHOLDERS

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

TRAINING SESSIONS

Tamdeen Real Estate Company guarantees training requirements to the members of the Board of Directors and Executive Management in order to promote relevant skills and knowledge as well as to achieve a better performance and competence. During the year, workshops and training sessions were held for the Board and Executive Management on money laundering, terrorist financing and corporate governance.

POLICY OF REPORTING VIOLATIONS AND EXCESSES

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

RESPECT FOR THE RIGHTS OF SHAREHOLDERS

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

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

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

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

INVESTORS AFFAIRS UNIT

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

DISCLOSURE AND TRANSPARENCY

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

KEEPING SHAREHOLDERS' RECORDS

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

COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

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

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

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY POLICY

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

BRIEF ON THE ADOPTED PROGRAMS AND MECHANISMS

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

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

PARTNERSHIPS

LOYAC

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

LOYAC targets young people aged between 5 and 30 through educational, training and volunteer programs, it also propels the youth to take initiatives, innovate and find solutions to social challenges.

SPONSORSHIP

Protégés Program

In 2018 the eighth generation of protégés was launched in Kuwait, that is positively influence youth aged between 16-24 years, and drive them to the realization of their potential through self-Improvement. It is an all- inclusive program that combines workshops and lectures inside and outside Kuwait, all guided by a group of the most talented experts and influentials across multiple fields

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

Dar Al Athar Al Islamiyyah - DAI

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

"Nuqat"

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Tamdeen Investment Company – K.S.C.P ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the state of Kuwait.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT OF INVESTMENTS IN ASSOCIATES

The investments in associates are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. The Group carries investment in an associate amounting to KD 58,756,891 which represents 20% of the total assets (KD 58,367,412 which represents 21% - 31 December 2017) in a listed entity.

The carrying value also include goodwill as disclosed in note 8 of the consolidated financial statements. Management used value in use method to assess whether there is impairment in investment in associate. Assessment of value in use include significant judgments and estimates concerning furture cash flows, growth rates concerning the management's view of future business prospects and associated discount rates etc. Accordingly, we consider this as a key audit matter.

We used internal valuation specialists to review the valuation methodolgy used in the assessment of of the recoverable value and challenged the key assumptions including the estimated future cash flows, growth rates and discount rates applied to the investment in associate by comparing these against industry benchmarks, our understanding of the future prospects of the business and the accuracy of the historical forecasts. We have perofrmed sensitivity analysis to assess the risk of impairment to changes in those assumptions.

We also assessed the adequacy of the Group's disclosure in note 4 and 8 of the consolidated financial statements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditors' report thereon. The annual report for the year 2018 is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

We also provide Those Charged With Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968 as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business and its related regulations or of the provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and it's related regulations during the year ended 31 December 2018, that might have had a material effect on the business of the Group or on its consolidated financial position.

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

Kuwait, 18 March 2019

Dr. Saad Munir Al-Muhanna
Licence No. 29A
Al-Muhanna & Co.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2018	2017
Assets			
Cash and cash equivalents	5	28,109,632	26,489,587
Receivables and other assets	6	3,671,442	2,047,733
Investment securities	7	149,449,232	138,095,242
Investments in associates	8	110,989,974	109,737,346
Property and equipment		1,220,857	239,307
Total assets		293,441,137	276,609,215
Liabilities and equity			
Liabilities			
Accounts payable	9	2,063,828	1,158,585
Bank facilities	10	90,422,000	89,707,500
End of service indemnity		258,319	173,520
Total liabilities		92,744,147	91,039,605
Equity			
Share capital	11	34,506,371	34,506,371
Share premium		15,672,351	15,672,351
Treasury shares	12	(527,088)	(445,960)
Gain on sale of treasury shares		6,886,779	6,886,779
Statutory reserve	13	8,366,955	7,602,791
Fair value reserve		84,497,875	71,548,163
Group's share in associates' reserves		148,502	1,166,471
Retained earnings		40,491,537	37,980,486
Equity attributable to Parent Company's shareholders		190,043,282	174,917,452
Non-controlling interests		10,653,708	10,652,158
Total equity		200,696,990	185,569,610
Total liabilities and equity		293,441,137	276,609,215

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

Nawaf Ahmad Al Marzouq
Chairman

Ahmed Dakhil Al Osaimi
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2018	2017
Revenues			
Net investments income	15	8,812,824	7,744,977
Group's share from associates' results	8	4,792,167	4,219,035
Profit from other operations (net)		226,164	-
Management fees		66,761	71,173
Other income	16	494,924	231,133
		14,392,840	12,266,318
Expenses			
Staff costs		978,160	465,840
Other expenses		2,239,752	1,034,322
Finance charges		3,691,520	3,498,111
Foreign currency exchange differences		(159,778)	312,724
		6,749,654	5,310,997
Profit for the year before deductions		7,643,186	6,955,321
Kuwait Foundation for Advancement of Science		-	2,911
National Labour Support Tax		150,255	137,251
Zakat		47,241	52,312
Board of Directors' remuneration		50,000	50,000
Net profit for the year		7,395,690	6,712,847
Distributed as follows:			
Parent Company's shareholders		7,394,140	6,710,206
Non-controlling interests		1,550	2,641
		7,395,690	6,712,847
Earnings per share attributable to the Parent Company's shareholders (fils)	17	21.53	19.49

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	2018	2017
Net profit for the year	7,395,690	6,712,847
Other comprehensive income items:		
Items that may be reclassified subsequently to statement of income:		
Transferred to statement of income on sale of investments available for sale	-	(662,686)
Change in fair value of investments available for sale	-	13,302,788
Group's share in associates' reserves	(851,851)	(353,116)
	(851,851)	12,286,986
Items that may not be reclassified subsequently to statement of income:		
Change in fair value of investments in equity instruments at fair value through statement of other comprehensive income	12,949,712	-
Group's share in associates' reserves	(207,947)	-
	12,741,765	-
Total other comprehensive income items	11,889,914	12,286,986
Total comprehensive income for the year	19,285,604	18,999,833
Distributed as follows:		
Parent Company's shareholders	19,284,054	18,997,192
Non-controlling interests	1,550	2,641
	19,285,604	18,999,833

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Equity attributed to the Parent Company's shareholders										
	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Statutory reserve	Change in fair value reserve	Group's share in associates' reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2017	**34,506,371**	15,672,351	**(34,476)**	**6,886,779**	**6,907,523**	**58,908,061**	**1,519,587**	**35,411,976**	**159,778,172**	**10,649,517**	**170,427,689**
Net profit for the year	-	-	-	-	-	-	-	6,710,206	6,710,206	2,641	6,712,847
Total comprehensive loss for the year	-	-	-	-	-	12,640,102	(353,116)	-	12,286,986	-	12,286,986
Cash dividends	-	-	-	-	-	-	-	(3,446,428)	(3,446,428)	-	(3,446,428)
Purchase of treasury shares	-	-	(411,484)	-	-	-	-	-	(411,484)	-	(411,484)
Transferred to statutory reserve	-	-	-	-	695,268	-	-	(695,268)	-	-	-
Balance as at 31 December 2017	**34,506,371**	**15,672,351**	**(445,960)**	**6,886,779**	**7,602,791**	**71,548,163**	**1,166,471**	**37,980,486**	**174,917,452**	**10,652,158**	**185,569,610**
Balance as at 1 January 2018	34,506,371	15,672,351	(445,960)	6,886,779	7,602,791	71,548,163	1,166,471	37,980,486	174,917,452	10,652,158	185,569,610
Group's share of impact on adoption of IFRS 9 in associates	-	-	-	-	-	-	41,829	(18,325)	23,504	-	23,504
Balance as at 1 January 2018 (restated)	34,506,371	15,672,351	(445,960)	6,886,779	7,602,791	71,548,163	1,208,300	37,962,161	174,940,956	10,652,158	185,593,114
Net profit for the year	-	-	-	-	-	-	-	7,394,140	7,394,140	1,550	7,395,690
Total comprehensive income/ (loss) for the year	-	-	-	-	-	12,949,712	(1,059,798)	-	11,889,914	-	11,889,914
Cash dividends (note 14)	-	-	-	-	-	-	-	(4,121,727)	(4,121,727)	-	(4,121,727)
Purchase of treasury shares	-	-	(81,128)	-	-	-	-	-	(81,128)	-	(81,128)
Group's share of impact on RE adjustment in associate	-	-	-	-	-	-	-	21,127	21,127	-	21,127
Transferred to statutory reserve	-	-	-	-	763,164	-	-	(764,164)	-	-	-
Balance as at 31 December 2018	**34,506,371**	**15,672,351**	**(527,088)**	**6,886,779**	**8,366,955**	**84,497,875**	**148,502**	**40,491,537**	**190,043,282**	**10,653,708**	**200,696,990**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2018	2017
Cash flows from operating activities			
Net profit for the year		7,395,690	6,712,847
Adjustments:			
Net investments income		(8,812,824)	(7,744,977)
Group's share from associates' results		(4,792,167)	(4,219,035)
Interest income		(432,873)	(197,023)
Finance charges		3,691,520	3,498,111
Depreciation and amortization		82,271	20,117
End of service indemnity		84,799	24,226
Operating loss before changes in operating assets and liabilities		(2,783,584)	(1,905,734)
Receivables		(1,616,646)	(1,306,857)
Accounts payable		828,531	175,682
End of service indemnity paid		-	(1,371)
Net cash used in operating activities		(3,571,699)	(3,038,280)
Cash flows from investing activities			
Paid for purchase of investments at fair value through other comprehensive inome		(187,187)	-
Proceeds on sale of investments at fair value through other comprehensive inome		1,782,909	-
Dividends received from investments at fair value through other comprehensive inome		8,912,824	-
Paid for purchase of investments available for sale		-	(58,500)
Proceeds on sale of investments available for sale		-	2,797,506
Dividends received from investments available for sale		-	8,361,301
Dividends received from an associate		2,424,372	2,336,212
Paid for purchase of properties and equipment		(1,063,821)	(37,645)
Interest income received		425,810	159,336
Net cash generated from investing activities		12,294,907	13,558,210
Cash flows from financing activities			
Cash dividends paid		(4,106,871)	(3,446,428)
Paid for purchase of treasury shares		(81,128)	(411,484)
Net movement on bank facilities		714,500	4,715,500
Finance charges paid		(3,629,664)	(3,492,619)
Net cash used in financing activities		(7,103,163)	(2,635,031)
Increase in cash and cash equivalents		1,620,045	7,884,899
Cash and cash equivalents at the beginning of the year		26,489,587	18,604,688
Cash and cash equivalents at the end of the year	5	28,109,632	26,489,587

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

1- BACKGROUND ON THE GROUP

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

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

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

Tamdeen Real Estate Company K.S.C.P owns 55.94% equities of Parent Company as at 31 December 2018 (55.94% - 2017).

The consolidated financial statements have been authorized for issuance by the Board of Directors on 18 March 2019 The ordinary general assembly for the shareholders of the Parent Company has the authority to amend the consolidated financial statements after issuance.

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on financing facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements are prepared under the historical cost convention modified to include certain financial assets that are measured at fair values.

2-2 CHANGE IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with customers effective from 1 January 2018.

<u>2-2-1 New and amended IFRS that are effective from 1 January 2018</u>

IFRS 9: Financial Instruments

The Group has adopted IFRS 9: Financial Instruments issued in July 2014, with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Mesasurement. IFRS 9 brings fundamental changes to the accounting for financial instruments: classification and measurement, impairment and hedge accounting and certain aspects of the accounting for financial liabilities. Except for hedge accounting, retrospective application is required but restating comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group's accounting policies on financial instruments resulting from the adoption of IFRS 9 are summarized below.

RECOGNITION AND DERECOGNITION

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchase and sale of financial assets are recognized using trade date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the Group's obligation specified in the contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as at fair value through profit or loss. Transaction costs on financial assets classified as at fair value through profit or loss are recognised in the consolidated statement of income.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS

The Group determines classification and measurement category of financial assets based on a combination of the entity's business model for managing the assets and the instrument's contractual cash flow characteristics except equity instruments and derivatives.

THE BUSINESS MODEL ASSESSMENT:

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

CONTRACTUAL CASH FLOW ASSESSMENT

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cashflows and to sell the financial instrument, the Group assesses whether the financial instrument's cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of 'interest' within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and interest margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets are classified into following categories under IFRS 9:

- Amortised cost (AC)
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit and Loss (FVTPL)

AMORTISED COST (AC)

The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.
- Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of income.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

EQUITY INSTRUMENTS AT FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments at FVOCI are subsequently measured at their fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses are reclassified from OCI to retained earnings in the consolidated statement of changes in equity.

FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as FVTPL.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of income. Interest income and dividends are recognised in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

FINANCIAL LIABILITIES

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from Group's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of income.

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The expected credit loss of a financial instrument is measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating range of possible outcomes; the time value of money; and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments except investments in equity instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

STAGE 1: 12 MONTHS ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition, or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

STAGE 2: LIFETIME ECL – NOT CREDIT IMPAIRED

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

STAGE 3: LIFETIME ECL – CREDIT IMPAIRED.

A financial asset is considered as credit impaired when there is objective evidence that the amount due under the financial asset is uncollectible. The Group considers a financial asset as credit impaired if the amount due under the financial instrument is overdue by more than 90 days, or if it is known that the counter party has any known difficulties in payment, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. Lifetime ECL are recognized as the difference between the financial asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group applies the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component are categorised under stage 2 and lifetime ECL is recognised.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

TRANSITION

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

(a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The determination of the business model within which a financial asset is held and the SPPI test for the assessment of contractual cash flows have been made on the basis of the facts and circumstances that existed at the date of initial application:

FINANCIAL IMPACT OF APPLICATION IFRS 9

The Group's management has assessed that the impact of the application of IFRS 9 as of 1 January and 31 December 2018 is not significant to the financial statements and therefore, no adjustments were made to the financial assets, financial liabilities and retained earnings as of 1 January 2018 and profit for the year ended 31 December 2018 except that the Group's share from associates' impact from adoption of IFRS 9 amounted to KD 28,272.

FINANCIAL INSTRUMENTS (EFFECTIVE UP TO 31 DECEMEMBER 2017)

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

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

FINANCIAL ASSETS

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

LOANS AND RECEIVABLES

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

AVAILABLE FOR SALE (AFS)

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

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

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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

IMPAIRMENT IN VALUE

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

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

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

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

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

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

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

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

DERECOGNITION

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

FINANCIAL LIABILITIES

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

DERECOGNITION

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

2-2-2 IFRS 15: revenue from contracts with customers

iFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It established a new five-step model that will apply to revenue arising from contracts with customers as follows:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers and accordingly there is no impact on the consolidated financial statements of the Group.

2-3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 16: LEASES

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is in the process of evaluating the impact of IFRS 16 on the Group's financial statements.

2-4 BASIS OF CONSOLIDATION

SUBSIDIARIES

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

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

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

BUSINESS COMBINATIONS

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

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

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

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

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

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

GOODWILL

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

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

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

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

INVESTMENTS IN ASSOCIATES

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

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

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

The requirements of IAS 28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" (Note 4).

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

2-5 PROPERTY AND EQUIPMENT

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

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

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

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

2-6 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

2-7 PROVISIONS

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

2-8 END OF SERVICE INDEMNITY

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

2-9 TREASURY SHARES

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

2-10 REVENUE RECOGNITION

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

Dividend income is recognized when the Group's right to receive dividends is established.

Interest income from deposits is recognized on effective interest method.

Portfolio and fund management fees is recognised over the period of time when the service is provided.

2-11 LEASES

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

The Group as lessor

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

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

The Group as lessee

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

2-12 BORROWING COSTS

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

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

2-13 FOREIGN CURRENCIES

Functional and presentation currency

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

Transactions and balances

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

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

2-14 DIVIDENDS

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

2-15 FIDUCIARY ASSETS

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

3- FINANCIAL RISK MANAGEMENT

3-1 FINANCIAL RISK FACTORS

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

a. MARKET RISK

Foreign currency risk

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

Had the US Dollar changed against the Kuwaiti Dinar by 5%, the Group's equity would have changed by KD 6,569,043 as at 31 December 2018 (KD 6,075,361 - 2017).

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

	2018	2017
US Dollar / Surplus	154,508,864	144,771,803

Equity price risk

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

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

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

	Impact on equity	
	2018	2017
Index of the Kuwait Stock Exchange	686,117	600,684
Index of the Bahrain Stock Exchange	6,310,077	6,048,712

Interest rate risk

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

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

As at 31 December 2018, had the interest rates increased by 0.5% with all other variables held constant, the net profit would have decreased by KD 184,576 (KD 174,906 - 2017).

b. CREDIT RISK

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

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

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

c. LIQUIDITY RISK

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

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

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

3-2 CAPITAL RISK MANAGEMENT

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

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

The gearing ratio as at 31 December:

	2018	2017
Total Borrowings	90,422,000	89,707,500
Less: cash and cash equivalents	(28,109,632)	(26,489,587)
Net debt	62,312,368	63,217,913
Total equity	200,696,990	185,569,610
Total capital	263,009,358	248,787,523
Gearing ratio (%)	24	25

3-3 FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level one: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level two: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level three: unobservable inputs for the asset or liability.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets	31/12/2018	31/12/2017				
Investments at fair value through statement of other comprehensive income						
Quoted Shares	144,412,700	-	1	Last bid price	-	-
Unquoted shares	5,036,533	-	3	Market comparative and adjusted book value	Discount rates and Book value adjusted with market risk	The higher discount rate and market risk the lower the fair value
Investments available for sale						
Quoted Shares	-	132,987,900	1	Last bid price	-	-
Unquoted shares	-	2,314,014	3	Adjusted book value	Book value adjusted with market risk	The higher market risk the lower the fair value

Reconciliation of Level 3 fair value measurements

	Unquoted investments available for sale	
	2018	2017
Balance as at 1 January	2,314,014	3,547,787
Transfers into level 3	2,793,328	7,500
Change in fair value during the year	(70,809)	-
Impairment – charged to statement of income	-	(814,837)
Transfers out of level 3	-	(426,436)
Balance as at 31 December	5,036,533	2,314,014

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

4- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

JUDGEMENTS:

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

Classification of investments in equity instruments - IFRS 9 (Effective from 1 January 2018)

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

The Group has designated all investments in equity instruments as at FVTOCI as these investments are strategic investments and are not held for trading.

Classification of investments (effective up to 31 December 2017)

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

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

SOURCES OF ESTIMATION UNCERTAINTY

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

Fair value measurements and valuation techniques

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

Evidence of impairment of investments (effective up to 31 December 2017)

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

Impairment of associates

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

The recoverable amount of the investment in Kuwait National Cinema Company KSCP has been determined based on value-in-use calculations, using cash flow projections based on financial budgets covering a 4-year period (2019 to 2022) and discount rate (average percentage of a weighted cost of capital) of 10%, annual growth rate of 4% and terminal growth rate of 2.75%. The discount rate reflects the current market assessment of the risk specific to Kuwait National Cinema Company.

5- CASH AND CASH EQUIVALENTS

	2018	2017
Current accounts at banks	5,731,151	4,796,648
Time deposits (less than 3 months)	22,366,952	21,687,357
Cash in portfolios	1,658	4,882
Cash on hand	9,871	700
	28,109,632	26,489,587

The effective interest rate on time deposits is 2.2% as at 31 December 2018 (1.25% - 2017).

6- RECEIVABLES & OTHER ASSETS

	2018	2017
Due from customers' portfolios	20,847	29,595
Prepayments	552,267	23,899
Due from related parties (Note 18)	600,123	-
Paid for incorporation of a subsidiary	500,000	1,000,000
Advance to acquire properties	830,000	830,000
Advances for suppliers	913,238	-
Others	254,967	164,239
	3,671,442	2,047,733

Accounts receivables do not include impaired balances as at 31 December 2018 and 2017.

7- INVESTMENT SECURITIES

INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF OTHER COMPREHENSIVE INCOME:

	2018	2017
Investment in foreign securities – Quoted	130,690,354	-
Investment in local securities – Quoted	13,722,345	-
Investment in local securities – Unquoted	3,447,947	-
Investment in foreign securities – Unquoted	1,588,586	-
	149,449,232	-

INVESTMENTS AVAILABLE FOR SALE

	2018	2017
Investment in foreign securities – Quoted	-	120,974,230
Investment in local securities – Quoted	-	12,013,670
Investment in local securities – Unquoted	-	3,293,328
Investment in foreign securities – Unquoted	-	1,814,014
	-	138,095,242
	149,449,232	138,095,242

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

Investments in equity instruments which are not held for trading has been classified as at FVTOCI, for which the Group has made an irrevocable election at initial recognition to recognise its changes in fair value through OCI rather than statement of income as these are strategic investments and the Group considered this to be more relevant.

During the year, the Group disposed part of an investment classified at fair value through other comprehensive income. The fair value of the disposed shares as at the date of de-recognition is KD 1,783,000 and the related cumulative gain of KD 1,105,214 carried in fair value reserve.

Certain investments are pledged against bank facilities (Note 10).

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

	2018	2017
US Dollar	130,690,354	120,974,230
Kuwaiti Dinar	17,170,292	15,306,998
Other currencies	1,588,586	1,814,014
	149,449,232	138,095,242

8- INVESTMENTS IN ASSOCIATES

Company name	Country of incorporation	Main Activity	2018		2017	
			%	Carrying Value	%	Carrying Value
Manshar Real Estate Co. KSCC	Kuwait	Real estate	50	17,165,277	50	15,998,517
Kuwait National Cinema Co. KSCP	Kuwait	Entertainment	46.75	58,756,891	46.75	58,367,412
Tamdeen Pearl Real Estate Co. KSCC	Kuwait	Real estate	30.74	27,562,985	30.74	27,560,352
Others				7,504,821		7,811,065
				110,989,974		109,737,346

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

The Group's share in associates' results is based on the audited financial statements amounted to KD 4,792,167 for the year ended 31 December 2018 (KD 4,219,035 - 2017).

Investment securities in Kuwait National Cinema Company (KSCP) is partially pledged against bank facilities as at 31 December 2018 (Note 10).

The associates are not listed in active markets except for Kuwait National Cinema Company KSCP for which the fair value of the Group's investment amounted at KD 47,120,980 as at 31 December 2018 (KD 59,948,113 – 2017). Management believes that the carrying amount of investment in Kuwait National Cinema is not impaired based on assessment of its recoverable value estimated using the value in-use method (Note 4).

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

Manshar Real Estate Co. - KSCC

	2018	2017
Current assets	7,998,964	8,703,219
Non-current assets	155,307,789	136,676,645
Current liabilities	42,756,325	28,169,094
Non-current liabilities	86,219,875	85,213,736

	2018	2017
Revenues	6,944,002	1,948,388
Total comprehensive (loss)/ income for the year	2,390,065	(659,863)

	2018	2017
Net assets of the associate	34,330,554	31,997,034
Carrying value (ownership 50%)	17,165,277	15,998,517

Kuwait National Cinema Co. – KSCP

	2018	2017
Current assets	37,209,404	36,446,781
Non-current assets	90,045,435	90,400,934
Current liabilities	35,371,303	34,408,194
Non-current liabilities	1,893,452	1,652,353
Non-controling interest	36,124	32,558

	2018	2017
Revenues	16,666,657	17,850,613
Profit for the year	8,340,685	10,167,707
Other comprehensive income for the year	(2,582,556)	(855,585)
Total comprehensive income for the year	5,758,129	9,312,122
Cash dividends collected from associate during the year	2,424,372	2,336,212

	2018	2017
Net assets of the associate	89,953,960	90,787,168
Ownership interest %	47.53	46.75
Ownership interest	42,752,643	42,442,976
Goodwill	16,004,248	15,924,436
Carrying value	58,756,891	58,367,412

Tamdeen Pearl Real Estate Co. – KSCC

	2018	2017
Total assets	106,818,910	91,198,816
Total liabilities	16,952,733	1,542,495
Non-controlling interest	201,294	201,380

	2018	2017
Revenues	43,569	50,000
Total comprehensive income for the year	8,562	21,504

	2018	2017
Net assets of the associate	89,664,883	89,656,321
Carrying value (ownership 30.74%)	27,562,985	27,560,352

Aggregate information of associates that are not individually material

	2018	2017
The Group's share of loss from continuing operations	(338,325)	(213,030)
The Group's share of other comprehensive income for the year	2,670	1,433
The Group's share of total comprehensive income / (loss) for the year	(335,655)	(211,597)
Aggregate carrying amount of the Group's interest in these associate	7,504,821	7,811,065

9- ACCOUNTS PAYABLE

	2018	2017
Payables	513,733	-
Accrued expenses	860,714	567,211
Kuwait Foundation for Advancement of Science	-	2,911
National Labour Support Tax	150,255	137,251
Zakat	47,241	52,312
Due to related parties (Note 18)	42,914	45,867
Others	448,971	353,033
	2,063,828	1,158,585

10- BANK FACILITIES

	2018	2017
Term loans	90,422,000	89,707,500
Effective interest rate on borrowings (%)	4.05	3.97

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

	2018	2017
Investments at fair value through statement of other comprehensive income (Note 7)	93,547,343	-
Investments available for sale (Note 7)	-	99,940,276
Investment in an associate (Note 8)	34,124,175	27,806,935
	127,671,518	127,747,211

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

11- SHARE CAPITAL

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

12- TREASURY SHARES

	2018	2017
Number of shares (share)	1,816,561	1,528,295
Percentage to issued shares (%)	0.53	0.44
Market value	508,637	458,488

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

13- STATUTORY RESERVE

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

14- DIVIDENDS

On 18 March 2019, the Parent Company's Board of Directors proposed payment of cash dividends of 12 fils per share for the year ended 31 December 2018 (12 fils per share – 2017), also proposed remuneration for the Parent Company's Board of Directors of KD 50,000 for the year then ended (KD 50,000 – 2017). These proposals are subject to shareholders' approval.

On 11 April 2018, the General Assembly of shareholders of the Parent Company approved the consolidated financial statements for the year ended 31 December 2017 and approved Board of Directors' proposal of distributing cash dividends of 12 fils per share for the year ended 31 December 2017, and Board of Directors' remuneration of KD 50,000 for the same year.

15- NET INVESTMENTS INCOME

This represents cash dividends on investments at FVTOCI amounting to KD 8,912,824 and impairment losses from investments in associates amounting to KD 100,000 (2017- cash dividends, gain on sale of available for sale investments, available for sale impairment losses and impairment losses from investments in subsidiaries and associates amounting to KD 8,361,301, KD 398,513, KD 814,837 and KD 200,000 respectively).

16- OTHER INCOME

	2018	2017
Interest income	432,874	197,023
Others	62,050	34,110
	494,924	231,133

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

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

	2018	2017
Net profit for the year attributable to the Parent Company's shareholders	7,394,140	6,710,206
Weighted average number of outstanding shares (share)	343,424,630	344,242,210
Earnings per share (fils)	21.53	19.49

18- RELATED PARTY TRANSACTIONS

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

	2018	2017
Transactions		
Management fees	56,409	49,237
Salaries and key management compensation	218,169	154,117
Balances		
Accounts receivable and other assets (note 6)	600,123	-
Accounts payable (note 9)	42,914	45,867
Off balance sheet items		
Net assets of clients portfolios' (major shareholders)	127,375,675	157,735,058

19- SUBSIDIARIES

COMPANY NAME:	LEGAL ENTITY	ACTIVITY	OWNERSHIP (%)	
			2018	2017
Al-Madina Al-Thaniya General Trading and Contracting Company	W.L.L.	General Trading and Contract-	100	100
Wafra Holding Company	K.S.C. (Holding)	ing	100	100
Tamdeen first for Real Estate Trading Company	W.L.L.	Holding	100	100
Tamdeen Imtiazat Holding Company	K.S.C. (Holding)	Real Estate	100	100
Tamdeen Foods Company	K.S.C. (Closed)	Holding	100	100
Tamdeen Resorts Company	W.L.L.	Catering	61.72	61.72
Tamdeen Real Estate Development Company	K.S.C. (Closed)	Real Estate	99.99	99.99
Tamdeen Media Company	K.S.C. Closed	Real Estate	100	-
Kuwait Karting Entertainment Company	K.S.C. Closed	Media	100	-
Tamdeen International Restaurants Company	K.S.C. Closed	Karting	100	-
		Intertainment		

As at 31 December 2018, total assets of the subsidiaries amounted to KD 162,149,824 (KD 97,618,942 – 2017), and their profits amounted to KD 10,999,499 for the year ended 31 December 2018 (KD 4,226,760 - 2017) based on the audited financial statements which were relied on when consolidating the subsidiaries as at 31 December 2018.

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

	2018	2017
Tamdeen Resorts Company		
Current assets	211,999	220,020
Non-current assets	27,613,991	27,610,252
Current liabilities	611	2,053
Non-current liability	993	618
Equity attributable to shareholders of the Parent Company	17,173,211	17,175,490
Non-controlling interests	10,651,175	10,652,158

	2018	2017
Revenues		
Expenses	(487)	9,277
	(2,729)	(2,133)
Profit for the year		
Profit for the year attributable to shareholders of the Parent Company	(3,216)	7,144
Profit for the year attributable to non-controlling interests	(1,985)	4,407
	(1,231)	2,737
Total comprehensive income attributable to shareholders of the Parent Company		
Total comprehensive income attributable to non-controlling interests	(1,985)	4,407
Total comprehensive income for the year	(1,231)	2,737
	(3,216)	7,144
Net cash flow used in operating activities		
Net cash flow generated from / (used in) investing activities	(3,544)	(764)
Net cash flows generated from financing activities	(4,226)	168
Net change in cash and cash equivalents of the subsidiary	-	-
	(7,770)	(596)

20- SEGMENT INFORMATION

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

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

	2018		
	Kuwait	G.C.C.	Total
Segment revenues	5,835,603	8,557,237	14,392,840
Segment expenses	7,693,186	-	7,693,186
Unallocated expenses	-	-	311,366
Assets	147,363,723	146,077,414	293,441,137
Liabilities	92,744,147	-	92,744,147

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

21- OFF BALANCE SHEET ITEMS

The Group manages investments portfolios clients amounting to KD 189,874,010 as at 31 December 2018 (KD 209,332,359 – 2017).