

Al Dar National Real Estate Company
K.S.C (Public)
and its subsidiary
State of Kuwait
Interim condensed consolidated financial information
for the six months ended June 30, 2016
(Unaudited)
with review report

Al Dar National Real Estate Company
K.S.C (Public)
and its subsidiary
State of Kuwait

Interim condensed consolidated financial information
for the six months ended June 30, 2016
(Unaudited)
with review report

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**The Board of Directors,
Al Dar National Real Estate Company
K.S.C (Public)
and its subsidiary
Kuwait**

Review report on the interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Dar National Real Estate Company - K.S.C (Public) - (the Parent Company) and its subsidiary (together referred to as "the Group") - as of June 30, 2016 and the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No. (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated 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 consolidated financial information consists of making inquiries, primarily from 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 by auditing. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

- As mentioned in (Note 4) on the interim condensed consolidated financial information, about the difficulty of completing the transferring procedures of investments in foreign shares unquoted ownership, by the seller in favor of the Group. And during the year the Group reclassified the foreign available for sale investments unquoted, to due from related party (Note - 13), that result from closing this amount in the related party account, upon mutual communications between the two parties until signature a settlement agreement between them later.
- As mentioned in (Note 10) on the interim condensed consolidated financial information, the main contractor of the parent company prosecuted a lawsuit against the parent company for claim an amount of KD 25.9 million, that represented in the value of achieved works until the date of the project suspension, and also compensation and fines. And the parent company has been recorded an amount of KD 9.1 million in favor the contractor for this works and claims and until now no settlement has been done with the main contractor.
- As mentioned in (Note 19) about the judicial resolution confirming the illegality of the appeal filed against the Group at a subsequence date of the interim condensed consolidated financial information, which will affect the Group's financial position with a future losses that amounting to KD 5,873,138 or more. The Group has not achieved any final settlement with the rival and till the date of issue the interim condensed consolidated financial information.

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Qualified conclusion

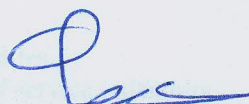
Based on our review, with the exception of any settlements that may be result from which described in the basis for qualified conclusion paragraph nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material aspects in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

Emphasis of matters

Without qualifying our conclusion, we draw attention to (Note 18 and 19) on the interim condensed consolidated financial information in regarding to going concern of the Group and (Note 11) about the interim condensed consolidated financial information, regarding the attachment and the sale of mortgaged assets by one of the banks.

Report on review of other legal and regulatory matters

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company and to the best of our knowledge and belief, no violations of the Companies' Law no. 1 of year 2016 and related Executive Regulations (Note 1), or of the Parent Company's Memorandum of incorporation and Articles of Association during the six months period ended June 30, 2016 that might have had a material effect on the Parent Company's business or its interim condensed consolidated statement of financial position. Except which mentioned in (Note 14) about the interim condensed consolidated financial statement of financial information, concerned the General Assembly of shareholders that not held for the financial year ended December 31, 2015.



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November 6, 2016
State of Kuwait

Al Dar National Real Estate Company

K.S.C (Public)
and its subsidiary
State of Kuwait

Interim condensed consolidated statement of financial position as of June 30, 2016

(Unaudited)

“All amounts are in Kuwaiti Dinar”

	Note	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Assets				
Non-current assets				
Investment properties	3	63,652,000	63,652,000	63,661,242
Available for sale investments	4	136,545	136,545	5,035,470
Advance payments to contractors		2,441,494	2,441,494	2,441,494
		<u>66,230,039</u>	<u>66,230,039</u>	<u>71,138,206</u>
Current assets				
Investments at fair value – statement of income	5	6,516,600	6,550,651	6,541,591
Other debit balances	6	361,120	555,598	828,560
Due from related parties	13	4,313,496	4,347,217	-
Cash and cash equivalents	7	837,542	881,927	831,097
		<u>12,028,758</u>	<u>12,335,393</u>	<u>8,201,248</u>
Total assets		<u>78,258,797</u>	<u>78,565,432</u>	<u>79,339,454</u>
Equity and liabilities				
Equity				
Share capital	8	42,000,000	42,000,000	42,000,000
Treasury share	9	(1,774,013)	(1,774,013)	(1,774,013)
Gains on sale of treasury shares		168,398	168,398	168,398
Cumulative changes in fair value		-	-	111,718
Accumulated losses		(29,134,629)	(29,032,094)	(28,881,101)
		<u>11,259,756</u>	<u>11,362,291</u>	<u>11,625,002</u>
Non-current liabilities				
Provision for end of service indemnity		<u>17,156</u>	<u>28,711</u>	<u>121,417</u>
Current liabilities				
Accounts payable and other credit balances	10	11,414,023	11,606,568	11,712,179
Due to related parties	13	-	-	312,994
Borrowing	11	55,567,862	55,567,862	55,567,862
		<u>66,981,885</u>	<u>67,174,430</u>	<u>67,593,035</u>
Total liabilities		<u>66,999,041</u>	<u>67,203,141</u>	<u>67,714,452</u>
Total equity and liabilities		<u>78,258,797</u>	<u>78,565,432</u>	<u>79,339,454</u>



Ali Youssef Al Ghaith
Chairman

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

Al Dar National Real Estate Company

K.S.C (Public)
and its subsidiary
State of Kuwait

Interim condensed consolidated statement of income for the six months ended June 30, 2016

(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Note	Three months ended June 30,		Six months ended June 30,	
		2016	2015	2016	2015
Revenue					
Rental revenue		28,342	29,438	55,557	60,813
Foreign currency translation differences		934	67,486	2,038	67,486
Change in the fair value of investments at fair value – statement of income		(128,171)	(37,640)	(34,051)	(60,138)
Other income		15,813	117,215	47,422	126,848
Total revenue/(losses)		(83,082)	176,499	70,966	195,009
Expenses and other charges					
General and administrative expenses		86,279	78,629	173,501	154,075
Provision for impairment of investments available for sale		-	-	-	173,784
Total expenses and other charges		86,279	78,629	173,501	327,859
Net (loss)/profit for the period before calculating, Zakat and National Labor Support Tax		(169,361)	97,870	(102,535)	(132,850)
Zakat		729	-	-	-
National Labor Support Tax		1,823	-	-	-
Net (loss)/profit for the period		(166,809)	97,870	(102,535)	(132,850)
(Loss)/earning per share/(fils)	12	(0.41)	0.24	(0.25)	(0.32)

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

Al Dar National Real Estate Company
K.S.C (Public)
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Interim condensed consolidated statement total comprehensive income for the six months ended June 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Total (loss)/profit for the period	(168,377)	97,870	(102,535)	(132,850)
Other comprehensive income for the period				
Change in the fair value of investments available for sale	-	198,611	-	198,611
Total other comprehensive income for the period	-	198,611	-	198,611
Total comprehensive (loss)/income for the period	(168,377)	296,481	(102,535)	65,761

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

Al Dar National Real Estate Company

K.S.C (Public)
and its subsidiary
State of Kuwait

Interim condensed consolidated statement of changes in equity for the six months ended June 30, 2016 (Unaudited)

“All amounts are in Kuwaiti Dinar”

	Share capital	Treasury shares	Gains on sale of treasury shares	Cumulative changes in fair value	Accumulated losses	Total
Balance at January 1, 2015	42,000,000	(1,774,013)	168,398	(86,893)	(28,748,251)	11,559,241
Net loss for the period	-	-	-	-	(132,850)	(132,850)
Other comprehensive income for the period	-	-	-	198,611	-	198,611
Total comprehensive income for the period	-	-	-	198,611	(132,850)	65,761
Balance at June 30, 2015	42,000,000	(1,774,013)	168,398	111,718	(28,881,101)	11,625,002
Balance at January 1, 2016	42,000,000	(1,774,013)	168,398	-	(29,032,094)	11,362,291
Net loss of the period	-	-	-	-	(102,535)	(102,535)
Balance at June 30, 2016	42,000,000	(1,774,013)	168,398	-	(29,134,629)	11,259,756

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

Al Dar National Real Estate Company
K.S.C (Public)
and its subsidiary
State of Kuwait

Interim condensed consolidated statement of cash flows for the six months ended June 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Six months ended June 30,	
	2016	2015
Cash flows from operating activities		
Net loss for the period	(102,535)	(132,850)
Adjustments		
Provision for impairment - investments available for sale	-	173,784
Foreign currency translation differences	(2,038)	(67,486)
Change in the fair value of investments at fair value – statement of income	34,051	60,138
Provision for end of service indemnity	4,159	5,973
Loss/(profit) before change in working capital	(66,363)	39,559
Other debit balances	194,478	38,875
Accounts payable and other credit balances	(190,507)	(44,431)
Related parties	33,721	59,033
Net cash (used in)/generated from operating	(28,671)	93,036
End of service indemnity paid	(15,714)	(65)
Net cash (used in)/generated from operating activities	(44,385)	92,971
Cash flows from investing activities		
Reserved cash against borrowing	(6,300)	(20,476)
Net cash used in investing activities	(6,300)	(20,476)
Net (decrease)/increase in cash and cash equivalents	(50,685)	72,495
Cash and cash equivalents at beginning of the period	314,722	190,687
Cash and cash equivalents at end of the period	7 264,037	263,182

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

Al Dar National Real Estate Company

**K.S.C (Public)
and its subsidiary
State of Kuwait**

**Notes to the interim condensed consolidated financial information for the six months ended June 30, 2016
(Unaudited)**

"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Incorporation and activity

Al Dar National Real Estate Company (K.S.C) Public "the Parent Company was established on March 7, 2000 according with articles of association number 1/714, and it registered in the Commercial Register on March 12, 2000 under number 80148.

The parent company listed in Kuwait Stock Exchange on July 2, 2005.

The basic activity of the parent company is owning, selling and purchasing of real estate and lands and development those, except the especial housing vouchers and the management of the properties of the company and other, and owning, selling and purchasing of shares and bonds of real estate companies, preparing studies and providing consultations in real estate field with all its kinds, and making the maintenance process's that regarding to buildings and properties that owned by the company, and organizing property shows, and using the available financial surplus in the company, by investing it in financial and properties portfolios that managed by specialized aspects and Companies.

The Parent company carries on all its activities in accordance with the rules of the forgiving Islamic principles.

The Parent Company may have an interest in, or may participate in any form with the institutions that have a similar business or that will assist it to achieve its objectives inside or outside Kuwait. Also it may establish or participate in or acquire these institutions or join them.

The interim condensed consolidated financial information for the parent company and it's fully owned subsidiary (Al-Nahda International Real State Company) "referred to all as The Group".

The registered address of the Parent Company is: State of Kuwait P.O. Box 22242, Al Safat 13183, Kuwait.

Companies law no. 1 of year 2016 ("new law") was issued on January 24, 2016 and published in the official gazette on February 1, 2016 which has cancelled the companies law no. 25 of year 2012, as amended ("previous law"). The new law shall be applied as of November 26, 2012 and the executive regulation of previous law will continue until the issuance of an executive regulation for the new law within two months of publishing in the official gazette.

This interim condensed consolidated financial information has been approved for issue from the Board of Directors on November 6, 2016.

Al Dar National Real Estate Company

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**Notes to the interim condensed consolidated financial information for the six months ended June 30, 2016
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"All amounts are in Kuwaiti Dinar unless stated otherwise"

2- Significant Accounting Policies**2/1) Basis of preparation**

The interim condensed consolidated financial information of "the Group" 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 consolidated financial statements prepared in accordance with International Financial Reporting Standards.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements of "the Group" for the year ended December 31, 2015.

During the period, the management decided new policy to measure the fair value of the properties investments annually instead of every six months. This procedure not affect any increase in the Company profit/(losses) for the six months period ended on June 30, 2016, and the comparative profit period has not been amended, because the management aspect this change as a change in critical estimates that will be applied as a future impact.

During the period "the Group" has adopted all the standards that came into effect for annual periods beginning January 1, 2016. The adoption of these standards did not have any material impact on this interim condensed consolidated 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, 2016. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2015.

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

Amendments to IFRSs which are effective for annual accounting period starting from January 1, 2016 did not have any material impact on the accounting policies, financial position or performance of "the Group".

2/2) Critical Judgments and estimates

The preparation of interim condensed consolidated 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 consolidated financial information, the significant judgments made by management in applying "the Parent company's" accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2015.

Al Dar National Real Estate Company
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Notes to the interim condensed consolidated financial information for the six months ended June 30, 2016
(Unaudited)

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3- Investment properties

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Investment properties	<u>2,211,000</u>	<u>2,211,000</u>	<u>2,220,242</u>
Investment properties under development	<u>61,441,000</u>	<u>61,441,000</u>	<u>61,441,000</u>
	<u>63,652,000</u>	<u>63,652,000</u>	<u>63,661,242</u>

And the following movement on investment properties during the period/year/period:

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Balance at the beginning of the period/year/period	<u>63,652,000</u>	<u>63,593,756</u>	<u>63,593,756</u>
Change in fair value	-	58,244	-
Foreign currency translation differences	-	-	67,486
Balance at end of period/year/period	<u>63,652,000</u>	<u>63,652,000</u>	<u>63,661,242</u>

- The investment properties under development represented in "Capital Tower" project at sharq area under space 6,393 m² included a tower with a high more than 58 floors and shopping complex, commercial offices and a hotel. The construction of "Capital Tower" project has been stopped during the second quarter from the year 2009 because decrease in the liquidity.
- Until the date of issue the interim condensed consolidated financial information the Group not agree with the bank about any final settlement, for recognizing the losses that result from the judgment of disability the issued judgment appeal on the Group , as a later date of the interim condensed consolidated financial information (Note 19).
- The properties investment under development has been mortgaged in favor of a local bank against borrowing (Note 11).

Al Dar National Real Estate Company
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Notes to the interim condensed consolidated financial information for the six months ended June 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

4- Available for sale investments

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Investments in local shares – quoted	<u>136,545</u>	<u>136,545</u>	<u>297,915</u>
Investments in foreign shares –unquoted	<u>-</u>	<u>-</u>	<u>4,737,555</u>
	<u>136,545</u>	<u>136,545</u>	<u>5,035,470</u>

- The local quoted investments with value KD 136,545 mortgaged in favor a local bank against borrowing (Note 11).
- During the prior year, the group has been receipt a settlement order from a related party about the irrevocable selling contract at February 1, 2009 in according. With this, the Group purchased the unquoted foreign shares from this party in previous years and the related party (seller) requested to cancel the contract during the period because a disability in completing the procedures of investment owning transferring from him in favor of the group and the group replied on the contract cancelling request with refusing it totally and detailing and the group insisted on the contract rules and its legal right in completing the contract. The group management make assurance on keeping all its legal right and the results of those and not cancelling the contract.
- During the prior year, the Group rejected the investments in foreign shares – unquoted (above) through closing those in related party account (Dar Investment Co. – K.S.C) upon mutual communication between the two parties. Mention that this party obtain approval from appeal court to take procedures to make financial recycle for the company in according with law no.2 for the year 2009 to improve the financial stability upon the legal letter of the Al Dar National Real estate company K.S.C (public) , upon that the group has been transferred its investments in foreign shares unquoted with amount KD 4,737,555 , into related party account (note 13), and confirmation from this party until make settlement contract.

5- Investments at fair value through – statement of income

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Quoted investments	<u>235,228</u>	<u>269,279</u>	<u>260,219</u>
Unquoted investments	<u>6,281,372</u>	<u>6,281,372</u>	<u>6,281,372</u>
	<u>6,516,600</u>	<u>6,550,651</u>	<u>6,541,591</u>

- The quoted investment with value KD 235,228 saved in investment portfolios has been managed by related parties (Note 13) and the mortgaged in favor a local bank against borrowing (Note – 11).
- The unquoted investments has been evaluated upon estimation process and the available information about the financial position and the activities results of the investee companies and the expected future profits for those companies and in according with the new transactions has been done on those shares with other related parties in the investee Companies or similar Companies.

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Notes to the interim condensed consolidated financial information for the six months ended June 30, 2016
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6- Other debit balances

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Checks under collection	290,000	500,000	800,000
Refundable deposits	26,002	10,472	10,472
Prepaid expenses	31,219	25,801	-
Other debit balances	13,899	19,325	18,088
	<u>361,120</u>	<u>555,598</u>	<u>828,560</u>

The other debit balance, not contain Impaired assets. The maximum amount exposure to credit risks at the interim condensed consolidated financial information is the fair value of each item of the receivable mentioned above. The Group not has any collection guarantees.

7- Cash and cash equivalents

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Cash in investment portfolios	573,505	567,205	567,915
Current accounts in banks and financial institutions	264,037	314,722	263,182
	<u>837,542</u>	<u>881,927</u>	<u>831,097</u>
Deducted: cash mortgaged against borrowing	(573,505)	(567,205)	(567,915)
Cash and cash equivalent for statement of cash flow	<u>264,037</u>	<u>314,722</u>	<u>263,182</u>

The cash in investment portfolios is mortgaged in favor of a local bank against borrowing (Note 11).

8- Share capital

The authorized and paid share capital of the Parent Company amount to KD 42,000,000 (Forty Two Million Kuwaiti Dinars) divided into 420,000,000 shares (Four Hundred and Twenty Million shares), 100 fils (one hundred fils) the value of each share and all shares are cash.

9- Treasury shares

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Number of shares (share)	8,936,000	8,936,000	8,936,000
Percentage of shares to capital (%)	2.13	2.13	2.13
Market value	98,296	236,804	285,952

As there is no debit balances in retained earnings or reserves and share premium, and due to accumulated losses as of June 30, 2016 the company did not hold any amounts in favor treasury shares balance.

Al Dar National Real Estate Company

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**Notes to the interim condensed consolidated financial information for the six months ended June 30, 2016
(Unaudited)**

"All amounts are in Kuwaiti Dinar unless stated otherwise"

10- Accounts payable and other credit balances

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Trading payables - (construction works)	9,110,557	9,110,557	9,110,557
Other trading payables	359,131	502,468	502,468
Retention to contractors	1,052,372	1,052,372	1,052,372
Accrued zakat	865,772	874,765	874,765
Accrued expenses	25,346	32,602	119,395
Other	845	33,804	52,622
	<u>11,414,023</u>	<u>11,606,568</u>	<u>11,712,179</u>

There is mutual lawsuit between the company and the main contractor and the subcontractor about the achieved works value until the ended date and estimation works, compensation and lateness penalties. The group has receipt requests from the contractors with an amount of KD 25.9 million as financial position of June 30, 2016 when KD 9.1 million has been recorded amounts for contractors represents the best valuation for the contractors .In the point of view management expected obligations through the current information..

11- Borrowing

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Wakalat payables	53,242,326	53,242,326	53,242,326
Due to bank	2,325,536	2,325,536	2,325,536
	<u>55,567,862</u>	<u>55,567,862</u>	<u>55,567,862</u>

- The wakalat payables that provided from a local bank against mortgaging real estate investments (Note 3), Available for sale investments (Note - 4), investments at fair value through – statement of income (Note - 5) and cash in portfolios investment (Note 7).
- The Group not paid the acquired premium for those wakalat payables and also stop recognized the related cost and in according with the wakalat payables contracts the stopping of the company's payment lead to full accrual the wakalat payables so the total balance of the wakalat payables has been recorded as current payables in the interim condensed consolidated financial position.
- The bank made a lawsuit against the company to reserve and sell the provided assets as a mortgaged to the wakalat and the parent company also made a lawsuit against the bank to close out the account. And during the period the court issued adjudication in favor one of payable banks, which approve the right of gain the auction of one of investment properties which a field of conflict in favor of the bank against amount KD 56,000,000 that has to pay through the recorded obligation in favor of the bank, and the procedures of ownership transferring has to recorded in the real estate registration department and Kuwait municipality, but the parent Company filed a legal case also to appeal in the issued adjudication about the value of real estate upon the Parent Company estimation.

On subsequent date, of the interim condensed consolidated financial information there is adjudication has been issued, that the disability of appeal in the issued adjudication which issued before, that will also affect the financial position of the Parent Company with a future losses which evaluated as KD 5,873,138 or more, against payment the obligation that mentioned before upon that the obligation now is settled with the bank (Note 19).

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12- (Loss)/earnings per share/(fils)

(Loss)/earnings per share are computed by dividing net (loss)/profit for the period by the weighted average number of outstanding shares during the period as follow:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net (loss)/profit for the period	(166,809)	97,870	(102,535)	(132,850)
Weighted average of outstanding shares during the period	411,064,000	411,064,000	411,064,000	411,064,000
(Loss)/earnings per share/(fils)	(0.41)	0.24	(0.25)	(0.32)

13- Related parties' transactions

Related parties comprise of associates, major shareholders, Board of Directors, key management personnel of the Group and companies which they controlled or jointly controlled or significantly influence. The Group's management approved the pricing policies and terms of these transactions.

The balances and amounts due from/to related parties are interest free and have no specific maturity date except.

The balances and movement of transactions with related parties included in the interim condensed consolidated financial information are as follows:

Interim condensed consolidated statement of financial position:	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Due from related parties	4,313,496	4,347,217	-
Due to related parties	-	-	(312,994)
Investments available for sale	136,545	136,545	297,915
Investments at fair value through – statement of income	235,228	269,279	260,219
Cash in investment portfolios	573,505	567,205	567,915

Interim condensed consolidated statement of income	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Key management compensation	12,000	12,000	24,000	24,000

All related parties transactions are subject to the approval of the General Assembly of Shareholders.

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14- General Assembly of Shareholders

Until the preparation date of the interim condensed consolidated financial information, the annual Shareholders General Assembly did not held for the financial year ended December 31, 2015.

15- Financial instruments

Categories of financial instruments

The Group's financial assets and liabilities have been classified in the interim condensed consolidated statement of financial position as follows:

	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Financial assets			
Cash and cash equivalents	837,542	881,927	831,097
Investments at fair value - statement of income	6,516,600	6,550,651	6,541,591
Other debit balances	361,120	555,598	828,560
Due from related parties	4,313,496	4,347,217	-
Available for sale investments	136,545	136,545	5,035,470
	<u>12,165,303</u>	<u>12,471,938</u>	<u>13,236,718</u>
	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Financial liabilities			
Borrowing	55,567,862	55,567,862	55,567,862
Accounts payable and other credit			
Balances	11,414,023	11,606,568	11,712,179
Due to related parties	-	-	312,994
	<u>66,981,885</u>	<u>67,174,430</u>	<u>67,593,035</u>

Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group has used the assumptions and accepted methods in the assessment of fair values of financial instruments. The fair values of the Group's financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are 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 instruments.
- Fair value of the non-derivative financial instruments is not materially different from its respective carrying value.

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Fair value measurement recognized in the interim condensed consolidated statement of financial position:

The following table presents financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy group's financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant inputs to the fair value measurement.

The financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

As of June 30, 2016:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Assets:			
Available for sale investments			
Quoted securities	136,545	-	136,545
Investments at fair value - statement of income			
Quoted securities	235,228	-	235,228
Unquoted securities	-	6,281,372	6,281,372
	<u>371,773</u>	<u>6,281,372</u>	<u>6,653,145</u>
Liabilities:	-	-	-
Net fair value	<u>371,773</u>	<u>6,281,372</u>	<u>6,653,145</u>

There were no transfers between the levels during the period.

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As of June 30, 2015:

	Level 1	Level 3	Total
Assets:			
Available for sale investments			
Quoted securities	297,915	-	297,915
Unquoted securities	-	4,737,555	4,737,555
Investments at fair value - statement of income			
Quoted securities	260,219	-	260,219
Unquoted securities	-	6,281,372	6,281,372
	<u>558,134</u>	<u>11,018,927</u>	<u>11,577,061</u>
Liabilities:			
Net fair value	<u>558,134</u>	<u>11,018,927</u>	<u>11,577,061</u>

16- Segment report

Group operates through two main sectors:

- Real estate sector: represented in ownership, sale and purchase of real estate, land, development and management of the group's property and other real estate and investment property.
- Investment sector: represented in investment portfolios managed by a third party.

And the following is an analysis of information by segment results for the six months ended June 30:

	June 30, 2016		
	Real estate sector	Investment sector	Total
Segment revenue	57,595	(34,051)	23,544
Segment results	57,595	(34,051)	23,544
Segment assets	66,093,494	12,165,303	78,258,797
Segment liabilities	66,999,041	-	66,999,041
	June 30, 2015		
	Real estate sector	Investment sector	Total
Segment revenue	128,299	(60,138)	68,161
Segment results	128,299	(60,138)	68,161
Segment assets	66,102,736	13,236,718	79,339,454
Segment liabilities	67,714,452	-	67,714,452

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	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Segment results			
Segment revenue	23,544	248,853	10,458
Other revenue	47,422	66,051	10,767
Other expenses	<u>(173,501)</u>	<u>(598,747)</u>	<u>(154,075)</u>
Net loss for the period/year / period	<u>(102,535)</u>	<u>(283,843)</u>	<u>(132,850)</u>
	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
Segment assets			
Investment properties	63,652,000	63,652,000	63,661,242
Investment available for sale	136,545	136,545	5,035,470
Investment at fair value through statement of income	6,516,600	6,550,651	6,541,591
Due from related parties	4,313,496	4,347,217	-
Advanced payment to contractors	2,441,494	2,441,494	2,441,494
Other debit balances	361,120	555,598	828,560
Cash and cash equivalents	837,542	881,927	831,097
Total assets	<u>78,258,797</u>	<u>78,565,432</u>	<u>79,339,454</u>
17- Capital commitments			
	June 30, 2016	December 31, 2015 (Audited)	June 30, 2015
The Remain of design contracts and the management of group project	1,485,400	1,485,400	1,485,400
Expected cost to complete the group project	-	-	74,397,420

18- Going concern

The preparation of the interim condensed consolidated financial information of the Group has been done upon going concern basis, although the excess of current liabilities over current assets with amount KD 54,953,127 as of June 30, 2016 (KD 54,839,037 as of December 31,2015 - KD 59,391,787 as of June 30,2015) , and also which mentioned in (Note 10, 11 and 19) about the interim condensed consolidated financial information as that the Group delaying of payment on the obligation and the stopping of construction works in the main project of Parent Company (Capital Tower), due the deficit in the required liquidity.

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19- Subsequent events

During the period, a ruling in favor of a local bank has been issued stating the transfer of the ownership of investment property (Note-3) in their favor against the debt recorded on the parent Company Note (11), the management of Company and the Parent has filed an appeal on the value if the property verdict.

On subsequent date of the interim financial information condensed consolidated, a ruling has been issued stating the illegality of the appeal on the verdict issued against the group which affects the financial position of the parent company with future losses estimated at KD 5,873,138 or more. The amount of actual losses will be calculated more precisely after the final settlement of the debt with the bank, which could affect the continuity of the group.

On July 13, 2016, the Board of Directors proposed amortizing accumulated losses amounting to KD 29,134,629 according interim financial information condensed consolidated intense as on June 30, 2016 and based on the judgment above-mentioned illegality of the appeal submitted by the parent company and the relevant financial impact on the financial information with accumulated losses of KD 5,873,138 the total accumulated losses after the addition of the aforementioned will amount to KD 35,007,767. Accordingly the Board of Directors proposed capital reduction in accordance with the Mechanism provided by the executive regulations of the Capital Markets Authority – (CMA) in paragraph (10) of Article 14-16 of Chapter 14 of the module XI – Securities Transactions, which states:

In the event of the use of the company's treasury shares to reduce capital, the following must be considered:

- A. The capital reduction by the nominal value of the shares used in the capital reduction.
- B. If treasury shares cost is less than the nominal value, the credit balance is transferred to the account of the treasury shares reserve, voluntary reserves account or the statutory reserve account.
- C. If the cost of the treasury shares is greater than the nominal value it's then amortized through the following accounts in order: Treasury shares reserve, retained earnings, voluntary reserve and the statutory reserve and share premium.

Based on the above, the parent company's current capital amounting to KD 42 million is reduced by nominal value of treasury shares amounting to KD 893,600. The capital after the reduction of will amount to KD 41,106,400 with the closure of losses resulting from amortization of treasury shares in the capital amounted to KD 712,015 into account accumulated losses.

The reduction of the Parent Company's capital to KD 10 million, after amortization of KD 31,106,400 of the projected accumulated losses amounting to KD 35,719,782 and modify this value to close the sale of treasury shares dividends amounting to KD 168,396 to the account accumulated losses and the amount of the expected loss after amortization will be KD 4,613,382.

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And as a following details of amortizing the accumulated losses steps approved by Parent Company's Board of Directors:

	First Step	Second step	Third step	Forth step
	June 30, 2016	Loan closing	Treasury shares closing	Capital reduction
Assets				
Non-current assets				
Investment properties	63,652,000	2,211,000	2,211,000	2,211,000
Available for sale investments	136,545	136,545	136,545	136,545
Advance payments to contractors	2,441,494	2,441,494	2,441,494	2,441,494
	<u>66,230,039</u>	<u>4,789,039</u>	<u>4,789,039</u>	<u>4,789,039</u>
Current assets				
Investments at fair value - statement of income	6,516,600	6,516,600	6,516,600	6,516,600
Other debit balances	361,120	361,120	361,120	361,120
Due from related parties	4,313,496	4,313,496	4,313,496	4,313,496
Cash and cash equivalents	837,542	837,542	837,542	837,542
	<u>12,028,758</u>	<u>12,028,758</u>	<u>12,028,758</u>	<u>12,028,758</u>
Total assets	<u>78,258,797</u>	<u>16,817,797</u>	<u>16,817,797</u>	<u>16,817,797</u>
Equity and liabilities				
Equity				
Share capital	42,000,000	42,000,000	41,106,400	10,000,000
Treasury share	(1,774,013)	(1,774,013)	-	-
Gains on sale of treasury shares	168,398	168,398	-	-
Accumulated losses	(29,134,629)	(35,007,767)	(35,719,782)	(4,613,382)
	<u>11,259,756</u>	<u>5,386,618</u>	<u>5,386,618</u>	<u>5,386,618</u>
Non-current liabilities				
Provision for end of service indemnity	17,156	17,156	17,156	17,156
Current liabilities				
Accounts payable and other credit balances	11,414,023	11,414,023	11,414,023	11,414,023
Borrowing	55,567,862	-	-	-
	<u>66,981,885</u>	<u>11,414,023</u>	<u>11,414,023</u>	<u>11,414,023</u>
Total liabilities	<u>66,999,041</u>	<u>11,431,179</u>	<u>11,431,179</u>	<u>11,431,179</u>
Total equity and liabilities	<u>78,258,797</u>	<u>16,817,797</u>	<u>16,817,797</u>	<u>16,817,797</u>