

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait
Interim Condensed Financial Information for
The Six Months Ended June 30, 2018
(Unaudited)
with
Independent auditors' review report

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait
Interim Condensed Financial Information for
The Six Months Ended June 30, 2018
(Unaudited)
with
Independent auditors' review report

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The Board of Directors
Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Independent auditors' review report on the interim condensed financial information

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Dalqan Real Estate Company K.S.C. (Public) as of June 30, 2018 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard No. 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. 34, "Interim Financial Reporting".

Report on other legal and regulatory matters

Furthermore, based on our review, the interim condensed financial information is in agreement with the accounting books of the Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law no. 1 of year 2016 and its executive regulations, as amended, or the Company's memorandum and articles of association, as amended, have occurred during the six month period ended June 30, 2018 that might have had a material effect on the business of the Company or on its interim condensed financial position.

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Member of MAZARS

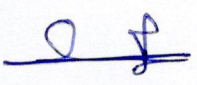
August 12, 2018
State of Kuwait

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

Interim condensed statement of financial position as of June 30, 2018
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Note	June 30, 2018	December 31, 2017 (audited)	June 30, 2017
Assets				
Current assets				
Cash and cash equivalents		3,003,616	2,877,871	2,754,289
Other debit balances		3,845	4,215	4,150
		<u>3,007,461</u>	<u>2,882,086</u>	<u>2,758,439</u>
Non-current assets				
Investment properties		3,350,000	3,350,000	3,595,000
Property and equipment		2	2	2
		<u>3,350,002</u>	<u>3,350,002</u>	<u>3,595,002</u>
Total assets		<u>6,357,463</u>	<u>6,232,088</u>	<u>6,353,441</u>
Liabilities and equity				
Current liabilities				
Various credit balances	4	<u>61,958</u>	<u>56,461</u>	<u>61,796</u>
Non - current liabilities				
Provision for end of service indemnity		<u>30,143</u>	<u>28,006</u>	<u>26,683</u>
Equity				
Share capital	5	5,502,750	5,502,750	5,502,750
Statutory reserve		369,014	369,014	369,014
Voluntary reserve		151,820	151,820	151,820
Retained earnings		241,778	124,037	241,378
		<u>6,265,362</u>	<u>6,147,621</u>	<u>6,264,962</u>
Total liabilities and equity		<u>6,357,463</u>	<u>6,232,088</u>	<u>6,353,441</u>


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 this interim condensed financial information.

Dalqan Real Estate Company
K.S.C. (Public)
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Interim condensed statement of profit or loss and other comprehensive income for the six months ended June 30, 2018
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	The three months ended June 30		The six months ended June 30	
		2018	2017	2018	2017
Revenue					
Net properties' rental income		<u>71,859</u>	<u>69,357</u>	<u>143,530</u>	<u>140,140</u>
Expenses and other charges					
General and administrative expenses		<u>9,840</u>	<u>9,911</u>	<u>18,155</u>	<u>17,140</u>
Provisions		<u>1,192</u>	<u>1,286</u>	<u>2,137</u>	<u>2,192</u>
Total expenses and other charges		<u>11,032</u>	<u>11,197</u>	<u>20,292</u>	<u>19,332</u>
Net profit for the period before KFAS, Zakat and National Labour Support Tax		<u>60,827</u>	<u>58,160</u>	<u>123,238</u>	<u>120,808</u>
Contribution to Kuwait Foundation for the Advancement of Science		<u>(547)</u>	<u>(523)</u>	<u>(1,109)</u>	<u>(1,087)</u>
Zakat		<u>(620)</u>	<u>(594)</u>	<u>(1,254)</u>	<u>(1,230)</u>
National Labour Support Tax		<u>(1,550)</u>	<u>(1,486)</u>	<u>(3,134)</u>	<u>(3,075)</u>
Net profit for the period		<u>58,110</u>	<u>55,557</u>	<u>117,741</u>	<u>115,416</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>58,110</u>	<u>55,557</u>	<u>117,741</u>	<u>115,416</u>
Earning per share/(Fils)	6	<u>1.06</u>	<u>1.01</u>	<u>2.14</u>	<u>2.1</u>

The accompanying notes form an integral part of this interim condensed financial information.

Dalqan Real Estate Company
K.S.C. (Public)
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Interim condensed statement of changes in equity for the six months ended June 30, 2018

(Unaudited)

“All amounts are in Kuwaiti Dinar”

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at January 1, 2017	5,502,750	369,014	151,820	125,962	6,149,546
Net profit for the period	-	-	-	115,416	115,416
Balance at June 30, 2017	<u>5,502,750</u>	<u>369,014</u>	<u>151,820</u>	<u>241,378</u>	<u>6,264,962</u>
Balance at January 1, 2018	5,502,750	369,014	151,820	124,037	6,147,621
Net profit for the period	-	-	-	117,741	117,741
Balance at June 30, 2018	<u>5,502,750</u>	<u>369,014</u>	<u>151,820</u>	<u>241,778</u>	<u>6,265,362</u>

The accompanying notes form an integral part of this interim condensed financial information.

Dalqan Real Estate Company
K.S.C. (Public)
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Interim condensed statement of cash flows for the six months ended June 30, 2018
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	The six months ended	
	June 30	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net profit for the period	117,741	115,416
Adjustments:		
Provision for end of service indemnity	<u>2,137</u>	<u>2,192</u>
Adjusted profit before the effect of changes in working capital items	119,878	117,608
Other debit balances	370	(300)
Various credit balances	<u>5,497</u>	<u>5,392</u>
Net cash generated from operating activities	<u>125,745</u>	<u>122,700</u>
Net increase in cash and cash equivalents	125,745	122,700
Cash and cash equivalents at beginning of the period	<u>2,877,871</u>	<u>2,631,589</u>
Cash and cash equivalents at end of the period	<u><u>3,003,616</u></u>	<u><u>2,754,289</u></u>

The accompanying notes form an integral part of this interim condensed financial information.

Dalqan Real Estate Company
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Notes to the interim condensed financial information for the six months ended June 30, 2018

(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Company's formation 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 (with 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 through 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 developing real estates 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 estates 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 in 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 through system of "build, operate and transfer" (BOT) and managing real estate facilities through (BOT) system.

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

The company has the right to participate and subscribe in any way, in other firms or 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 registered address of the company is: Al Ardiya – P.O Box 41081, Postal Code 85851 Kuwait.

The interim condensed financial information for the six months ended June 30, 2018 has been approved for issue by the Board of Directors on August 12, 2018.

Dalqan Real Estate Company
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**Notes to the interim condensed financial information for the six months ended
June 30, 2018**

(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

2- Significant accounting policies

2/1) Basis of preparation

The interim condensed financial information of the "Company" has been prepared in accordance with IAS 34, "Interim Financial Reporting". Accordingly, it does not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards.

The accounting policies used in the preparation of this interim condensed financial information are consistent with those used in the preparation of the annual audited financial statements of "the Company" for the year ended December 31, 2017 except for the adoption of IFRS 9: Financial Instruments ("IFRS 9") and IFRS 15: Revenue from Contracts with Customers ("IFRS 15") from January 1, 2018. The changes in the accounting policies arising from the adoption of these standards are explained below.

During the period "the Company" has adopted all the standards that came into effect for annual periods beginning January 1, 2018. The adoption of these standards did not have material impact on this interim condensed financial information.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. For further information, refer to the annual audited financial statements and notes thereto for the year ended December 31, 2017.

This interim condensed financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of "the Company".

2/2) Application of new International Financial Reporting Standards (IFRSs)

• **Adoption of IFRS 9: Financial Instruments**

The Company has adopted IFRS 9 issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Financial assets

The Company classifies financial assets upon initial recognition of IFRS 9 into following categories:

- Fair Value Through Profit and Loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost (AC)

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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 recognized in the interim condensed statement of profit or loss and other comprehensive income.

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 Company 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 interim condensed statement of profit or loss. Interest income and dividends are recognised in the interim condensed statement of profit or loss and other comprehensive income according to the terms of the contract, or when the right to payment has been established.

Fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI

The Company classifies debt instruments at FVOCI if it meets both of the following conditions:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- 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.

Debt instruments classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the interim condensed statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to interim condensed statement of profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Company 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.

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Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair value including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in interim condensed statement of profit or loss when the right of the payment has been established, except when the Company 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 will be reclassified from fair value reserve to retained earnings in the interim condensed statement of changes in equity.

Amortised cost (AC)

The Company 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 recognized in the interim condensed statement of profit or loss. Any gain or loss on derecognition is recognised in the interim condensed statement of profit or loss.

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 Company's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the interim condensed statement of profit or loss and other comprehensive income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Classification and measurement of financial assets and financial liabilities

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

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Business model

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company'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 Company'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 Company'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 realized in a way that is different from the Company's original expectations, the Company 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.

The SPPI test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows met 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 amortization 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 a profit margin. To make the SPPI assessment, the Company applies judgment 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.

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**Notes to the interim condensed financial information for the six months ended
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Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "Expected Credit Loss" (ECL) model. Accordingly, the Company applies the new impairment model for its financial assets. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgment required as to how changes in these macro-economic factors will affect ECLs. 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

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

ECL are 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 Company derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

The Company expects to apply the simplified approach to recognize 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 is categorized under stage 2 and lifetime ECL is recognised.

Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Company assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

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

The adoption of IFRS (9) has no effect on the interim condensed financial information.

• **Adoption of IFRS 15: Revenue from Contract from Customers**

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after January 1, 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 Company adopted IFRS 15 "Revenue from Contract from Customers" resulting in no change in the revenue recognition policy of the Company in relation to its contracts with customers. Further, adoption of IFRS 15 had no impact on this interim condensed financial information of the Company.

2/3) Critical judgments and estimates

The preparation of interim condensed financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed financial information, the significant judgments made by management in applying "the Company's" accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements as at and for the year ended December 31, 2017.

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3- Transactions with related parties

Related parties comprise of the major shareholders, Board of Directors, entities controlled by them or under their joint control, executive officers, key management personnel and their close family members. The company management approves the terms and conditions of related parties transactions. The transactions with related parties are subject to the approval of Shareholders' General Assembly.

Interim condensed statement of financial position

Interim condensed statement of financial position does not include any balances with related parties.

Interim condensed statement of profit or loss and other comprehensive income

Interim condensed statement of profit or loss and other comprehensive income does not include transactions with related parties.

4- Various credit balances

	June 30, 2018	December 31, 2017 (audited)	June 30, 2017
KFAS	8,012	6,903	7,990
Zakat	17,842	16,588	17,802
National Labour Support Tax	36,104	32,970	36,004
	<u>61,958</u>	<u>56,461</u>	<u>61,796</u>

5- Share capital

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

6- Earning per share/(Fils)

Earning per share is calculated through dividing net profit for the period by the weighted average number of outstanding shares during the period as follows:

	The three months ended June 30		The six months ended June 30	
	2018	2017	2018	2017
Net profit for the period	<u>58,110</u>	55,557	<u>117,741</u>	115,416
Weighted average number of outstanding shares during the period	<u>55,027,500</u>	55,027,500	<u>55,027,500</u>	55,027,500
Earning per share/(Fils)	<u>1.06</u>	1.01	<u>2.14</u>	2.1

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7- General Assembly of shareholders

The Ordinary General Assembly of Shareholders had been held on April 30, 2018 has approved the financial statements for the financial year ended December 31, 2017 and non distribution of dividends for the financial year ended December 31, 2017 nor remuneration for the Board of Directors' for the financial year ended December 31, 2017.

8- Financial instruments

Categories of financial instruments

The Company's financial assets and financial liabilities are categorized in the interim condensed statement of financial position as follows:

	June	December	June
	30, 2018	31, 2017	30, 2017
		(audited)	
Financial assets	3,003,616	2,877,871	2,754,289
Cash and cash equivalents	3,845	4,215	4,150
Other debit balances	3,007,461	2,882,086	2,758,439
	3,007,461	2,882,086	2,758,439
	June	December	June
	30, 2018	31, 2017	30, 2017
		(audited)	
Financial liabilities	61,958	56,461	61,796
Various credit balances	61,958	56,461	61,796