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

Financial statements
for the financial year ended December 31, 2016
with
Independent auditors' report

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

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Independent auditors' report

Contents

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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, 2016, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the 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, 2016, and its financial performance and its cash flows for the 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 (5) to the financial statements. The accounting policies related to measurement and presentation of the investment properties are mentioned in note (3\6) 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 obtained the report of the Company's Board of Directors, prior to 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.

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.

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 and the Company's memorandum and articles of association. 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 or the Company's memorandum and articles of association during the financial year ended December 31, 2016 that might have had a material effect on the Company's business or its financial position.

Ali Abdul Rahman Al Hasawi
License No. 30-A
Rödl Middle East
Burgan - International Accountants

March 7, 2017
State of Kuwait

Adel Al- Sanea
Auditors Registry No. 86 Category (A)
Kuwaiti Accountant Auditing
A member of H.L.B International

Exhibit - A

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

Statement of financial position as of December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents	4	**2,631,589**	2,400,548
Other debit balances		**3,850**	3,455
		2,635,439	2,404,003
Non - current assets			
Investment properties	5	**3,595,000**	3,665,000
Property and equipment	6	**2**	2
		3,595,002	3,665,002
Total assets		**6,230,441**	6,069,005
Liabilities and equity			
Current liabilities			
Various credit balances	7	**56,404**	57,695
Non - current liabilities			
Provision for end of service indemnity		**24,491**	21,082
Equity			
Share capital	9	**5,502,750**	5,002,500
Statutory reserve	10	**369,014**	352,336
Voluntary reserve	11	**151,820**	180,742
Retained earnings		**125,962**	454,650
		6,149,546	5,990,228
Total liabilities and equity		**6,230,441**	6,069,005

Muhammed Saud Murdy Al Mutairy
Chairman

Fahed Saud Murdy Al Mutairy
Vice Chairman and Chief Executive Officer

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

Exhibit - B

Dalqan Real Estate Company
K.S.C. (Public)
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Statement of profit or loss and other comprehensive income for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Note	2016	2015
Revenue			
Net rental income	12	**280,046**	272,116
Change in fair value of investment properties		**(70,000)**	(135,000)
Total revenue		**210,046**	137,116
Expenses and other charges			
General and administrative expenses	13	**39,861**	40,148
Provisions	14	**3,409**	3,227
Total expenses and other charges		**43,270**	43,375
Net profit for the year before KFAS, Zakat and National Labour Support Tax		**166,776**	93,741
Contribution to Kuwait Foundation for the Advancement of Science		**(1,501)**	(844)
Zakat		**(1,702)**	(970)
National Labour Support Tax		**(4,255)**	(2,424)
Net profit for the year		**159,318**	89,503
Other comprehensive income		-	-
Total comprehensive income for the year		**159,318**	89,503
Earning per share/(Fils)	17	**2.89**	1.63

Exhibit – C

Dalqan Real Estate Company
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Statement of changes in equity for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at January1, 2015	5,002,500	342,962	171,368	383,895	5,900,725
Net profit for the year	-	-	-	89,503	89,503
Transferred to reserves	-	9,374	9,374	(18,748)	-
Balance at December 31, 2015	5,002,500	352,336	180,742	454,650	5,990,228
Balance at January1, 2016	5,002,500	352,336	180,742	454,650	5,990,228
Issue of bonus shares (note – 9)	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**

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

Exhibit - D

Dalqan Real Estate Company
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Statement of cash flows for the financial year ended December 31, 2016
"All amounts are in Kuwaiti Dinar"

	Note	2016	2015
Cash flows from operating activities			
Net profit for the year		**159,318**	89,503
Adjustments			
Change in fair value of investment properties		**70,000**	135,000
Provision for end of service indemnity		**3,409**	3,227
Adjusted profit before the effect of change in working capital items		**232,727**	227,730
Other debit balances		**(395)**	670
Various credit balances		**(1,291)**	(15,649)
Net cash generated from operating activities		**231,041**	212,751
Net increase in cash and cash equivalents		**231,041**	212,751
Cash and cash equivalents at beginning of the year		**2,400,548**	2,187,797
Cash and cash equivalents at end of the year	4	**2,631,589**	2,400,548

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Notes to the financial statements for the financial year ended December 31, 2016
"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 7, 2017 and the Shareholders' General Assembly has the authority to amend these financial statements after their issuance.

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"All amounts are in Kuwaiti Dinar unless stated otherwise"

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

2/1) *Amendments to IFRSs those are mandatorily effective for the current year:*

In the current year, the following effective amendments to IFRSs issued by the International Accounting Standards Board (IASB) are mandatorily for the accounting period beginning on or after January 1, 2016:

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**
  (Effective for annual periods beginning on or after January 1, 2016)
  The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.

- **Amendments to IFRS 11 "Accounting for Acquisitions of Interest in Joint Operations"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations". A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

- **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.

- **Amendments to IAS 27 "Separate Financial Statements"**
  (Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).
  The amendments allowed an entity to account for its investment in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost; or
- In accordance with IFRS 9; or
- Using the equity method

Also, clarified that when the parent ceases or becomes an investment entity, it should account for the change from the date when the change in status occurs.

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 mandatorily effective:

- **Amendments to IFRS 2 "Classification and Measurement of Share-based payment Transactions"**
  (Effective for annual periods beginning on or after January 1, 2018).

- **IFRS 9 "Financial Instruments"**
  (Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.

  The final version of IFRS 9 was issued in July 2014, which adds a new expected loss impairment model and limited amendments to the classification and measurement requirements by introducing the "fair value through other profits or losses" (FVTOCI) measurement category for certain simple debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test. The final version supersedes all previous versions of IFRS 9 and replaces IAS 39. The Company is in the process to quantify the effect on the financial statements.

- **IFRS 14 "Regulatory Deferral Accounts"**
  (Effective for annual periods beginning on or after January 1, 2016)
  This standard is applied by first-time adaptors of IFRS. The standard is designed as a limited scope Standard to provide short-term solution for rate-regulated entities that have not yet adopted IFRS.

- **IFRS 15 "Revenue from Contracts with Customers"**
  (Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).
  In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related Interpretations when it becomes effective. The standard introduces a five-step approach for revenue recognition to be applied to all contracts with customers.

- **IFRS 16 "leases"**
  (Effective for annual periods beginning on or after January 1, 2019).
  IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both leasees and lessors.

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- **Amendments to IAS 7 "Disclosure Initiative"**
  (Effective for annual periods beginning on or after January 1, 2017)
  The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The management anticipates that the new or revised standards will be adopted in the Company's accounting policies for the period beginning on or after the effective date of the pronouncement, and those new and revised standards that have been issued but are not relevant to the Company's operations are expected not to have a material impact on the Company's financial statements.

3- Significant accounting policies

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

3/1) Basis of preparation

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and Companies' Law requirements in Kuwait.
- The accounting policies used in preparation of these financial statements are consistent with those used in preparation of the financial statements for the previous year.

3/2) Accounting convention

- These financial statements are prepared under the historical cost convention on the accrual basis, adjusted through the revaluation of some assets as included in the financial statements.
- The financial statements are presented in Kuwaiti Dinar.

3/3) Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge, the actual results may differ from those estimates.

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.

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3/5) Recognition and de-recognition of financial assets and liabilities

A financial asset 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 or a proportion of the asset. A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

3/6) Investment properties

Investment properties are initially stated at cost which represents the fair value of consideration given including possession fees for the investment properties, after preliminary investigation, the investment properties are re-measured at fair value. The resultants gains or losses are recognized in the Statement of profit or loss and other comprehensive income.

3/7) Property and equipment

Property and equipment are stated at the historical cost less accumulated depreciation. The recoverable values of Property and equipment are reviewed by the management at the financial position date. If the recoverable value of property and equipment decreased from the book value in this case the book value is written down to the recoverable value. If the useful lives are different from the 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 range in the Statement of profit or loss 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.

3/8) 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.

3/9) 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 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 income as revenue for the period in which they are earned.

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) 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.

3/12) 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.

3/13) 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.

3/14) 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.

3/15) 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.

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"All amounts are in Kuwaiti Dinar unless stated otherwise"

3/16) Contingencies

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 assets are not recognized but disclosed when an inflow of economic benefits is probable.

4- Cash and cash equivalents

	2016	2015
Cash on hand	39,179	35,418
Current accounts at banks	2,592,410	2,365,130
	2,631,589	2,400,548

5- Investment properties

The investment properties have been amounted to KD 3,595,000 as of December 31, 2016, (2015: KD 3,665,000) based on evaluated by 2 independent evaluators as one of them local bank.

6- Property and equipment

	Furniture and decorations	Vehicles	Total
Cost			
Balance at January 1, 2016	1,550	3,500	5,050
Balance at December 31, 2016	1,550	3,500	5,050
Accumulated depreciation			
Balance at January 1, 2016	1,549	3,499	5,048
Balance at December 31, 2016	1,549	3,499	5,048
Net book value			
At December 31, 2016	**1**	**1**	**2**
At December 31, 2015	1	1	2

7- Various credit balances

	2016	2015
Kuwait Foundation for Advancement of Science	6,903	5,402
Zakat	16,572	14,870
National Labour Support Tax	32,929	37,423
	56,404	57,695

8- 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. The amounts and balances due from/to related parties are interest free and have no fixed maturity date.

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"All amounts are in Kuwaiti Dinar unless stated otherwise"

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.

9- Share capital

The Extraordinary General Assembly of shareholders held on May 29, 2016 approved the increase of share capital from KD 5,002,500 to KD 5,502,750 with an amount of KD 500,250 through issuing bonus shares with a percentage equivalent to 10% of share capital which equal to 10 shares for each 100 shares, this increase in share capital was authorized in the commercial register on June 14, 2016.

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.

10- 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 has been 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.

11- 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.

12- Net rental income

	2016	2015
Real estate revenue	312,155	301,225
Real estate expenses	(32,109)	(29,109)
	280,046	272,116

13- General and administrative expenses

	2016	2015
Staff salaries and wages	26,855	26,218
Stationary	95	105
Other	12,911	13,825
	39,861	40,148

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14- Provisions

	2016	2015
End of service indemnity	**3,409**	3,227

15- Proposed dividends and Board of Directors' Remuneration

On March 7, 2017 the Board of Directors has proposed not to distribute any remuneration for the Board of Directors members for the financial year ended December 31, 2016 (2015: Nil) and no distribute dividend for the financial year ended December 31, 2016 (2015: 10%).

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

16- General Assembly of shareholders

The Ordinary and Extraordinary General Assembly of Shareholders had been held on May 29, 2016 has approved the financial statements for the financial year ended December 31, 2015 and no remuneration for the Board of Directors' for the financial year ended December 31, 2015 and approved the increase of share capital by issuing bonus shares by 10 %.

17- Earning per share/(Fils)

Earning per share are computed through dividing net profit for the year by the weighted average number of shares outstanding during the year, as follows:

	2016	2015
Net profit for the year	**159,318**	89,503
Weighted average number of shares outstanding during the year	**55,027,500**	55,027,500
Earning per share/(Fils)	**2.89**	1.63

The weighted average number of outstanding shares during the year has been recomputed during the year ended December 31, 2016 as well as the comparative year to reflect the bonus shares of 5,002,500 shares which have been approved by extraordinary General Assembly of Shareholders on May 29, 2016.

18- 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:

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Financial assets

	2016	2015
Cash and cash equivalents	2,631,589	2,400,548
Other debit balances	3,850	3,455
	2,635,439	2,404,003

Financial liabilities

	2016	2015
Various credit balances	56,404	57,695

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 financial liabilities are determined as follows:

- The fair value of financial assets and financial 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 financial 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 values 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.

- **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 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.

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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

The maturity analysis of liabilities as of December 31, 2015 is as follows:

	Within one year	More than 5 years	Total
Various credit balances	57,695	-	57,695
Provision for end of service indemnity	-	21,082	21,082
	57,695	21,082	78,777

- **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.

19- 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.