Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Financial statements
for the financial year ended December 31, 2017
with
Independent auditors' report

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

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Contents

Independent auditors' report	
	Exhibit
Statement of financial position	A
Statement of profit or loss and other comprehensive income	B
Statement of changes in equity	C
Statement of cash flows	D
	Page
Notes to the financial statements	1 – 14

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Independent auditors' report

The Shareholders,
Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Dalqan Real Estate Company - K.S.C. - (Public) which comprise the statement of financial position as at December 31, 2017, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dalqan Real Estate Company - K.S.C. - (Public) as at December 31, 2017, and its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report on the audit financial statements. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements, and we have fulfilled our other ethical responsibilities in accordance with the requirements. 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matters:

Valuation of investment properties
The evaluation of investment properties was considered to be a key audit matter for the company, as it includes assumptions and estimates which represent a significant part of the company's total assets. The company's policy is to evaluate the investment properties by two independent valuars at the end of the financial year as mentioned in note (6) to the financial statements. The accounting policies related to measurement and presentation of the investment properties are mentioned in note (3\5) to the financial statements.

As a part of audit procedures, we assessed, among other procedures, the reasonableness of assumptions and judgments of the independent valuers included in these valuations to support the fair value of the investments. We took into consideration many other factors such as, experience, independence and competence of the valuers. We also evaluated the adequacy of the disclosures of investment properties included in the accompanying financial statements.

Other information included in the Board of director Report
Other information consists of the information included in the Board of director Report, other than the financial statements and auditors' report thereon. Management is responsible for the other information. We expect to obtain the annual report after the date of auditors' report.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the preparation of the financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 risks 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, physical counting was carried out in accordance with recognized practices, the financial statements together with the financial contents of the report of the Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we required for the purpose of our audit and the financial statements incorporate the information that is required by the Companies' Law no. 1 of year 2016, and related Executive Regulations as amended and the Company's memorandum and articles of association as amended. According to the information available to us, there were no violations have occurred of either the Companies' Law no. 1 of year 2016, and related Executive Regulations as amended or the Company's memorandum and articles of association as amended during the financial year ended December 31, 2017 that might have had a material effect on the Company's business or its financial position.

Abdulhussain M. Al–Rasheed
License No. 67 – (A)
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Hend Abdullah Al Surayea
License no. 141 A
Member of MAZARS

March 13, 2018
State of Kuwait

Exhibit - A

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Statement of financial position as of December 31, 2017
"All amounts are in Kuwaiti Dinar"

	Note	2017	2016
Assets			
Current assets			
Cash and cash equivalents	5	**2,877,871**	2,631,589
Other debit balances		**4,215**	3,850
		2,882,086	2,635,439
Non - current assets			
Investment properties	6	**3,350,000**	3,595,000
Property and equipment	7	**2**	2
		3,350,002	3,595,002
Total assets		**6,232,088**	6,230,441
Liabilities and equity			
Current liabilities			
Various credit balances	8	**56,461**	56,404
Non - current liabilities			
Provision for end of service indemnity		**28,006**	24,491
Equity			
Share capital	10	**5,502,750**	5,502,750
Statutory reserve	11	**369,014**	369,014
Voluntary reserve	12	**151,820**	151,820
Retained earnings		**124,037**	125,962
		6,147,621	6,149,546
Total liabilities and equity		**6,232,088**	6,230,441

Muhammed Saud Murdy Al Mutairy
Chairman

Fahed Saud Murdy Al Mutairy
Vice Chairman and Chief Executive Officer

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

Exhibit - B

Dalqan Real Estate Company

K.S.C. (Public)
Kuwait

Statement of profit or loss and other comprehensive income for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar"

	Note	2017	2016
Revenue			
Net rental income	13	**282,837**	280,046
Change in fair value of investment properties		**(245,000)**	(70,000)
Total revenue		**37,837**	210,046
Expenses and other charges			
General and administrative expenses	14	**36,190**	39,861
Provisions	15	**3,515**	3,409
Total expenses and other charges		**39,705**	43,270
Net (loss)/profit for the year before KFAS, Zakat and National Labour Support Tax		**(1,868)**	166,776
Contribution to Kuwait Foundation for the Advancement of Science		**-**	(1,501)
Zakat		**(16)**	(1,702)
National Labour Support Tax		**(41)**	(4,255)
Net (loss)/profit for the year		**(1,925)**	159,318
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(1,925)**	159,318
(Loss)/earning per share/(Fils)	18	**(0.03)**	2.89

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

Exhibit – C

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Statement of changes in equity for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar"

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at January1, 2016	5,002,500	352,336	180,742	454,650	5,990,228
Issue of bonus shares	500,250	-	(45,600)	(454,650)	-
Net profit for the year	-	-	-	159,318	159,318
Transferred to reserves	-	16,678	16,678	(33,356)	-
Balance at December 31, 2016	5,502,750	369,014	151,820	125,962	6,149,546
Balance at January1, 2017	5,502,750	369,014	151,820	125,962	6,149,546
Net loss for the year	-	-	-	(1,925)	(1,925)
Balance at December 31, 2017	**5,502,750**	**369,014**	**151,820**	**124,037**	**6,147,621**

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

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Statement of cash flows for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar"

	Note	2017	2016
Cash flows from operating activities			
Net (loss)/profit for the year		**(1,925)**	159,318
Adjustments			
Change in fair value of investment properties		**245,000**	70,000
Provision for end of service indemnity		**3,515**	3,409
Adjusted profit before the effect of change in working capital items		**246,590**	232,727
Other debit balances		**(365)**	(395)
Various credit balances		**57**	(1,291)
Net cash generated from operating activities		**246,282**	231,041
Net increase in cash and cash equivalents		**246,282**	231,041
Cash and cash equivalents at beginning of the year		**2,631,589**	2,400,548
Cash and cash equivalents at end of the year	5	**2,877,871**	2,631,589

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

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Incorporation and activities

Dalqan Real Estate Company was incorporated as W.L.L Company in accordance with the Articles of Association dated on April 21, 2003 and subsequent amendments. The legal entity of the company has been transferred from (limited liability company) to a Kuwaiti shareholding company (Public), under the name of Dalqan Real Estate Company as per the Articles of Association dated on July 15, 2006 by transferring all assets and liabilities to the new company based on evaluation made by an independent expert.

The objectives for which the company was established are as follows:

- Owning, selling, buying and development of real estate and land on behalf of the company in the State of Kuwait and abroad as well as managing properties of others, without any violation to rules mentioned in the laws and what has been prohibited of trade in the private housing, as provided for in these laws.
- Owning, selling and buying shares and bonds of real estate companies on behalf of the company only, in Kuwait and abroad.
- Preparing studies and providing consultancies in real estate fields of all types if there are the conditions that are required to engage in providing this service.
- Carrying out maintenance works related to buildings and real estate owned to the company and to others including maintenance works and implementation of civil, mechanical and electrical works, elevators, air-conditioning to ensure the maintenance and safety of buildings.
- Organizing the real estate exhibitions related to the company's real estate projects, according to the regulations of the ministry.
- Utilizing the financial surpluses that are available to the company by investing them in financial and real estate portfolios managed by specialized companies and authorities.
- Direct contribution to put the infrastructure of residential, commercial and industrial areas and projects by system of "build, operate and transfer" (BOT) and managing real estate facilities by (BOT) system.

The company may conduct the previous mentioned business objectives inside and outside the State of Kuwait by itself or by an agent.

The company has the right to participate or subscribe in any way, in other institutions which operate in the same field or those which would assist in achieving its objectives in Kuwait or abroad and to construct, participate or purchase these institutions or join them.

The company is owned directly by percentage of 51% by Dalqan Holding Group Company K.S.C (Holding).

The registered address of the company is: Al Ardiya – P.O Box 41081, Postal Code 85851 Kuwait.

These financial statements were authorized for issue by the Board of Directors on March 13, 2018.

The Shareholders' General Assembly has the authority to amend these financial statements after their issuance.

2- Application of new and revised International Financial Reporting Standards (IFRSs)

2/1) New amendments that are mandatorily effective for the current year:

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2017:

- **Amendments to IAS 7 "Disclosure Initiative"**

The amendments require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The application of these amendments has had no impact on the Company's financial statements.

- **Amendments to IFRS 12 included in the Annual Improvements Cycle**

The Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after January 1, 2017 is the amendment to IFRS 12.

IFRS 12 states that the entities need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as none of the Company's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

2/2) New and revised IFRSs in issue but not yet effective:

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

IFRS 9	financial instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	leases
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 10 and IAS 28	sale or contribution of Assets between an investor and its Associate or joint venture
Amendments to IAS 40	Transfers of Investment Property

- **IFRS 9: "Financial Instruments"**

The IASB issued IFRS 9 'Financial Instruments' in its final form in July 2014 and is effective for annual periods beginning on or after January 1, 2018 with permission to early adoption.

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i. **Classification and measurement**
The adoption of this standard will have an effect on the classification and measurement of financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through statement of profit or loss.

ii. **Impairment of financial assets**
The impairment requirements apply to financial assets measured at amortised cost, fair value through other comprehensive income, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').
Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile.

The Company is in the process of evaluating the impact of IFRS 9, but does not expect any significant effect on adoption of this standard.

- **IFRS 15: Revenue from Contracts with customers**

IFRS 15 was issued by IASB on May 28, 2014, effective for annual periods beginning on or after January 1, 2018. IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The Company is in the process of evaluating the impact of IFRS 15 but does not expect any significant effect on adoption of this standard.

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

- **IFRS 16: Leases**

  In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after January 1, 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 director of the Company does not anticipates an impact on the Company's financial statements in as the company does not have leases.

- **Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions**

  The amendments clarify the following:

  1) In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
  2) A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

     (i) the original liability is derecognized;
     (ii) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
     (iii) Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognised in profit or loss immediately.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. Specific transition provisions apply.

  The directors of the Company do not anticipate that the amendments in the future will have a significant impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements.

- **Amendments to IFRS 10 and IAS 28 sale or contribution of Assets between an investor and its associate or joint venture**

  The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

  The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

- **Amendments to IAS 40 Transfers of Investment Property**

  The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction.

  The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

  The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should there be a change in use of any of its properties.

3- Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below:

3/1) Basis of the financial statements preparation

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies' Law requirements and amendments.
- The accounting policies used in the preparation of these financial statements are consistent with those used in preparation of the financial statements of the previous year.
- These financial statements are prepared under the historical cost basis of measurement following the accrual basis as investment properties. These financial statements have been presented in Kuwaiti Dinars.
- The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these financial statements are disclosed in note (4).

3/2) Recognition and de-recognition of financial assets and liabilities

A financial assets or a financial liability is recognized when the Company become a party to the contractual provisions of the financial instrument. A financial asset is de-recognized either when the contractual rights to cash flows from the financial asset expire, the Company has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset. A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

3/3) Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

3/4) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and at banks and short term bank deposits with a maturity date not exceeding three months from the date of deposit.

3/5) Investment properties

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

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

Any profit or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the statement of profit or loss and other comprehensive income within "change in fair value of investment properties" and "profit/loss on sale of investment properties".

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

3/6) Property and equipment

Property and equipment are stated at the historical cost less accumulated depreciation. The realizable value of property and equipment are reviewed by the management at each financial position date to determine whether the book value exceeds the realizable value in which case the book value is written down to the realizable value. If the useful lives are different from estimated lives of those assets, then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.

The profits or losses of selling the property and equipment recognised in the Statement of profits or losses and other comprehensive income at the difference between the selling of value and the net book value.

Property and equipment are depreciated on a straight-line basis to reduce the value of property and equipment to their residual value over their estimated useful lives over 5 years.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these properties, on the same basis as other property and equipment, commences when the properties are ready for their intended use.

3/7) Impairment of non-financial assets

The carrying amounts of the company's non-financial assets are reviewed at the financial position date to determine whether there is any objective evidence of impairment. If any such evidence exists, the assets recoverable amount is estimated and an impairment loss is recognized in the statement of income whenever the carrying value of an asset exceeds its recoverable value.

Reversal of impairment losses recognized in prior years are recorded as revenue when there is an indication that the impairment losses recognized no longer exist or has decreased.

3/8) Accounting for leases

Lease of properties which all the benefits and risks of ownership are transferred to the lessee, are classified as finance leases. Leases which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases.

Where the company is lessee

Payments made under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease contract.

Where the company is lessor

Finance leases are capitalized at the estimated present value of the underlying lease receipts. Each lease payment is allocated between the asset and profits resulting from lease to produce a constant periodic profit rate on the outstanding balance of leased asset.

Assets leased out under operating leases are included in property. They are depreciated over their expected useful lives on a basis consistent with similar assets. Revenue from leases, are recognized in the statement of profit or loss and other comprehensive income as revenue for the period in which they are earned.

3/9) Accounts payable

Accounts payable are stated at their nominal value.

3/10) Provision for end of service indemnity

Provision for staff end of service indemnity has been made as per the Labour Law in the private sector and signed contracts on the assumption of ending the services of all staff at the financial position date. This obligation is not funded. The management expects that based on this method of calculation a reasonable estimate is made of the obligation of the company towards employees indemnity for past and current periods.

3/11) Equity and reserves

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

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

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

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

3/12) Revenue recognition

- Rental income is recognized on the accrual basis according to the contractual agreements.
- Other categories of income are recognized when earned, at the time the related services are rendered and/ or on the basis of the terms of the contractual agreement of each activity.

3/13) Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of the resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

3/14) Kuwait Foundation for the Advancement of Science

The company's contribution to KFAS is recognised as an expense and is calculated 1 % of profit after transfer to statutory reserve and before Board of Directors' remuneration, National Labour Support Tax and Zakat.

3/15) Zakat

The company's contribution to Zakat is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 58/2007 and 46/2006.

3/16) National Labour Support Tax

The company's contribution to NLST is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 24/*2012* and law number 19/2000.

3/17) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote, contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

4- Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from these estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Judgments and estimates that are significant to the financial statements are shown below:

Judgments

Contingent liabilities/liabilities

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

Impairment of financial assets

The Company's management reviews periodically items classified as "loans and receivables" to assess whether a provision for impairment should be recorded in the statement of profit or loss and other comprehensive income. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

Key sources of estimation uncertainty

Impairment of tangible assets and useful lives

The Company's management tests annually whether tangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates. The Company's management determines the useful lives and related depreciation and charge. The depreciation and charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

5- Cash and cash equivalents

	2017	2016
Cash on hand	**36,436**	39,179
Current accounts at banks	**2,841,435**	2,592,410
	2,877,871	2,631,589

6- Investment properties

The investment properties have been amounted to KD 3,350,000 as of December 31, 2017, (2016: KD 3,595,000) based on evaluated by two independent evaluators one of them was a local bank.

7- Property and equipment

	Furniture and decorations	**Vehicles**	**Total**
Cost			
Balance at January 1, 2017	1,550	3,500	5,050
Balance at December 31, 2017	1,550	3,500	5,050
Accumulated depreciation			
Balance at January 1, 2017	1,549	3,499	5,048
Balance at December 31, 2017	1,549	3,499	5,048
Net book value			
At December 31, 2017	**1**	**1**	**2**
At December 31, 2016	1	1	2

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

8- Various credit balances

	2017	2016
Kuwait Foundation for Advancement of Science	**6,903**	6,903
Zakat	**16,588**	16,572
National Labour Support Tax	**32,970**	32,929
	56,461	56,404

9- Transactions with related parties

Transactions with related parties represent transactions with shareholders, Board of Directors Members, the company's key management personnel, their families and companies that are controlled or significantly influenced by them. The terms of these transactions are approved by the company's management.

Statement of financial position and Statement of profit or loss and other comprehensive income do not include any balances or transactions with related parties during the year.

Related parties' transactions are subject to the approval of the shareholders' General Assembly.

10- Share capital

The authorized, issued and full paid-up capital is amounting KD 5,502,750 distributed on 55,027,500 share with nominal value 100 Kuwaiti Fils of each share and all shares are in cash.

11- Statutory reserve

In accordance with the requirements of Companies' Law and the company's Articles of Association, 10% of the annual net profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labor Support Tax is transferred to the statutory reserve. The company may resolve to discontinue such transfer when the reserve totals 50% of share capital. Statutory reserve is not available for distribution except in cases stipulated by law. The company has not transferred to the statutory reserve due to losses during the year.

12- Voluntary reserve

As required by the company's Articles of Association, 10% of the annual net profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labor Support Tax has been transferred to the voluntary reserve. Such annual transfers may be discontinued with a resolution from the shareholders' General Assembly upon a recommendation from the Board of Directors. The company has not transferred to the voluntary reserve due to losses during the year.

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

13- Net rental income

	2017	2016
Real estate revenue	**314,245**	312,155
Real estate expenses	**(31,408)**	(32,109)
	282,837	280,046

14- General and administrative expenses

	2017	2016
Staff salaries and wages	**27,155**	26,855
Stationary	**106**	95
Other	**8,929**	12,911
	36,190	39,861

15- Provisions

	2017	2016
End of service indemnity	**3,515**	3,409

16- Proposed dividends and Board of Directors' Remuneration

On March 13, 2018 the Board of Directors has proposed not to distribute any remuneration for the Board of Directors members for the financial year ended December 31, 2017 (2016: Nil) and not to distribute dividend for the financial year ended December 31, 2017 (2016: Nil).

These proposals are subject to the approval of the General Assembly of Shareholders.

17- General Assembly of shareholders

The Ordinary General Assembly of Shareholders had been held on April 23, 2017 that approved the financial statements for the financial year ended December 31, 2016 and no dividends for the financial year ended December 31, 2016 and no remuneration for the Board of Directors' for the financial year ended December 31, 2016.

18- (Loss)/earning per share/(Fils)

(Loss)/earning per share are computed through dividing net (loss)/profit for the year by the weighted average number of shares outstanding during the year, as follows:

	2017	2016
Net (loss)/profit for the year	**(1,925)**	159,318
Weighted average number of shares outstanding during the year	**55,027,500**	55,027,500
(Loss)/earning per share/(Fils)	**(0.03)**	2.89

19- Financial instruments and risks management

A) Financial instruments:

Significant accounting policies

Details of the significant accounting policies - including the criteria for measurement and recognition of revenue and expenses - in respect of each class of financial assets and liabilities are disclosed in note (3) to the financial statements.

Categories of financial instruments

The company's financial assets and financial liabilities are classified in the statement of financial position as follows:

Financial assets

	2017	2016
Cash and cash equivalents	**2,877,871**	2,631,589
Other debit balances	**4,215**	3,850
	2,882,086	2,635,439

Financial liabilities

	2017	2016
Various credit balances	**56,461**	56,404

Fair value of financial instruments

Fair value is defined as the amount at which an asset could be exchanged or a liability settled in a current transaction between knowledgeable willing parties in an arm's length transaction. The company used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid market (if any) is determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar financial instruments.
- The fair value of financial instruments carried at amortized cost are not significantly different from their carrying values.

B) Financial risks management

The company uses financial instruments that are exposed to variety of financial risks such as credit risks, liquidity risks and market risks.

The company continuously reviews its risks exposure and takes the necessary procedures to limit these risks to acceptable levels.

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Notes to the financial statements for the financial year ended December 31, 2017
"All amounts are in Kuwaiti Dinar unless stated otherwise"

- **Credit risks**
  Credit risks are the risks that one party to a financial instrument will fail to pay an obligation causing the other party to bear a financial loss. Financial assets, which potentially expose the Company to credit risks, consist principally of cash and cash equivalents. Cash and cash equivalents of the Company are placed in financial institutions with high credit repute.

- **Liquidity risks**
  Liquidity risks are the risks that the company will be unable to meet its cash obligations. The management of liquidity risks consists of keeping sufficient cash and arranging financing sources through enough facilities, retaining highly liquid assets and monitoring liquidity on a periodical basis through the method of future cash flows.

  The maturity of liabilities stated below is based on the period from the financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

  The maturity analysis of liabilities as of December 31, 2017 is as follows:

	Within one year	**More than 5 years**	**Total**
Various credit balances	**56,461**	-	**56,461**
Provision for end of service indemnity	-	**28,006**	**28,006**
	56,461	**28,006**	**84,476**

  The maturity analysis of liabilities as of December 31, 2016 is as follows:

	Within one year	More than 5 years	Total
Various credit balances	56,404	-	56,404
Provision for end of service indemnity	-	24,491	24,491
	56,404	24,491	80,895

- **Market risks**
  Market risks, comprise of foreign currency risks, interest rate risks and equity price risks these risks arise due to changes in market prices of equities, interest rates and foreign currencies rates.

  Foreign currencies risks
  Foreign currency risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

  Foreign currencies risks arise from transactions in foreign currencies. The company manages these risks by setting limits on transactions in foreign currencies and counterparties and limiting its transaction business in major currencies with reputable counterparties.

Interest rate risks
Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.

Interest rate risks arise from long-term borrowings. Borrowings at variable interest rates expose the company to cash flow interest rate risks. Borrowings at fixed interest rates expose the company to fair value risks due to changes in interest rates.

Currently, the company has no significant interest-bearing assets or long term borrowings, the company's profit or loss and other comprehensive income and operating cash flows are substantially not affected by the changes in market interest rates.

Equity price risks
Equity price risks are the risks that the fair values of equities fluctuate as the result of changes in the levels of equity indices and the value of individual stocks. This risks results due to the changes in the fair value of the investments in stocks.

Currently, the company is not exposed to equity price risks as the company does not deal or retain financial investments.

20- Capital risks management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders and other stakeholders through the optimization of the debt and equity balance.

The capital structure of the company comprises of equity interests that include share capital, reserves and retained earnings.

Currently, the company does not have borrowings or bank facilities.