



**Commercial Real Estate Company K.P.S.C.  
and its subsidiaries  
State of Kuwait**

**Interim Condensed Consolidated Financial Information (Unaudited)  
And the review report for the nine months ended 30 September 2020**



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**Commercial Real Estate Company K.S.C.P**  
State of Kuwait

**Auditor's report on review of interim condensed consolidated financial information to the board of directors**

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. The Parent Company's management 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

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

**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, the executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 2020 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our review, we have not become aware of any material violations provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the period ended 30 September 2020, that might had a material effect on the business of Group or on its consolidated financial position.



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**Talal Yousef Al-Muzaini**  
Licence No. 209 A  
Deloitte & Touche - Al-Wazzan & Co.

Kuwait, 11 November 2020

Interim Condensed Consolidated Statement of Financial Position as at 30 September 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Notes	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		23,224,234	24,208,755	24,414,707
Investment property	5	377,301,171	377,023,226	372,253,678
Investments in associates	6	44,467,417	47,039,108	47,186,429
Investment at FVOCI		37,053,982	38,678,198	40,168,388
		<u>482,046,804</u>	<u>486,949,287</u>	<u>484,023,202</u>
<b>Current assets</b>				
Land and properties held for trading		13,859,560	13,685,607	14,564,351
Investments at fair value through profit or loss		22,319,979	22,906,744	21,532,956
Receivables and other debit balances	7	13,553,449	11,287,721	11,813,004
Cash and cash equivalents		3,639,233	4,024,768	3,357,770
		<u>53,372,221</u>	<u>51,904,840</u>	<u>51,268,081</u>
<b>Total assets</b>		<u>535,419,025</u>	<u>538,854,127</u>	<u>535,291,283</u>
<b>Equity and liabilities</b>				
<b>Equity attributable to the shareholders of the Parent Company</b>				
Share capital	8	184,069,975	178,708,714	178,708,714
Share premium		1,308,384	1,308,384	1,308,384
Treasury shares	8	(5,420,684)	(3,196,562)	(1,925,832)
Statutory reserve		38,443,068	38,443,068	36,941,642
Voluntary reserve		28,580,127	28,580,127	27,829,414
Other reserve	9	5,197,457	5,200,726	5,929,687
Retained earnings		33,549,186	45,449,385	42,477,916
<b>Total equity attributable to the shareholders of the Parent Company</b>		<u>285,727,513</u>	<u>294,493,842</u>	<u>291,269,925</u>
Non-controlling interests		22,760,683	22,714,131	22,398,537
<b>Total equity</b>		<u>308,488,196</u>	<u>317,207,973</u>	<u>313,668,462</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service indemnity		1,016,077	953,146	976,397
Lease liabilities	5	2,569,025	2,542,755	2,574,899
Financing from third party	10	191,503,904	188,646,441	166,060,709
		<u>195,089,006</u>	<u>192,142,342</u>	<u>169,612,005</u>
<b>Current liabilities</b>				
Payables and other credit balances	11	15,534,302	15,910,199	15,403,014
Financing from third party	10	16,307,521	13,593,613	36,607,802
		<u>31,841,823</u>	<u>29,503,812</u>	<u>52,010,816</u>
<b>Total liabilities</b>		<u>226,930,829</u>	<u>221,646,154</u>	<u>221,622,821</u>
<b>Total equity and liabilities</b>		<u>535,419,025</u>	<u>538,854,127</u>	<u>535,291,283</u>

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

  
Abdul Fatah M.R. Marafie  
Chairman

  
Adwan M. Al-Adwani  
Vice Chairman

Interim Condensed Consolidated Statement of Income for the nine months ended 30 September 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020	2019	2020	2019
<b>Revenue</b>					
Rental income from investment properties and revenue from hotel operations		4,915,342	7,102,389	14,624,027	22,446,504
Operating expenses		(1,692,789)	(2,401,499)	(5,513,478)	(7,446,030)
Net income from operating activities	12	<u>3,222,553</u>	<u>4,700,890</u>	<u>9,110,549</u>	<u>15,000,474</u>
Share in associates results	6	(481,303)	1,031,918	(441,190)	2,369,367
Change in fair value of investment properties		-	-	(380,286)	-
Net gain on investments	13	613,110	1,295,398	811,488	2,447,715
Gain on sale of land and properties held for trading		10,298	-	10,298	48,470
Other income		14,202	12,769	119,573	41,071
Total income		<u>3,378,860</u>	<u>7,040,975</u>	<u>9,230,432</u>	<u>19,907,097</u>
<b>Expenses and other charges</b>					
Administrative expenses and other charges		558,866	580,371	1,838,507	1,904,152
Provisions and impairment		31,312	(32,550)	89,743	469,049
Finance charges		1,404,349	2,219,321	5,041,730	6,373,689
Total expenses		<u>1,994,527</u>	<u>2,767,142</u>	<u>6,969,980</u>	<u>8,746,890</u>
<b>Net profit for the period before deductions</b>		1,384,333	4,273,833	2,260,452	11,160,207
Kuwait Foundation for the Advancement of Sciences (KFAS)		(474)	(22,668)	(474)	(65,483)
National Labour Support Tax (NLST)		(28,792)	(87,990)	(55,301)	(178,058)
Zakat Expense		(6,257)	(28,273)	(10,559)	(53,862)
<b>Net profit for the period</b>		<u>1,348,810</u>	<u>4,134,902</u>	<u>2,194,118</u>	<u>10,862,804</u>
<b>Distributed as follows:</b>					
Shareholders of the Parent Company		1,034,497	3,654,575	1,627,211	9,492,118
Non-controlling interests		314,313	480,327	566,907	1,370,686
		<u>1,348,810</u>	<u>4,134,902</u>	<u>2,194,118</u>	<u>10,862,804</u>
<b>Basic earnings per share for Parent Company's shareholders (fils)</b>	14	<u>0.58</u>	<u>2.01</u>	<u>0.91</u>	<u>5.25</u>

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

**Interim Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2020  
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
Net profit for the period	1,348,810	4,134,902	2,194,118	10,862,804
<b>Other comprehensive income items:</b>				
<i>Items that may not be reclassified subsequently to the consolidated statement of income:</i>				
Change in fair value reserve	71,159	(17,889)	(374,678)	(5,565)
<i>Items that may be reclassified subsequently to the consolidated statement of income:</i>				
Group's share in associates' reserves	514,853	(28,523)	439,882	220,191
Foreign currency translation reserve	24,901	57,854	140,526	70,362
	539,754	29,331	580,408	290,553
<b>Total other comprehensive income items</b>	610,913	11,442	205,730	284,988
<b>Total comprehensive income for the period</b>	1,959,723	4,146,344	2,399,848	11,147,792
<b>Distributed as follows:</b>				
Shareholders of the Parent Company	1,645,410	3,666,017	1,832,941	9,777,106
Non-controlling interests	314,313	480,327	566,907	1,370,686
<b>Total comprehensive income for the period</b>	1,959,723	4,146,344	2,399,848	11,147,792

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

Interim Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Equity attributable to the shareholders of the Parent Company							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 9)	Retained earnings		
<b>Balance as at 1 January 2019 (audited)</b>	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	46,917,225	293,480,224	315,544,929
Impact of prior years adjustments – associate	-	-	-	-	-	-	206,754	206,754	206,754
Impact of initial application of IFRS 16 – associate	-	-	-	-	-	-	(21,689)	(21,689)	(27,959)
Impact of initial application of IFRS 16	-	-	-	-	-	-	(2,308,709)	(2,308,709)	(2,818,939)
<b>Balance as at 1 January 2019</b>	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	44,793,581	291,356,580	312,904,785
Net profit for the period	-	-	-	-	-	-	9,492,118	9,492,118	10,862,804
Total comprehensive income for the period	-	-	-	-	-	284,988	-	284,988	284,988
Sale of investment at FVTOCI – associate	-	-	-	-	-	(12,048)	105,963	105,963	105,963
Sale of investment at FVTOCI	-	-	-	-	-	-	8,243	(3,805)	(3,805)
Cash dividend	-	-	-	-	-	-	(8,699,846)	(8,699,846)	(8,699,846)
Dividend in kind from treasury shares	-	-	2,939,667	-	-	282,476	(3,222,143)	-	-
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	(520,354)
Purchase of treasury shares	-	-	(1,266,073)	-	-	-	-	(1,266,073)	(1,266,073)
<b>Balance as at 30 September 2019</b>	178,708,714	1,308,384	(1,925,832)	36,941,642	27,829,414	5,929,687	42,477,916	291,269,925	313,668,462
<b>Balance as at 1 January 2020 (audited)</b>	178,708,714	1,308,384	(3,196,562)	38,443,068	28,580,127	5,200,726	45,449,385	294,493,842	317,20,973
Net profit for the period	-	-	-	-	-	-	1,627,211	1,627,211	2,194,118
Total comprehensive income for the period	-	-	-	-	-	205,730	-	205,730	205,730
Sale of investment at FVTOCI – associate	-	-	-	-	-	-	86,812	86,812	86,812
Sale of investment at FVTOCI	-	-	-	-	-	(208,999)	455,833	246,834	246,834
Cash dividend (note 18)	-	-	-	-	-	-	(8,708,794)	(8,708,794)	(8,708,794)
Issue of bonus shares (note 18)	5,361,261	-	-	-	-	-	(5,361,261)	-	-
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	(520,355)
Purchase of treasury shares	-	-	(2,224,122)	-	-	-	-	(2,224,122)	(2,224,122)
<b>Balance as at 30 September 2020</b>	184,069,975	1,308,384	(5,420,684)	38,443,068	28,580,127	5,197,457	33,549,186	285,727,513	308,488,196

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

**Interim Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2020  
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	For the nine months ended 30 September	
		2020	2019
<b>Operating activities:</b>			
Net profit for the period		2,194,118	10,862,804
Adjustments for:			
Depreciation of property, plant and equipment		1,504,836	1,388,821
Change in fair value investment properties		380,286	-
Provisions and impairment		89,743	469,049
Share of associates results		441,190	(2,369,367)
Net gain on investments	13	(811,488)	(2,447,715)
Gain from sale of land and properties held for trading		(10,298)	(48,470)
Finance cost		5,041,730	6,373,689
Employees' end of service indemnity provided during the period		166,558	185,554
<i>Operating cash flow before changes in the working capital</i>		<u>8,996,675</u>	<u>14,414,365</u>
Payment for purchase of land and properties held for trading		(289,899)	(1,590,632)
Proceeds from sale of land and properties held for trading		126,244	254,839
Payment for purchase of investment property		(658,231)	(2,028,515)
Receivables and other debit balances		(974,125)	(1,123,814)
Payables and other credit balances		(633,535)	(2,809,465)
Employees' end of service indemnity paid during the period		(103,627)	(159,059)
Net cash generated from operating activities		<u>6,463,502</u>	<u>6,957,719</u>
<b>Investing activities:</b>			
Payment for purchase of property, plant and equipment		(520,315)	(746,808)
Payment to acquire shares in associates		-	(118,309)
Payment to acquire investment at fair value through profit or loss		-	(603,679)
Proceeds from sale of investment at fair value through profit or loss		-	11,666
Payment to acquire investment at FVTOCI		(4,087,368)	(4,913,420)
Proceeds on sale of Investment at FVTOCI		5,583,740	51,167
Dividend received from associates	6	1,422,120	1,809,140
Cash dividend received		1,392,508	1,918,203
Deposits with financial institutions		200,000	-
Net cash generated from/ (used in) investing activities		<u>3,990,685</u>	<u>(2,592,040)</u>
<b>Financing activities:</b>			
Financing from third party		5,571,371	14,030,453
Finance charges paid		(5,329,904)	(4,645,842)
Dividend paid		(8,136,712)	(10,228,476)
Payment for acquisition of treasury shares		(2,224,122)	(1,266,073)
Non-controlling interests		(520,355)	(520,354)
Net cash used in financing activities		<u>(10,639,722)</u>	<u>(2,630,292)</u>
Net (decrease)/ increase in cash and cash equivalents		(185,535)	1,735,387
Cash and cash equivalents at the beginning of the period		3,824,768	1,622,383
<b>Cash and cash equivalents at the end of the period</b>		<u>3,639,233</u>	<u>3,357,770</u>

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

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**1. Overview of the Group**

The Commercial Real Estate Company (K.P.S.C) ("the Parent Company") was incorporated as a Kuwaiti Shareholding Closed Company under Articles of Association No. 104/ M/ Vol.1 on 4 February 1968 under Commercial register No. 11329 and re-enrolled on 21 December 1981 under No. 239 in accordance with provision of the Commercial Companies Law. The main objectives of the Company are performing various real estate, agricultural, industrial and commercial activities, carrying out contracting, road and building constructions including sale, purchase and lease of land and real estate properties and construction of buildings, utilize the company's surpluses through investment portfolios managed by specialized companies and financial institutions. The Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may also purchase such entities or affiliate them, or as stated in Company's Articles of Association, article No. 5 and Memorandum of Association, article No. 4. The Parent Company's management shall carry out all its objectives for which it has been established in accordance with the Noble Islamic Sharia principles.

The head office of the Company is located at Jaber Al-Mubarak Street, Commercial Real Estate Company's Building, Sharq, P.O. Box. 4119 Safat, 13042 Kuwait.

The Company has been registered in the Kuwait Stock Exchange on 21 December 2004.

The consolidated interim financial information includes the interim financial information of the Parent Company, its subsidiaries and branches (together referred to as "the Group").

Name of subsidiaries	Activity	Country of incorporation	Shareholding percent		
			30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Al Mutajara Real Estate Company K.S.C.C.	Investment property	Kuwait	77.57%	77.57%	77.57%
Commercial Real Estate Development Company	Investment property	Bahrain	100%	100%	100%
Commercial Real Estate Development Company	Investment property	Morocco	100%	100%	100%
Al-Salmiya Group K.S.C. (Closed)	Investment property	Kuwait	81.90%	81.90%	81.90%

During the period, the general assembly meeting of the Parent Company shareholders was held on 3 May 2020 to approve the consolidated financial statements for the year ended 31 December 2019.

This interim condensed consolidated financial information was authorized for issue by Parent Company's Board of Director on 11 November 2020.

**2. Basis of preparation**

These interim condensed consolidated financial information have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting. The interim condensed consolidated financial information does not contain all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards, and should be read in conjunction with the annual financial statements for the year ended 31 December 2019. In the opinion of management, all normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

**2.1 Significant accounting policies**

The accounting policies used in preparing the interim condensed consolidated financial information are similar to those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the effect of application of new and revised International Financial Reporting Standards (IFRS) as the follows:

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**2.1.1 New and amended standards adopted by the Group**

*Effective for annual periods beginning on or after January 1, 2020*

**New and amended IFRSs standards**

**Effective for  
annual periods  
beginning on or after**

Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

January 1, 2020

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

Definition of a Business – Amendments to IFRS 3 *Business Combinations*

January 1, 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. International Accounting Standards Board "IASB" also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Amendments to References to the Conceptual Framework in IFRS Standards

January 1, 2020

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments

January 1, 2020

Amendments regarding pre-replacement issues in the context of the IBOR reform

During the period, IASB board have amended IFRS 16 in order to be in line with Covid-19 related rent concession , the amendments are as follows:

June 1, 2020

- a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- b. Any reduction in lease payments affects only payments originally due on or before 30 September 2021.
- c. There is no substantive change to other terms and conditions of the lease.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

**3. Fair value estimation**

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that is not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: valuation techniques that are not based on observable market data.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

The table below gives information about how the fair values of the significant financial assets and liabilities are determined:

	Fair value as at			Fair value hierarchy	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
	30 September 2020	31 December 2019	30 September 2019				
<b>Financial assets</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(unaudited)</b>				
<b>Investments at fair value - other comprehensive income</b>							
Quoted shares	219,438	94,215	105,744	Level 1	Last bid price	N/A	N/A
Private equity	36,408,649	38,158,088	39,634,284	Level 3	Income approach/market multiple model	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Investment funds	425,895	425,895	428,360	Level 3	Income approach/market multiple model	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value
<b>Investments at fair value – statement of income:</b>							
Quoted shares	883,204	577,723	712,261	Level 1	Last bid price	N/A	N/A
Private equity	21,436,775	22,329,021	20,820,695	Level 3	Income approach/market multiple model	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value

The fair value of financial assets and financial liabilities in level 3 have been determined using the common valuation techniques such as a discount cash flow, growth rate and adjusted fair value.

**4. 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 Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019, except the following:

*Fair value measurements and valuation techniques*

To determine the fair value of unquoted investments and private equity, the management is required to perform estimates regarding cash flow projections, growth rate, discount rate, etc. as disclosed in note 3.

*Fair value of non-financial assets*

To determine the fair value of non-financial assets, the management is required to perform internal studies in order to determine the fair valuation by using income capitalization method. This method requires estimating the capitalization rate applicable to the location of the property and will have a significant impact on the fair value.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**5. Investment properties**

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019 (audited)</b>	<b>30 September 2019 (unaudited)</b>
Balance at beginning of the period/ year	377,023,226	370,400,645	370,400,645
Additions	658,231	3,758,963	2,028,515
Transferred from Land and properties held for trading	-	1,175,865	-
Transferred to property, plant and equipment	-	(175,482)	(175,482)
Change in fair value	(380,286)	1,863,235	-
Balance at end of the period/year	<u>377,301,171</u>	<u>377,023,226</u>	<u>372,253,678</u>

Investments properties include the fair value of right of use Boulevard project which will expire in year 2036. The balance of lease liabilities is as follows:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019 (audited)</b>	<b>30 September 2019 (unaudited)</b>
<b><u>Lease liabilities (non-current)</u></b>			
Amounts due after 12 months	2,569,025	2,542,755	2,574,899
<b><u>Lease liabilities (current)</u></b>			
Amounts due within 12 months	94,508	188,797	179,165
	<u>2,663,533</u>	<u>2,731,552</u>	<u>2,754,064</u>

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between one to five years, with the option of renewal for similar periods. All operating lease contracts contain contractual terms relating to the revision of the lease value to reflect the market value in case the tenant uses the option of renewal. The lessee does not have an option to purchase the property at the expiry of the lease period.

**6. Investments in associates**

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019 (audited)</b>	<b>30 September 2019 (unaudited)</b>
Balance as at the beginning of the period/year	47,039,108	47,308,182	47,308,182
Prior years adjustments	-	297,632	206,754
Effect of adoption of IFRS 16	-	(27,959)	(27,959)
Group's share of associates results	(441,190)	2,604,094	2,369,367
Group's share of associates reserves	439,882	66,885	220,191
Gains of investments at FVTOCI	86,812	-	105,963
Translation of foreign currencies	140,526	61,563	70,362
Additions	-	126,689	118,309
Cash dividend	(2,797,721)	(3,184,741)	(3,184,740)
Capital Reduction	-	(187,690)	-
Reverval of impairment	-	(25,547)	-
	<u>44,467,417</u>	<u>47,039,108</u>	<u>47,186,429</u>

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**7. Receivables and other debit balances**

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019 (audited)</b>	<b>30 September 2019 (unaudited)</b>
Trade receivables	8,542,822	7,357,665	7,307,351
Due from related parties (Note 15)	214,289	172,643	174,696
Provision for credit losses	<u>(4,567,313)</u>	<u>(4,477,570)</u>	<u>(4,318,859)</u>
	4,189,798	3,052,738	3,163,188
Prepaid expenses	149,837	182,471	158,901
Advance payments for acquisition of investments	83,149	83,149	-
Advance payment for purchase of land	4,873,614	4,873,614	4,872,601
Refundable deposits	344,246	332,756	348,530
Advances to contractors and suppliers	474,499	754,488	931,576
Other debit balances	<u>3,438,306</u>	<u>2,008,505</u>	<u>2,338,208</u>
	<u>13,553,449</u>	<u>11,287,721</u>	<u>11,813,004</u>

Movement in credit losses as follows:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019 (audited)</b>	<b>30 September 2019 (unaudited)</b>
Balance at beginning of the period/year	4,477,570	4,632,085	4,632,085
Provision created during the period/year	89,743	293,751	169,789
Reversal of provision for credit losses	-	(225,365)	(232,731)
Bad debts	-	(222,901)	(250,284)
Balance at end of the period/year	<u>4,567,313</u>	<u>4,477,570</u>	<u>4,318,859</u>

**8. Equity**

**Share capital**

The authorized, issued and paid up capital of the Parent Company amounted to KD 184,069,975 comprises of 1,840,699,751 shares of 100 fils each and all shares are in cash as of 30 September 2020 (KD 178,708,714 comprise of 1,787,087,137 shares as of 31 December 2019 and 30 September 2019).

The effect of capital increase by bonus share amended in the commercial register on 14 July 2020 (note 18).

**Treasury shares**

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019 (audited)</b>	<b>30 September 2019 (unaudited)</b>
Number of shares (No's)	59,716,916	35,125,820	21,329,995
Percentage of issued shares (%)	3.25	1.96	1.19
Market value	5,971,692	3,319,390	1,785,321
Cost	5,420,684	3,196,562	1,925,832

The Parent Company is committed to retain reserves and retained earnings equivalent to the treasury shares, in which they are held by the Company, pursuant to the relevant instructions of the regulatory authorities.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**9. Other reserves**

	Change of fair value reserve	Group's share in associates' reserves	Translation of foreign currencies	Property, plant and equipment revaluation surplus	Treasury shares reserve	Total
<b>As at 1 January 2019 (audited)</b>	(673,151)	235,522	264,014	5,547,886	-	5,374,271
Sale of investment at FVTOCI	(12,048)	-	-	-	-	(12,048)
Dividend in kind from treasury shares (Note 18)	-	-	-	-	282,476	282,476
Total comprehensive income for the period	(5,565)	220,191	70,362	-	-	284,988
<b>As at 30 September 2019</b>	<b>(690,764)</b>	<b>455,713</b>	<b>334,376</b>	<b>5,547,886</b>	<b>282,476</b>	<b>5,929,687</b>
<b>As at 1 January 2020 (audited)</b>	(1,257,332)	302,118	325,578	5,547,886	282,476	5,200,726
Sale of investment at FVTOCI	(208,999)	-	-	-	-	(208,999)
Total comprehensive income for the period	(374,678)	439,882	140,526	-	-	205,730
<b>As at 30 September 2020</b>	<b>(1,841,009)</b>	<b>742,000</b>	<b>466,104</b>	<b>5,547,886</b>	<b>282,476</b>	<b>5,197,457</b>

**10. Financing from third party**

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Finance from third party – non current portion	191,503,904	188,646,441	166,060,709
Finance from third party – current portion	16,307,521	13,593,613	36,607,802
	<b>207,811,425</b>	<b>202,240,054</b>	<b>202,668,511</b>
Cost rate (%)	2.1-4.0	3.0 – 4.50	3.8 – 4.5

Finance from third party have been granted against mortgage of the following assets.

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Property, plant and equipment	21,649,695	22,879,762	23,299,242
Investment property	283,546,678	271,853,260	278,241,546

**11. Payables and other credit balances**

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Trade payables	848,929	1,839,956	914,345
Due to related parties (Note 15)	99,273	32,167	189,717
Retentions	1,108,951	1,056,868	890,486
Accrued expense	3,116,526	3,132,105	4,980,396
Revenues received in advance	398,596	575,262	463,845
Deposits from others	3,665,989	3,761,211	3,606,323
Kuwait Foundation for the Advancement of Science (KFAS)	94,790	94,316	114,368
National Labour Support Tax (NLST)	55,301	274,951	178,058
Zakat payable	10,559	61,110	53,862
Dividend payable to shareholders	832,899	260,817	363,855
Other credit balances*	5,302,489	4,821,436	3,647,759
	<b>15,534,302</b>	<b>15,910,199</b>	<b>15,403,014</b>

\* Other credit balances include lease liabilities of KD 94,508 due within 12 months.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**12. Net income from operating activities**

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
Real estate rental income	4,885,575	6,168,432	13,523,753	18,827,708
Revenues from hotel and hospitality operation	29,767	933,957	1,100,274	3,618,796
Total revenues	4,915,342	7,102,389	14,624,027	22,446,504
Operating expenses	(1,024,857)	(1,233,329)	(3,062,026)	(3,494,494)
Hotel and hospitality expenses	(667,932)	(1,168,170)	(2,451,452)	(3,951,536)
	3,222,553	4,700,890	9,110,549	15,000,474

Hotel and hospitality expenses include an amount of KD 1,392,430 (KD 1,305,304 - 2019) which represents the current period depreciation of the hotel building and related equipment.

**13. Net gain on investments**

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
<b>Investment at FVOCI</b>				
Cash dividend	516,558	679,807	1,378,073	1,961,278
	516,558	679,807	1,378,073	1,961,278
<b>Investments at fair value through profit or loss</b>				
Change in fair value	96,552	286,621	(586,765)	81,121
Gain on sale	-	11,666	-	11,666
Cash dividend	-	317,304	20,180	393,650
	96,552	615,591	(566,585)	486,437
	613,110	1,295,398	811,488	2,447,715

**14. Basic earnings per share for the Parent Company's shareholders**

Basic earnings per share is computed by dividing the net profit attributable to the Parent Company's shareholders for the period by the weighted average number of outstanding ordinary shares less weighted average number of outstanding treasury shares during the period as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
Net profit for the period (KD)	1,034,497	3,654,575	1,627,211	9,492,118
Weighted average number of outstanding shares (share)	1,788,149,872	1,821,398,777	1,792,223,076	1,808,046,566
<b>Basic earnings per share (fils)</b>	0.58	2.01	0.91	5.25

Earnings per share for the current period and comparative periods has been amended taking into consideration the effect of bonus share distributed in the current period (note 18).

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**15. Related parties transactions**

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, and associates in which the company has representatives in their board. The transactions with related parties are subject to approval of the shareholders at the annual general assembly (AGM). Significant related party transactions and balances resulting therefrom were as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
<b>Transaction</b>				
Key management benefits	155,273	142,144	462,253	447,558
Purchase of lands and property held for trading	-	-	-	484,797
Operating revenue	5,338	-	14,748	-
Operating expenses and other charges	59,895	-	227,755	-
Property, plant and equipment	69,988	-	111,359	-
		<b>30 September 2020 (unaudited)</b>	<b>31 December 2019 (audited)</b>	<b>30 September 2019 (unaudited)</b>
<b>Balances</b>				
Receivables and other debit balances		214,289	172,643	174,696
Advance to contractors and suppliers		-	154,535	-
Payables and other credit balances		99,273	32,167	189,717
Balances due to key management		527,387	593,720	296,898

Balances due from / to related parties are free interest and due upon request. All transactions with related parties are subject to approval by the shareholders' general assembly.

**16. Capital commitments and contingent liabilities**

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
<b>Capital commitments</b>			
Uncalled capital – investments	451,127	442,675	361,070
Contract for projects and investment properties under development	2,689,938	3,165,307	4,860,398
	<u>3,141,065</u>	<u>3,607,982</u>	<u>5,221,468</u>
<b>Contingent liabilities</b>			
Letters of guarantee	<u>3,459,088</u>	<u>3,459,088</u>	<u>3,459,088</u>

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020 (Unaudited)**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**17. Segment information**

The Group is organized into three major business segments; real estate, hotel and investment. Further, Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases followed in preparation of interim condensed consolidated financial statements. Business segment analysis is in line with internal reports submitted to management as follows:

**Segment distribution:**

	For the nine months ended 30 September 2020			For the nine months ended 30 September 2019				
	Real estate sector	Hotel	Investment sector	Total	Real estate sector	Hotel	Investment sector	Total
Revenue	13,269,711	1,100,274	370,298	14,740,283	19,082,547	3,618,796	4,817,082	27,518,425
Direct cost	(3,854,473)	(2,451,452)	(119,937)	(6,425,862)	(4,225,705)	(3,951,536)	(653,636)	(8,830,877)
Operating profit / (loss)	9,415,238	(1,351,178)	250,361	8,314,421	14,856,842	(332,740)	4,163,446	18,687,548
Unallocated costs				(6,120,303)				(7,824,744)
Net profit for the period				2,194,118				10,862,804

**Geographic distribution:**

**A- Assets and liabilities**

	Assets			Liabilities		
	30 September 2020	31 December 2019	30 September 2019	30 September 2020	31 December 2019	30 September 2019
State of Kuwait	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)	(unaudited)
Gulf countries	431,548,562	432,220,436	432,080,977	215,854,361	191,231,618	190,561,545
Other	58,922,563	60,004,459	54,967,811	11,076,468	30,414,536	31,061,276
	44,947,900	46,629,232	48,242,495	-	-	-
	535,419,025	538,854,127	535,291,283	226,930,829	221,646,154	221,622,821

**B- Statement of income**

	For the nine months ended 30 September 2020			For the nine months ended 30 September 2019				
	State of Kuwait	Gulf countries	Other	Total	State of Kuwait	Gulf countries	Other	Total
Total income	8,849,886	(951,137)	1,331,683	9,230,432	17,390,253	554,855	1,961,989	19,907,097
Total expenses	(6,382,714)	(653,600)	-	(7,036,314)	(7,441,537)	(1,602,756)	-	(9,044,293)
Net profit	2,467,172	(1,604,737)	1,331,683	2,194,118	9,948,716	(1,047,901)	1,961,989	10,862,804

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**18. Dividend**

On 3 May 2020 the annual general assembly meeting was held and approved distribution of cash dividend to the shareholders on record as of the due date at 5% after deduction of treasury shares, and distribution of bonus share of 3% from the paid up share capital (3 shares per 100 shares) for the year ended 31 December 2019 (cash dividend 5% per share and 2% bonus share from paid up capital from treasury share – 2 shares per 100 treasury share - 31 December 2018).

**19. Impact of COVID-19**

The World Health Organization declared on 11 March 2020 the Novel Coronavirus (Covid-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group operates in economies that are relatively dependent on the crude oil prices. At the reporting date, oil prices have witnessed unprecedented volatility and decline. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak. The Group has performed an assessment of COVID-19 implications on the financial results of the Group, and incorporated the outcome in these interim condensed consolidated financial statements, as explained below:

*Fair value measurement of financial instruments*

The Group has considered potential impacts of the current market volatility in determining the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable information as at the reporting date. Given the impact of COVID-19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the relation to fair value measurements is disclosed in Notes 4.

*Investment properties*

The Group considered the best available information about past events, current conditions and forecasts of economic conditions in determination of the reported amounts of the Group's Investment properties in these interim condensed consolidated financial statements. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations. Based on the studies and internal evaluation, the Group's management believes that recorded amounts represent the best estimate in light of the available information.

*Lease modification*

The Group, as a lessor, has assessed that the changes in lease payments that result from clauses in the original contract or in applicable law or regulation are part of the original terms and conditions of the lease, even if the effect of those clauses was not previously contemplated. In such a case there is no lease modification for the purposes of IFRS 16. The impact of changes in lease payment resulted in decrease of revenue by approximately KD 5.9 million.