

Al Dar National Real Estate Company

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

**Interim condensed consolidated financial information
for the nine months ended September 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 nine months ended September 30, 2016
(Unaudited)
with review report

Contents

Review report

Interim condensed consolidated statement of financial position (Unaudited)
Interim condensed consolidated statement of income (Unaudited)
Interim condensed consolidated statement of comprehensive income (Unaudited)
Interim condensed consolidated statement of changes in equity (Unaudited)
Interim condensed consolidated statement of cash flows (Unaudited)

Exhibit

A
B
C
D
E

Notes to the interim condensed consolidated financial information (Unaudited)

Page
1 - 13

Rödl

Middle East

Burgan-International Accountants

Ali Al Hassawi & Partners

P.O. Box: 22351 Safat 13084 Kuwait

Sharq - Dasman Complex - Block 2 -9 Floor

Tel : 22464574-6 / 22426862-3 Fax : 22414956

Email: info-kuwait@rodlme.com

www.rodlme.com



Kuwaiti Accountant Auditing

Certified Public Accountants, Consultants • Business Advisers • Tax experts

Ahmed Al Jaber Street, Al-Matrouk Tower, 2nd Floor,

P.O. Box 26888, Safat 13129, Kuwait.

Fax: 22403205 - Tel.: 22449454

a member of **HLB** international.

A world-wide network of Independent Accounting Firms and Business Advisers.

**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 September 30, 2016 and the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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.

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.

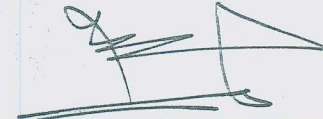
Report on review of other legal and regulatory matters

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 nine months period ended September 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.



Ali A. Al Hasawi
License No. 30 - (A)
Rödl Middle East
Burgan – International Accountants

December 11, 2016
State of Kuwait



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

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 September 30, 2016
(Unaudited)

“All amounts are in Kuwaiti Dinar”

	Note	September 30, 2016	December 31, 2015 (Audited)	September 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	297,915
Advance payments to contractors		2,441,494	2,441,494	2,441,494
		<u>66,230,039</u>	<u>66,230,039</u>	<u>66,400,651</u>
Current assets				
Investments at fair value – statement of income	5	6,518,402	6,550,651	6,546,384
Other debit balances	6	329,158	555,598	836,935
Due from related parties	13	4,312,872	4,347,217	4,392,464
Cash and cash equivalents	7	761,356	881,927	829,804
		<u>11,921,788</u>	<u>12,335,393</u>	<u>12,605,587</u>
Total assets		<u>78,151,827</u>	<u>78,565,432</u>	<u>79,006,238</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		(29,234,573)	(29,032,094)	(28,918,055)
		<u>11,159,812</u>	<u>11,362,291</u>	<u>11,588,048</u>
Non-current liabilities				
Provision for end of service indemnity		13,224	28,711	124,630
Current liabilities				
Accounts payable and other credit balances	10	11,410,929	11,606,568	11,725,698
Debt instruments	11	55,567,862	55,567,862	55,567,862
		<u>66,978,791</u>	<u>67,174,430</u>	<u>67,293,560</u>
Total liabilities		<u>66,992,015</u>	<u>67,203,141</u>	<u>67,418,190</u>
Total equity and liabilities		<u>78,151,827</u>	<u>78,565,432</u>	<u>79,006,238</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 nine months ended September 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Note	Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
Revenue					
Rental revenue		28,397	32,233	83,954	93,046
Foreign currency translation differences		-	-	2,038	67,486
Change in the fair value of investments at fair value – statement of income		1,802	4,679	(32,249)	(55,459)
Other income		(14,757)	-	32,665	126,848
Total revenue		15,442	36,912	86,408	231,921
Expenses and other charges					
General and administrative expenses		115,386	73,866	288,887	227,941
Provision for impairment of investments available for sale		-	-	-	173,784
Total expenses and other charges		115,386	73,866	288,887	401,725
Net loss for the period		(99,944)	(36,954)	(202,479)	(169,804)
Losses per share/(fils)	12	(0.24)	(0.09)	(0.49)	(0.41)

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 total comprehensive income for the nine months ended September 30, 2016

(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net loss for the period	(99,944)	(36,954)	(202,479)	(169,804)
Other comprehensive income for the period				
Change in the fair value of investments available for sale	-	-	-	198,611
Total other comprehensive income for the period	-	-	-	198,611
Total comprehensive (loss)/income for the period	(99,944)	(36,954)	(202,479)	28,807

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 nine months ended September 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	-	-	-	-	(169,804)	(169,804)
Other comprehensive income for the period	-	-	-	198,611	-	198,611
Total comprehensive income for the period	-	-	-	198,611	(169,804)	28,807
Balance at September 30, 2015	42,000,000	(1,774,013)	168,398	111,718	(28,918,055)	11,588,048
Balance at January 1, 2016	42,000,000	(1,774,013)	168,398	-	(29,032,094)	11,362,291
Net loss of the period	-	-	-	-	(202,479)	(202,479)
Balance at September 30, 2016	42,000,000	(1,774,013)	168,398	-	(29,234,573)	11,159,812

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 nine months ended September 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar"

	Nine months ended September 30,	
	2016	2015
Cash flows from operating activities		
Net loss for the period	(202,479)	(169,804)
Adjustments:		
Provision of 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	32,249	55,345
Provision for end of service indemnity	4,686	9,121
(Loss)/profit before change in working capital	(167,582)	960
Other debit balances	226,440	30,500
Accounts payable and other credit balances	(193,601)	(30,912)
Related parties	34,345	91,130
Net cash (used in)/generated from operating	(100,398)	91,678
End of service indemnity paid	(20,173)	-
Net cash (used in)/generated from operating activities	(120,571)	91,678
Cash flows from investing activities		
Reserved cash against debt instruments	(6,300)	(20,120)
Net cash used in investing activities	(6,300)	(20,120)
Net (decrease)/increase in cash and cash equivalents	(126,871)	71,558
Cash and cash equivalents at beginning of the period	314,722	190,687
Cash and cash equivalents at end of the period	187,851	262,245

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 nine months ended September 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 December 11, 2016.

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 nine months ended
September 30, 2016**

(Unaudited)

"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 nine months. This procedure not affect any increase in the Company profit/(losses) for the nine months period ended on September 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".

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

Notes to the interim condensed consolidated financial information for the nine months ended
September 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

3- Investment properties

	September 30, 2016	December 31, 2015 (Audited)	September 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:

	September 30, 2016	December 31, 2015 (Audited)	September 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 including a tower with a height of more than 58 floors and shopping complex, commercial offices and a hotel. The construction of "Capital Tower" project has stopped during the second quarter of the year 2009 due to lack of the liquidity.
- Until the date of issue of the interim condensed consolidated financial information, the Group has not come to any final settlement with the bank for recognizing the losses that resulted from the judicial resolution stating the illegality of the appeal against the Group at a subsequent 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 debt instruments (Note 11).

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 nine months ended
September 30, 2016

(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

4- Available for sale investments

	September 30, 2016	December 31, 2015 (Audited)	September 30, 2015
Investments in local shares – quoted	<u>136,545</u>	<u>136,545</u>	<u>297,915</u>
	<u>136,545</u>	<u>136,545</u>	<u>297,915</u>

- The local quoted investments with value KD 136,545 are held in investment portfolios managed by related parties (Note 13) and mortgaged in favor of a local bank against debt instruments (Note 11).
- During the prior year, the group has received a settlement order furnished by a related party about the irrevocable selling contract signed on February 1, 2009 upon which the Group has purchased the unquoted foreign shares from that party in previous years. The related party (seller) requested to cancel the contract during its valid period due to the incapability to complete the procedures of investment ownership transfer by him to the favor of the Group while the Group has rejected the contract cancellation altogether and insisted on the commitment with the contract provisions and items as well as its legal right to fulfill the contract. The Group's management assures on maintaining all its legal rights and the subsequent consequences and non cancellation of the contract.
- During the prior year, the Group has excluded investments in the above unquoted foreign shares through closing the same in related party account (Dar Investment Co. – K.S.C) based on mutual communications between the two parties. This party obtains the approval of the appeal court to take procedures for the company's financial restructuring in accordance with law no.2 of the year 2009 to improve the financial stability based on the lawyer's letter of Al Dar National Real estate company K.S.C (public), and accordingly, the Group has transferred its investments in the unquoted foreign shares with the amount of KD 4,737,555 into related party account (note 13), and obtained confirmation from this party until signing the settlement contract.

5- Investments at fair value through – statement of income

	September 30, 2016	December 31, 2015 (Audited)	September 30, 2015
Quoted investments	<u>237,030</u>	<u>269,279</u>	<u>265,012</u>
Unquoted investments	<u>6,281,372</u>	<u>6,281,372</u>	<u>6,281,372</u>
	<u>6,518,402</u>	<u>6,550,651</u>	<u>6,546,384</u>

- The quoted investment with the value of KD 237,030 held in investment portfolios is being managed by related parties (Note 13) and mortgaged in favor of a local bank against debt instruments (Note – 11).
- The evaluation of the unquoted investments is carried out upon estimation process and based on the available information on the financial position and the activities results of the investee companies and the expected future profits for those companies and in accordance with the prices of any recent transactions that have been done on those shares with other related parties in the investee Companies or similar Companies.

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 nine months ended
September 30, 2016

(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

6- Other debit balances

	September 30, 2016	December 31, 2015 (Audited)	September 30, 2015
Checks under collection	295,250	500,000	800,000
Refundable deposits	20,825	10,472	10,472
Other debit balances	13,083	45,126	26,463
	<u>329,158</u>	<u>555,598</u>	<u>836,935</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

	September 30, 2016	December 31, 2015 (Audited)	September 30, 2015
Cash in investment portfolios	573,505	567,205	567,559
Current accounts in banks and financial institutions	187,851	314,722	262,245
	<u>761,356</u>	<u>881,927</u>	<u>829,804</u>
Deducted: cash mortgaged against debt instruments	(573,505)	(567,205)	(567,559)
Cash and cash equivalent for statement of cash flow	<u>187,851</u>	<u>314,722</u>	<u>262,245</u>

The cash in investment portfolios is mortgaged in favor of a local bank against debt instruments (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

	September 30, 2016	December 31, 2015 (Audited)	September 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	277,016

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

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 nine months ended
September 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

10- Accounts payable and other credit balances

	September 30, 2016	December 31, 2015 (Audited)	September 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	862,382	874,765	874,765
Accrued expenses	26,487	32,602	124,945
Other	-	33,804	60,591
	<u>11,410,929</u>	<u>11,606,568</u>	<u>11,725,698</u>

There is mutual lawsuit between the company, the main contractor and the subcontractor on the achieved works value until date and estimated works, compensation and delay penalties. The Parent Company has received claims from the contractors with an amount of KD 25.9 million as of the financial position date September 30, 2016 while the amount of KD 9.1 million has been recorded as the amounts due for contractors. The management deems that the amount recorded for the main contractor represents the best valuation for the expected obligations based on the current information.

11- Debt Instruments

	September 30, 2016	December 31, 2015 (Audited)	September 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 mentioned above are provided by a local bank against the mortgage of real estate investments (Note 3), Available for sale investments (Note - 4), investments at fair value-statement of income (Note 5) and cash in portfolios investment (Note 7).
- The Group has defaulted the payment of the due premiums of those wakalat payables and also stopped calculating the related cost. In according with the wakalat payables contracts, the the the payment default by the company will result in the full accrual of the wakalat payables, therefore the total balance of the wakalat payables has been recorded as current payables in the interim condensed consolidated financial position.
- The bank has filed a lawsuit against the company for the purpose of the retention and sale of the assets provided as wakalat mortgage, and the parent company therefore has filed a lawsuit against the bank to close out the account. During the period, the Full Court has issued a judicial resolution in favor one of payable banks upon which the auction is approved for one of investment properties under dispute in favor of the bank against amount KD 56,000,000 which is to be paid from the recorded indebtedness in favor of the bank, and the procedures of ownership transfer to be carried out through the Real estate Registration Department and Kuwait Municipality, however the parent Company filed an appeal on the judicial resolution issued with respect the value of property upon the Parent Company's estimation. During the period of the interim condensed consolidated financial information a judicial resolution has been issued stressing on the illegality of the appeal that will also affect the financial position of the Parent Company with a future losses amounted to KD 5,873,138 or more, against the payment of the aforementioned obligation, consequently indebtedness is being settled with the bank (Note 19).

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 nine months ended September 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

12- Loss per share/(fils)

Loss per share is computed by dividing net loss for the period by the weighted average number of outstanding shares during the period as follow:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net loss for the period	(99,944)	(36,954)	(202,479)	(169,804)
Weighted average of outstanding shares during the period	411,064,000	411,064,000	411,064,000	411,064,000
Loss per share/(fils)	(0.24)	(0.09)	(0.49)	(0.41)

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:	September	December	September
	30, 2016	31, 2015 (Audited)	30, 2015
Due from related parties	4,312,872	4,347,217	4,392,464
Investments available for sale	136,545	136,545	297,915
Investments at fair value through – statement of income	237,030	269,279	265,012
Cash in investment portfolios	573,505	567,205	567,559

Interim condensed consolidated statement of income	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Key management compensation	12,000	12,000	36,000	36,000

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

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 nine months ended
September 30, 2016

(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

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:

	September 30, 2016	December 31, 2015 (Audited)	September 30, 2015
Financial assets			
Cash and cash equivalents	761,356	881,927	829,804
Investments at fair value - statement of income	6,518,402	6,550,651	6,546,384
Other debit balances	329,158	555,598	836,935
Due from related parties	4,312,872	4,347,217	4,392,464
Available for sale investments	136,545	136,545	297,915
	<u>12,058,333</u>	<u>12,471,938</u>	<u>12,903,502</u>
Financial liabilities			
debt instruments	55,567,862	55,567,862	55,567,862
Accounts payable and other credit Balances	11,410,929	11,606,568	11,725,698
	<u>66,978,791</u>	<u>67,174,430</u>	<u>67,293,560</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.

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 nine months ended
 September 30, 2016
 (Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

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 September 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	237,030	-	237,030
Unquoted securities	-	6,281,372	6,281,372
	<u>373,575</u>	<u>6,281,372</u>	<u>6,654,947</u>
Liabilities:	-	-	-
Net fair value	<u>373,575</u>	<u>6,281,372</u>	<u>6,654,947</u>

There were no transfers between the levels during the period.

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 nine months ended
September 30, 2016

(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

As of September 30, 2015:

	Level 1	Level 3	Total
Assets:			
Available for sale investments			
Quoted securities	297,915	-	297,915
Investments at fair value - statement of income			
Quoted securities	265,012	-	265,012
Unquoted securities	-	6,281,372	6,281,372
	<u>562,927</u>	<u>6,281,372</u>	<u>6,844,299</u>
Liabilities:			
Net fair value	<u>-</u>	<u>-</u>	<u>-</u>
	<u>562,927</u>	<u>6,281,372</u>	<u>6,844,299</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 nine months ended September 30:

	September 30, 2016		
	Real estate	Investment	Total
Segment revenue	85,992	416	86,408
Segment results	85,992	416	86,408
Segment assets	66,093,494	12,058,333	78,151,827
Segment liabilities	66,992,015	-	66,992,015
	September 30, 2015		
	Real estate	Investment	Total
Segment revenue	160,532	71,389	231,921
Segment results	160,532	71,389	231,921
Segment assets	66,093,494	12,912,744	79,006,238
Segment liabilities	67,418,190	-	67,418,190

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 nine months ended
 September 30, 2016
 (Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

	September 30, 2016	December 31, 2015 (Audited)	September 30, 2015
Segment results			
Segment revenue	53,743	248,853	(68,711)
Other revenue	32,665	66,051	126,848
Other expenses	(288,887)	(598,747)	(227,941)
Net loss for the period/year / period	<u>(202,479)</u>	<u>(283,843)</u>	<u>(169,804)</u>
	September 30, 2016	December 31, 2015 (Audited)	September 30, 2015
Segment assets			
Investment properties	63,652,000	63,652,000	63,661,242
Investment available for sale	136,545	136,545	297,915
Investment at fair value through statement of income	6,518,402	6,550,651	6,546,384
Due from related parties	4,312,872	4,347,217	4,392,464
Advanced payment to contractors	2,441,494	2,441,494	2,441,494
Other debit balances	329,158	555,598	836,935
Cash and cash equivalents	761,356	881,927	829,804
Total assets	<u>78,151,827</u>	<u>78,565,432</u>	<u>79,006,238</u>
17- Capital commitments			
	September 30, 2016	December 31, 2015 (Audited)	September 30, 2015
The Remain of design contracts and the management of group project	-	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 in spite of the excess of current liabilities over current assets with the amount of KD 55,057,003 as of September 30, 2016 (KD 54,839,037 as of December 31,2015 - KD 54,687,973 as of September 30,2015) , and also what has been mentioned in (Note 10, 11 and 19) on the interim condensed consolidated financial information about the Group's default of payment of the obligation and the stop of the construction works of the main project of the Parent Company (Capital Tower), due the lack of the required liquidity.

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 nine months ended
September 30, 2016
(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

19- Board of Directors' Proposals

During the period, a ruling has been issued in favor of a local bank stating the transfer of the ownership of investment property (Note 3) against the debt recorded on the parent Company Note (11). The management of Company and the Parent Company however have filed an appeal on the judicial resolution issued with respect the value of real property (11).

Then , a judicial resolution has been issued confirming the illegality of the appeal which will also affect the financial position of the Parent Company with a future losses amounted to 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.

Based on what has been mentioned , the Board of Directors has proposed on December 7,2016 to amortize the accumulated losses amounting to KD 29,234,573 according to interim financial information condensed consolidated as on September 30, 2016 and due to on the judicial resolution above-mentioned stating the illegality of the appeal filed by the Parent Company and the relevant financial impact on the financial information with accumulated losses amounted to KD 5,873,138 the total accumulated losses after the addition of the aforementioned will amount KD 35,107,711. Accordingly the Board of Directors proposed capital reduction in accordance with the mechanism stipulated by the executive regulations of the Capital Markets Authority – (CMA) in paragraph (10) of Article 14-16 of Chapter 14 of the module 11 – Securities Transactions, which states:

In the event of using 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 will amount to KD 41,106,400 with the closure of losses resulting from the 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 35,819,726 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 4,713,326.

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 nine months ended
 September 30, 2016

(Unaudited)

"All amounts are in Kuwaiti Dinar unless stated otherwise"

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

	<u>First step</u>	<u>Second step</u>	<u>Third step</u>	<u>Forth step</u>
	September 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	6,518,402	6,518,402	6,518,402	6,518,402
Other debit balances	329,158	329,158	329,158	329,158
Due from related parties	4,312,872	4,312,872	4,312,872	4,312,872
Cash and cash equivalents	761,356	761,356	761,356	761,356
	<u>11,921,788</u>	<u>11,921,788</u>	<u>11,921,788</u>	<u>11,921,788</u>
Total assets	<u>78,151,827</u>	<u>16,710,827</u>	<u>16,710,827</u>	<u>16,710,827</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	(29,234,573)	(35,107,711)	(35,819,726)	(4,713,326)
	<u>11,159,812</u>	<u>5,286,674</u>	<u>5,286,674</u>	<u>5,286,674</u>
Non-current liabilities				
Provision for end of service indemnity	13,224	13,224	13,224	13,224
Current liabilities				
Accounts payable and other credit balances	11,410,929	11,410,929	11,410,929	11,410,929
Debt instruments	55,567,862	-	-	-
	<u>66,978,791</u>	<u>11,410,929</u>	<u>11,410,929</u>	<u>11,410,929</u>
Total liabilities	<u>66,992,015</u>	<u>11,424,153</u>	<u>11,424,153</u>	<u>11,424,153</u>
Total equity and liabilities	<u>78,151,827</u>	<u>16,710,827</u>	<u>16,710,827</u>	<u>16,710,827</u>