



**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 six months ended 30 June 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 June 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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 six months period ended 30 June 2020 that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Yousef Al-Muzaini

Licence No. 209 A

Deloitte & Touche - Al-Wazzan & Co.

Kuwait, 11 August 2020

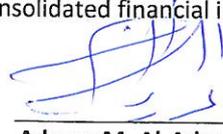
**Interim Condensed Consolidated Statement of Financial Position as at 30 June 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	30 June 2020	31 December 2019 (audited)	30 June 2019
Assets				
Non-current assets				
Property, plant and equipment		23,665,620	24,208,755	24,566,988
Investment property	5	376,984,408	377,023,226	371,415,440
Investments in associates	6	44,412,271	47,039,108	47,540,958
Investment at FVOCI		36,996,185	38,678,198	40,207,505
		<u>482,058,484</u>	<u>486,949,287</u>	<u>483,730,891</u>
Current assets				
Land and properties held for trading		13,851,966	13,685,607	14,198,679
Investments at fair value through profit or loss		22,223,428	22,906,744	20,545,039
Receivables and other debit balances	7	13,171,572	11,287,721	9,994,428
Cash and cash equivalents		7,362,402	4,024,768	1,464,446
		<u>56,609,368</u>	<u>51,904,840</u>	<u>46,202,592</u>
Total assets		<u>538,667,852</u>	<u>538,854,127</u>	<u>529,933,483</u>
Equity and liabilities				
Equity attributable to the shareholders of the Parent Company				
Share capital		178,708,714	178,708,714	178,708,714
Share premium		1,308,384	1,308,384	1,308,384
Treasury shares	8	(4,442,561)	(3,196,562)	(1,455,603)
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	4,586,544	5,200,726	5,918,245
Retained earnings		37,821,515	45,449,385	38,823,108
Total equity attributable to the shareholders of the Parent Company		<u>285,005,791</u>	<u>294,493,842</u>	<u>288,073,904</u>
Non-controlling interests		22,446,370	22,714,131	21,918,210
Total equity		<u>307,452,161</u>	<u>317,207,973</u>	<u>309,992,114</u>
Liabilities				
Non-current liabilities				
Employees' end of service indemnity		982,132	953,146	967,673
Lease liabilities	5	2,591,854	2,542,755	2,660,305
Financing from third party	10	190,852,714	188,646,441	170,014,262
		<u>194,426,700</u>	<u>192,142,342</u>	<u>173,642,240</u>
Current liabilities				
Payables and other credit balances	11	23,856,703	15,910,199	15,563,291
Financing from third party	10	12,932,288	13,593,613	30,735,838
		<u>36,788,991</u>	<u>29,503,812</u>	<u>46,299,129</u>
Total liabilities		<u>231,215,691</u>	<u>221,646,154</u>	<u>219,941,369</u>
Total equity and liabilities		<u>538,667,852</u>	<u>538,854,127</u>	<u>529,933,483</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 six months ended 30 June 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
Revenue					
Rental income from investment properties and hotel operations		2,988,032	7,659,142	9,708,685	15,344,115
Operating expenses		(1,538,694)	(2,498,963)	(3,820,689)	(5,044,531)
Net income from operating activities	12	1,449,338	5,160,179	5,887,996	10,299,584
Change in fair value of investment properties		(380,286)	-	(380,286)	-
Share in associates results	6	(75,352)	791,039	40,113	1,337,449
Net (loss)/ gain on investments	13	(421,440)	527,249	198,378	1,152,317
Gain on sale of land and properties held for trading		-	48,470	-	48,470
Other income		4,786	12,393	105,371	28,302
		<u>577,046</u>	<u>6,539,330</u>	<u>5,851,572</u>	<u>12,866,122</u>
Expenses and other charges					
Administrative expenses and other charges		561,678	700,738	1,279,641	1,323,781
Provision net of reversals		-	458,650	58,431	501,599
Finance charges		1,634,565	2,090,528	3,637,381	4,154,368
		<u>2,196,243</u>	<u>3,249,916</u>	<u>4,975,453</u>	<u>5,979,748</u>
Net (loss)/ profit for the period before deductions		(1,619,197)	3,289,414	876,119	6,886,374
Kuwait Foundation for the Advancement of Sciences (KFAS)		15,223	(17,761)	-	(42,815)
National Labour Support Tax (NLST)		41,614	(59,061)	(26,509)	(90,068)
Zakat Expense		15,934	(17,574)	(4,302)	(25,589)
Net (loss)/ profit for the period		<u>(1,546,426)</u>	<u>3,195,018</u>	<u>845,308</u>	<u>6,727,902</u>
Distributed as follows:					
Shareholders of the Parent Company		(1,458,179)	2,706,095	592,714	5,837,543
Non-controlling interests		(88,247)	488,923	252,594	890,359
		<u>(1,546,426)</u>	<u>3,195,018</u>	<u>845,308</u>	<u>6,727,902</u>
Basic earnings per share for Parent Company's shareholders (fils)	14	<u>(0.81)</u>	<u>1.49</u>	<u>0.33</u>	<u>3.24</u>

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

Interim Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2020
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Net (loss)/profit for the period	(1,546,426)	3,195,018	845,308	6,727,902
Other comprehensive income items:				
<i>Items that may not be reclassified subsequently to the consolidated statement of income:</i>				
Change in fair value reserve	(472,869)	8,349	(445,837)	12,324
<i>Items that may be reclassified subsequently to the consolidated statement of income:</i>				
Group's share in associates' reserves	(264,970)	21,651	(74,971)	248,714
Foreign currency translation reserve	127,181	32,215	115,625	12,508
Total other comprehensive (loss)/ income items	(610,658)	62,215	(405,183)	273,546
Total comprehensive income for the period	(2,157,084)	3,257,233	440,125	7,001,448
Distributed as follows:				
Shareholders of the Parent Company	(2,068,837)	2,768,310	187,531	6,111,089
Non-controlling interests	(88,247)	488,923	252,594	890,359
Total comprehensive income for the period	(2,157,084)	3,257,233	440,125	7,001,448

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

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 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			Total equity attributable to shareholders of the Parent Company
Balance as at 1 January 2019	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	46,917,225	293,480,224	22,064,705	315,544,929
Impact of initial application of IFRS 9	-	-	-	-	-	-	206,754	206,754	-	206,754
Impact of initial application of IFRS 16 – associate	-	-	-	-	-	-	(21,689)	(21,689)	(6,270)	(27,959)
Impact of initial application of IFRS 16	-	-	-	-	-	-	(2,308,709)	(2,308,709)	(510,230)	(2,818,939)
Balance as at 1 January 2020	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	44,793,581	291,356,580	21,548,205	312,904,785
Net profit for the period	-	-	-	-	-	-	5,837,543	5,837,543	890,359	6,727,902
Total comprehensive income for the period	-	-	-	-	-	273,546	-	273,546	-	273,546
Sale of investment at FVTOCI – associate	-	-	-	-	-	-	105,963	105,963	-	105,963
Sale of investment at FVTOCI	-	-	-	-	-	(12,048)	8,243	(3,805)	-	(3,805)
Cash dividends	-	-	-	-	-	-	(8,699,846)	(8,699,846)	-	(8,699,846)
Dividends in kind from treasury shares	-	-	2,939,900	-	-	282,476	(3,222,376)	-	-	-
Cash dividends of subsidiary	-	-	-	-	-	-	-	-	(520,354)	(520,354)
Purchase of treasury shares	-	-	(796,077)	-	-	-	-	(796,077)	-	(796,077)
Balance as at 30 June 2019	178,708,714	1,308,384	(1,455,603)	36,941,642	27,829,414	5,918,245	38,823,108	288,073,904	21,918,210	309,992,114
Balance as at 1 January 2020	178,708,714	1,308,384	(3,196,562)	38,443,068	28,580,127	5,200,726	45,449,385	294,493,842	22,714,131	317,207,973
Net profit for the period	-	-	-	-	-	-	592,714	592,714	252,594	845,308
Total comprehensive income for the period	-	-	-	-	-	(405,183)	-	(405,183)	-	(405,183)
Sale of investment at FVTOCI – associate	-	-	-	-	-	-	90,117	90,117	-	90,117
Sale of investment at FVTOCI	-	-	-	-	-	(208,999)	455,833	246,834	-	246,834
Cash dividends	-	-	-	-	-	-	(8,766,534)	(8,766,534)	-	(8,766,534)
Cash dividends of subsidiary	-	-	-	-	-	-	-	-	(520,355)	(520,355)
Purchase of treasury shares	-	-	(1,245,999)	-	-	-	-	(1,245,999)	-	(1,245,999)
Balance as at 30 June 2020	178,708,714	1,308,384	(4,442,561)	38,443,068	28,580,127	4,586,544	37,821,515	285,005,791	22,446,370	307,452,161

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

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

(All amounts are in Kuwaiti Dinar)

	Notes	For the six months ended 30 June	
		2020	2019
Operating activities:			
Net profit for the period		845,308	6,727,902
Adjustments for:			
Depreciation of property, plant and equipment		990,452	920,124
Change in fair value investment properties		380,286	
Provision net of reversals		58,431	501,599
Share of associates results		(40,113)	(1,337,449)
Net gain on investments	13	(198,378)	(1,152,317)
Gain from sale of land and properties held for trading		-	(48,470)
Finance cost		3,637,381	4,154,368
Employees' end of service indemnity provided during the period		119,955	97,024
<i>Operating cash flow before changes in the working capital</i>		<u>5,793,322</u>	<u>9,862,781</u>
Payment for purchase of land and properties held for trading		(166,359)	(1,224,960)
Proceeds from sale of land and properties held for trading		-	254,839
Payment for purchase of investment property		(341,468)	(1,190,277)
Receivables and other debit balances		(617,220)	(947,752)
Payables and other credit balances		(170,470)	(953,593)
Employees' end of service indemnity paid during the period		(90,969)	(79,253)
Net cash generated from operating activities		<u>4,406,836</u>	<u>5,721,785</u>
Investing activities:			
Payment for purchase of property, plant and equipment		(447,317)	(430,392)
Payment to acquire shares in associates		-	(8,487)
Payment to acquire investment at FVTOCI		(4,087,368)	(4,891,724)
Proceeds on sale of Investment at FVTOCI		5,570,378	8,243
Dividend received from associates	6	1,422,121	1,659,140
Cash dividends received		932,232	1,219,983
Deposits with financial institution		200,000	-
Net cash generated from/ (used in) investing activities		<u>3,590,046</u>	<u>(2,443,237)</u>
FINANCING ACTIVITIES:			
Financing from third party		1,544,948	12,112,042
Finance charges paid		(4,194,320)	(4,205,304)
Dividend paid		(43,522)	(10,026,792)
Payment for acquisition of treasury shares		(1,245,999)	(796,077)
Non-controlling interests		(520,355)	(520,354)
Net cash used in financing activities		<u>(4,459,248)</u>	<u>(3,436,485)</u>
Net increase in cash and cash equivalents		3,537,634	(157,937)
Cash and cash equivalents at the beginning of the period		<u>3,824,768</u>	<u>1,622,383</u>
Cash and cash equivalents at the end of the period		<u><u>7,362,402</u></u>	<u><u>1,464,446</u></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 six months ended 30 June 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 June 2020	31 December 2019 (audited)	30 June 2019
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's on 11 August 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 may considered necessary for a fair presentation have been included.

Operating results for the six-month period ended 30 June 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 six months ended 30 June 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. 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 June 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 six months ended 30 June 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 June 2020	31 December 2019 (audited)	June 30 2019				
Financial assets							
Investments at fair value - other comprehensive income							
Quoted shares	148,280	94,215	123,633	Level 1	Last bid price	N/A	N/A
Private equity	36,422,010	38,158,088	39,655,512	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
Investments at fair value – statement of income:							
Quoted shares	786,653	577,723	390,000	Level 1	Last bid price	N/A	N/A
Private equity	21,436,775	22,329,021	20,155,039	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 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 to 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 the estimation of capitalization rate method.

5. Investment properties

	30 June 2020	31 December 2019 (audited)	30 June 2019
Balance at beginning of the period/ year	377,023,226	370,400,645	370,400,645
Additions	341,468	3,758,963	1,190,277
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	376,984,408	377,023,226	371,415,440

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

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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:

	30 June 2020	31 December 2019 (audited)	30 June 2019
<u>Lease liabilities (non-current)</u>			
Amounts due after 12 months	2,591,854	2,542,755	2,660,305
<u>Lease liabilities (current)</u>			
Amounts due within 12 months	94,508	188,797	115,582
	<u>2,686,362</u>	<u>2,731,552</u>	<u>2,775,887</u>

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between five to six 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

	30 June 2020	31 December 2019 (audited)	30 June 2019
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	40,113	2,604,094	1,337,449
Group's share of associates reserves	(74,971)	66,885	248,714
Gains/ (losses) of investments at FVTOCI	90,117	-	105,963
Translation of foreign currencies	115,625	61,563	12,508
Additions	-	126,689	8,487
Cash dividends	(2,797,721)	(3,184,741)	(1,659,140)
Capital Reduction	-	(187,690)	-
Reverval of impairment	-	(25,547)	-
	<u>44,412,271</u>	<u>47,039,108</u>	<u>47,540,958</u>

7. Receivables and other debit balances

	30 June 2020	31 December 2019 (audited)	30 June 2019
Trade receivables	8,260,334	7,357,665	7,019,564
Due from related parties (Note 15)	211,544	172,643	165,454
Provision for credit losses	(4,536,001)	(4,477,570)	(4,426,027)
	<u>3,935,877</u>	<u>3,052,738</u>	<u>2,758,991</u>
Prepaid expenses	192,743	182,471	124,101
Advance payments for acquisition of investments	83,149	83,149	360,401
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	493,531	754,488	998,382
Other debit balances	3,248,412	2,008,505	531,422
	<u>13,171,572</u>	<u>11,287,721</u>	<u>9,994,428</u>

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Movement in credit losses as follows:

	30 June 2020	31 December 2019 (audited)	30 June 2019
Balance at beginning of the period/year	4,477,570	4,632,085	4,632,085
Provision created during the period/year	58,431	293,751	117,707
Reversal of provision for credit losses	-	(225,365)	(138,063)
Bad debts	-	(222,901)	(185,702)
Balance at end of the period/year	<u>4,536,001</u>	<u>4,477,570</u>	<u>4,426,027</u>

8. Treasury shares

	30 June 2020	31 December 2019 (audited)	30 June 2019
Number of shares (No's)	48,255,726	35,125,820	16,257,844
Percentage of issued shares (%)	2.69	1.96	0.91
Market value	4,608,422	3,319,390	1,508,728
Cost	4,442,561	3,196,562	1,455,603

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.

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
As at 1 January 2019	(673,151)	235,522	264,014	5,547,886	-	5,374,271
Sale of investment at FVTOCI	(12,048)	-	-	-	-	(12,048)
Dividends in kind from treasury shares (Note 18)	-	-	-	-	282,476	282,476
Total comprehensive income for the period	12,324	248,714	12,508	-	-	273,546
As at 30 June 2019	<u>(672,875)</u>	<u>484,236</u>	<u>276,522</u>	<u>5,547,886</u>	<u>282,476</u>	<u>5,918,245</u>
As at 1 January 2020	(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	(445,837)	(74,971)	115,625	-	-	(405,183)
As at 30 June 2020	<u>(1,912,168)</u>	<u>227,147</u>	<u>441,203</u>	<u>5,547,886</u>	<u>282,476</u>	<u>4,586,544</u>

10. Financing from third party

	30 June 2020	31 December 2019 (audited)	30 June 2019
Finance from third party – non current portion	190,852,714	188,646,441	170,014,262
Finance from third party – current portion	12,932,288	13,593,613	30,735,838
	<u>203,785,002</u>	<u>202,240,054</u>	<u>200,750,100</u>
Cost rate (%)	2.50 – 4.50	3.0 – 4.50	4.25 – 4.50

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

	30 June 2020	31 December 2019 (audited)	30 June 2019
Property, plant and equipment	22,077,321	22,879,762	23,539,412
Investment property	283,546,678	271,853,260	282,686,876

11. Payables and other credit balances

	30 June 2020	31 December 2019 (audited)	30 June 2019
Trade payables	939,275	1,839,956	837,357
Due to related parties (Note 15)	59,836	32,167	189,717
Retentions	1,060,407	1,056,868	865,409
Accrued expense	2,989,804	3,132,105	3,125,396
Revenues received in advance	265,213	575,262	642,422
Deposits from others	3,685,090	3,761,211	3,607,325
Kuwait Foundation for the Advancement of Science (KFAS)	94,316	94,316	140,586
National Labour Support Tax (NLST)	301,460	274,951	90,068
Zakat payable	65,412	61,110	25,589
Dividends payable to shareholders	8,983,829	260,817	565,539
Financial claims	-	-	2,097,654
Other credit balances*	5,412,061	4,821,436	3,376,229
	<u>23,856,703</u>	<u>15,910,199</u>	<u>15,563,291</u>

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

12. Net income from operating activities

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Real estate rental income	2,848,032	6,455,148	8,638,178	12,659,276
revenues from hotel operation	140,000	1,203,994	1,070,507	2,684,839
Total revenues	2,988,032	7,659,142	9,708,685	15,344,115
Operating expenses	(841,279)	(1,168,364)	(2,037,169)	(2,261,165)
Hotel and hospitality expenses	(697,415)	(1,330,599)	(1,783,520)	(2,783,366)
	<u>1,449,338</u>	<u>5,160,179</u>	<u>5,887,996</u>	<u>10,299,584</u>

Hotel and hospitality expenses include an amount of KD 876,045 (KD 864,951 - 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 June		For the six months ended 30 June	
	2020	2019	2020	2019
Investment at FVOCI				
Cash dividends	370,509	617,049	861,515	1,281,471
	<u>370,509</u>	<u>617,049</u>	<u>861,515</u>	<u>1,281,471</u>
Investments at fair value through profit or loss				
Change in fair value	(802,027)	(123,000)	(683,317)	(205,500)
Cash dividends	10,078	33,200	20,180	76,346
	<u>(791,949)</u>	<u>(89,800)</u>	<u>(663,137)</u>	<u>(129,154)</u>
	<u>(421,440)</u>	<u>527,249</u>	<u>198,378</u>	<u>1,152,317</u>

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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 June		For the six months ended 30 June	
	2020	2019	2020	2019
Net profit for the period (KD)	(1,458,179)	2,706,095	592,714	5,837,543
Weighted average number of outstanding shares (share)	1,791,675,195	1,810,330,278	1,794,282,059	1,801,259,807
Basic EPS (fils)	(0.81)	1.49	0.33	3.24

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

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:

Transaction	For the three months ended 30 June		For the six months ended 30-Jun	
	2020	2019	2020	2019
Key management benefits	139,147	141,985	306,980	305,414
Purchase of lands and property held for trading	-	70,114	-	484,797
Operating revenue	4,146	-	9,410	-
Operating expenses and other charges	52,155	-	167,860	-
Property, plant and equipment	-	-	41,371	-
		30 June 2020	31 December 2019 (audited)	30 June 2019
Balances				
Receivables and other debit balances		211,544	172,643	165,454
Advance to contractors and suppliers		20,600	154,535	-
Payables and other credit balances		59,836	32,167	189,717
Balances due to key management		547,541	593,720	279,751

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 June 2020	31 December 2019 (audited)	30 June 2019
Capital commitments			
Uncalled capital – investments	449,568	442,675	360,000
Contract for projects and investment properties under development	2,992,384	3,165,307	5,491,660
	3,441,952	3,607,982	5,851,660
Contingent liabilities			
Letters of guarantee	3,459,088	3,459,088	3,459,088

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17. Segment information

The Group is organized into three major business segments; real estate and investment. Both segments results are reported to senior executive management. 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 is as follows:

Segment distribution:

	For the six months ended 30 June 2020			For the six months ended 30 June 2019				
	Real estate sector	Hotel	Investment sector	Total	Real estate sector	Hotel	Investment sector	Total
Revenue	8,257,892	1,070,507	238,491	9,566,890	12,914,115	2,684,839	2,489,766	18,088,720
Direct cost	(2,501,305)	(1,783,520)	(84,768)	(4,369,593)	(2,842,665)	(2,783,366)	(607,559)	(6,233,590)
Gross profit	5,756,587	(713,013)	153,723	5,197,297	10,071,450	(98,527)	1,882,207	11,855,130
Unallocated costs				(4,351,989)				(5,127,228)
Net profit for the period				845,308				6,727,902

Geographic distribution:

A- Assets and liabilities

	Assets			Liabilities		
	30 June 2020	31 December 2019	30 June 2019	30 June 2020	31 December 2019	30 June 2019
State of Kuwait	434,857,696	432,220,436	433,747,974	201,434,153	191,231,618	187,447,658
Gulf countries	58,905,672	60,004,459	48,231,598	29,781,538	30,414,536	32,493,711
Other	44,904,484	46,629,232	47,953,911	-	-	-
	538,667,852	538,854,127	529,933,483	231,215,691	221,646,154	219,941,369

B- Statement of income

	For the six months ended 30 June 2020			For the six months ended 30 June 2019				
	State of Kuwait	Gulf countries	Other	Total	State of Kuwait	Gulf countries	Other	Total
Total income	4,829,702	172,818	849,052	5,851,572	11,141,990	453,095	1,271,037	12,866,122
Total expenses	(4,473,794)	(532,470)	-	(5,006,264)	(4,897,242)	(1,240,978)	-	(6,138,220)
Net profit	355,908	(359,652)	849,052	845,308	6,244,748	(787,883)	1,271,037	6,727,902

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18. Dividends

On 3 May 2020 the annual general assembly meeting was held and approved distribution of cash dividends 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 dividends 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 reported 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 4 million.