



**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 three months ended 31 March 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 31 March 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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 three months period ended 31 March 2020 that might have had a material effect on the business of the 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 August 2020

Interim Condensed Consolidated Statement of Financial Position as at 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Notes	31 March 2020	31 December 2019 (audited)	31 March 2019
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		24,033,593	24,208,755	24,803,755
Investment property	5	377,216,749	377,023,226	370,688,175
Investments in associates	6	46,001,012	47,039,108	46,678,928
Investment at FVOCI		35,328,049	38,678,198	40,037,508
		<u>482,579,403</u>	<u>486,949,287</u>	<u>482,208,366</u>
<b>Current assets</b>				
Land and properties held for trading		13,781,986	13,685,607	13,858,669
Investments at fair value through profit or loss		23,025,454	22,906,744	20,668,039
Receivables and other debit balances	7	12,753,342	11,287,721	9,549,143
Cash and cash equivalents		7,765,053	4,024,768	3,031,574
		<u>57,325,835</u>	<u>51,904,840</u>	<u>47,107,425</u>
<b>Total assets</b>		<u>539,905,238</u>	<u>538,854,127</u>	<u>529,315,791</u>
<b>Equity and liabilities</b>				
<b>Equity attributable to the shareholders of the Parent Company</b>				
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	(4,262,453)	(3,196,562)	(4,340,805)
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	5,281,369	5,200,726	5,573,554
Retained earnings		47,945,582	45,449,385	48,022,111
<b>Total equity attributable to the shareholders of the Parent Company</b>		<u>296,004,791</u>	<u>294,493,842</u>	<u>294,043,014</u>
Non-controlling interests		23,054,972	22,714,131	21,429,286
<b>Total equity</b>		<u>319,059,763</u>	<u>317,207,973</u>	<u>315,472,300</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service indemnity		1,019,777	953,146	984,372
Lease liabilities	5	2,615,571	2,542,755	2,707,245
Financing from third party	10	183,298,884	188,646,441	156,352,978
		<u>186,934,232</u>	<u>192,142,342</u>	<u>160,044,595</u>
<b>Current liabilities</b>				
Payables and other credit balances	11	16,335,854	15,910,199	17,455,058
Financing from third party	10	17,575,389	13,593,613	36,343,838
		<u>33,911,243</u>	<u>29,503,812</u>	<u>53,798,896</u>
<b>Total liabilities</b>		<u>220,845,475</u>	<u>221,646,154</u>	<u>213,843,491</u>
<b>Total equity and liabilities</b>		<u>539,905,238</u>	<u>538,854,127</u>	<u>529,315,791</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 three months period ended 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Notes	For the three months period ended 31 March	
		2020	2019
<b>Revenue</b>			
Rental income from investment properties and hotel's revenue		6,720,653	7,684,973
Operating expenses		(2,281,995)	(2,545,568)
Net income from operating activities	12	4,438,658	5,139,405
Share of profit from investment in associate companies	6	115,465	546,410
Net gain on investments	13	619,818	625,068
Other income		100,585	15,909
Total revenues		<u>5,274,526</u>	<u>6,326,792</u>
<b>Expenses and other charges</b>			
Administrative expenses and other charges		717,963	623,043
Provision net of reversals		58,431	42,949
Finance charges		2,002,816	2,063,840
Total expenses		<u>2,779,210</u>	<u>2,729,832</u>
<b>Net profit for the period before deductions</b>		2,495,316	3,596,960
Kuwait Foundation for the Advancement of Sciences (KFAS)		(15,223)	(25,054)
National Labour Support Tax (NLST)		(68,123)	(31,007)
Zakat Expense		(20,236)	(8,015)
<b>Net profit for the period</b>		<u>2,391,734</u>	<u>3,532,884</u>
<b>Distributed as follows:</b>			
Shareholders of the Parent Company		2,050,893	3,131,448
Non-controlling interests		340,841	401,436
		<u>2,391,734</u>	<u>3,532,884</u>
<b>Basic earnings per share for Parent Company's shareholders (fils)</b>	14	<u>1.14</u>	<u>1.75</u>

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

Interim Condensed Consolidated Statement of Comprehensive Income for the three months period ended 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	For the three months period ended 31 March	
	2020	2019
Net profit for the period	2,391,734	3,532,884
<b>Other comprehensive income items:</b>		
<i>Items that will not be reclassified subsequently to the consolidated statement of income:</i>		
Change in fair value reserve	27,032	3,975
<i>Items that may be reclassified subsequently to the consolidated statement of income:</i>		
Group's share in associates' reserves	189,999	227,063
Foreign currency translation reserve	(11,556)	(19,707)
<b>Total other comprehensive income items</b>	<b>205,475</b>	<b>211,331</b>
<b>Total comprehensive income for the period</b>	<b>2,597,209</b>	<b>3,744,215</b>
<b>Distributed as follows:</b>		
Shareholders of the Parent Company	2,256,368	3,342,779
Non-controlling interests	340,841	401,436
<b>Total comprehensive income for the period</b>	<b>2,597,209</b>	<b>3,744,215</b>

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

Interim Condensed Consolidated Statement of Changes in Equity for the three months period ended 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Equity attributable to the shareholders of the Parent Company										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	Non-controlling interests	Total equity	
<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	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)	
<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	21,548,205	312,904,785	
Net profit for the period	-	-	-	-	-	-	3,131,448	3,131,448	401,436	3,532,884	
Total comprehensive income for the period	-	-	-	-	-	211,331	-	211,331	-	211,331	
Sale of investment at FVTOCI – associate	-	-	-	-	-	-	88,839	88,839	-	88,839	
Sale of investment at FVTOCI	-	-	-	-	-	(12,048)	8,243	(3,805)	-	(3,805)	
Cash dividends of subsidiary	-	-	-	-	-	-	-	-	(520,355)	(520,355)	
Purchase of treasury shares	-	-	(741,379)	-	-	-	-	(741,379)	-	(741,379)	
<b>Balance as at 31 March 2019</b>	178,708,714	1,308,384	(4,340,805)	36,941,642	27,829,414	5,573,554	48,022,111	294,043,014	21,429,286	315,472,300	
<b>Balance as at 1 January 2020</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	22,714,131	317,207,973	
Net profit for the period	-	-	-	-	-	-	2,050,893	2,050,893	340,841	2,391,734	
Total comprehensive income for the period	-	-	-	-	-	205,475	-	205,475	-	205,475	
Sale of investment at FVTOCI – associate	-	-	-	-	-	-	90,117	90,117	-	90,117	
Sale of investment at FVTOCI	-	-	-	-	-	(124,832)	355,187	230,355	-	230,355	
Purchase of treasury shares	-	-	(1,065,891)	-	-	-	-	(1,065,891)	-	(1,065,891)	
<b>Balance as at 31 March 2020</b>	178,708,714	1,308,384	(4,262,453)	38,443,068	28,580,127	5,281,369	47,945,582	296,004,791	23,054,972	319,059,763	

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

Interim Condensed Consolidated Statement of Cash Flows for the three months period ended 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Notes	For the three months period ended 31 March	
		2020	2019
<b>Operating activities:</b>			
Net profit for the period		2,391,734	3,532,884
Adjustments for:			
Depreciation of property, plant and equipment		492,174	455,686
Provision of credit losses		58,431	42,949
Share of profit from investments in associates		(115,465)	(546,410)
Net gain on investments	13	(619,818)	(625,068)
Finance cost		2,002,816	2,063,840
Employees' end of service indemnity provided during the period		75,782	71,567
<i>Operating cash flow before changes in the working capital</i>		<u>4,285,654</u>	<u>4,995,448</u>
Payment for purchase of land and properties held for trading		(96,379)	(678,581)
Payment for purchase of investment property		(193,523)	(463,012)
Receivables and other debit balances		(112,967)	(585,054)
Payables and other credit balances		(486,246)	(523,623)
Employees' end of service indemnity paid during the period		(9,151)	(37,097)
Net cash generated from operating activities		<u>3,387,386</u>	<u>2,708,081</u>
<b>Investing activities:</b>			
Payment for purchase of property, plant and equipment		(317,012)	(202,721)
Payment to acquire shares in associates		-	(8,486)
Payment to a acquire investment at FVTOCI		(1,004,868)	(4,730,076)
Proceeds on sale of Investment at FVTOCI		4,612,405	8,243
Dividend received from associates	6	-	1,659,140
Deposits with financial institution		512,144	610,321
Time deposit		200,000	-
Net cash generated / (used in) from investing activities		<u>4,002,669</u>	<u>(2,663,579)</u>
<b>FINANCING ACTIVITIES:</b>			
Net financing from third party		(1,365,781)	4,058,758
Finance charges paid		(974,857)	(281,513)
Dividend paid		(43,241)	(1,671,177)
Payment for buy-back of treasury shares		(1,065,891)	(741,379)
Net cash (used in) / generated from financing activities		<u>(3,449,770)</u>	<u>1,364,689</u>
Net increase in cash and cash equivalents		3,940,285	1,409,191
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>7,765,053</u>	<u>3,031,574</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 three months period ended 31 March 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 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		
			31 March 2020	31 December 2019 (audited)	31 March 2019
Al Mutajara Real Estate Company K.S.C.C.	Real estate	Kuwait	77.57%	77.57%	77.57%
Commercial Real Estate Development Company	Real estate	Bahrain	100%	100%	100%
Commercial Real Estate Development Company	Real estate	Morocco	100%	100%	100%
Al-Salmiya Group K.S.C. (Closed)	Real estate	Kuwait	81.90%	81.90%	81.90%

During the period, the general assembly meeting of the Parent Company shareholders was held on 7 April 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 adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

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

**Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020 (Unaudited)**

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

**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:

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

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

<u>New and amended IFRSs standards</u>	<u>Effective for annual periods beginning on or after</u>
Definition of Material - Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> 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'.	January 1, 2020
Definition of a Business – Amendments to IFRS 3 <i>Business Combinations</i> 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'.	January 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards 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.	January 1, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 – Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
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
<ul style="list-style-type: none"> <li>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.</li> <li>b. Any reduction in lease payments affects only payments originally due on or before 30 June 2021.</li> <li>c. There is no substantive change to other terms and conditions of the lease.</li> </ul>	
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.	

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**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.

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
	31 March 2020	31 December 2019 (audited)	31 March 2019				
<b>Financial assets</b>							
<b>Investments at fair value - other comprehensive income</b>							
Quoted shares	121,248	94,215	115,285	Level 1	Last bid price	N/A	N/A
Private equity	34,780,906	38,158,088	39,493,863	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	696,433	577,723	513,000	Level 1	Last bid price	N/A	N/A
Private equity	22,329,021	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.

**Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020 (Unaudited)**

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

**5. Investment properties**

	31 March 2020	31 December 2019 (audited)	31 March 2019
Balance at beginning of the period/ year	377,023,226	370,400,645	370,400,645
Additions	193,523	3,758,963	463,012
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	-	1,863,235	-
Balance at end of the period/year	<u>377,216,749</u>	<u>377,023,226</u>	<u>370,688,175</u>

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

	31 March 2020	31 December 2019 (audited)	31 March 2019
<b><u>Lease liabilities (non-current)</u></b>			
Amounts due after 12 months	2,615,571	2,542,755	2,707,245
<b><u>Lease liabilities (current)</u></b>			
Amounts due within 12 months	93,463	188,797	90,169
	<u>2,709,034</u>	<u>2,731,552</u>	<u>2,797,414</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. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as that real estate is considered a characteristic property.

**6. Investments in associates**

	31 March 2020	31 December 2019 (audited)	31 March 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 in a associates results	115,465	2,604,094	546,410
Group's share in a associates reserves	189,999	66,885	227,063
Gains/ (losses) of investments at FVTOCI	90,117	-	88,839
Translation of foreign currencies	(11,556)	61,563	(19,707)
Additions	-	126,689	8,486
Cash dividends	(1,422,121)	(3,184,741)	(1,659,140)
Capital Reduction	-	(187,690)	-
Reveral of impairment	-	(25,547)	-
	<u>46,001,012</u>	<u>47,039,108</u>	<u>46,678,928</u>

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

7. Receivables and other debit balances

	31 March 2020	31 December 2019 (audited)	31 March 2019
Trade receivables	7,636,679	7,357,665	6,986,029
Due from related parties (Note 15)	190,723	172,643	148,141
Provision for impairment	(4,536,001)	(4,477,570)	(4,675,034)
	3,291,401	3,052,738	2,459,136
Prepaid expenses	245,505	182,471	133,558
Advance payments for acquisition of investments	83,149	83,149	360,401
Advance payment for purchase of land	4,873,614	4,873,614	4,872,561
Refundable deposits	344,246	332,756	348,530
Advances to contractors and suppliers	484,769	754,488	916,021
Other debit balances	3,430,658	2,008,505	458,936
	<u>12,753,342</u>	<u>11,287,721</u>	<u>9,549,143</u>

Movement in credit losses is as follows:

	31 March 2020	31 December 2019 (audited)	31 March 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	42,949
Reversal of provision for doubtful debts	-	(225,365)	-
Bad debts	-	(222,901)	-
Balance at end of the period/year	<u>4,536,001</u>	<u>4,477,570</u>	<u>4,675,034</u>

8. Treasury shares

	31 March 2020	31 December 2019 (audited)	31 March 2019
Number of shares (No's)	46,295,066	35,125,820	50,391,697
Percentage of issued shares (%)	2.58	1.96	2.82
Market value	4,073,966	3,319,390	4,741,859
Cost	4,262,453	3,196,562	4,340,805

The Parent Company is committed to retain reserves and retained earnings equivalent to the treasury shares throughout the period, 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)
Total comprehensive income for the period	3,975	227,063	(19,707)	-	-	211,331
As at 31 March 2019	<u>(681,224)</u>	<u>462,585</u>	<u>244,307</u>	<u>5,547,886</u>	<u>-</u>	<u>5,573,554</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	(124,832)	-	-	-	-	(124,832)
Total comprehensive income for the period	27,032	189,999	(11,556)	-	-	205,475
As at 31 March 2020	<u>(1,355,132)</u>	<u>492,117</u>	<u>314,022</u>	<u>5,547,886</u>	<u>282,476</u>	<u>5,281,369</u>

**Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020 (Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**10. Financing from third party**

	<b>31 March 2020</b>	<b>31 December 2019 (audited)</b>	<b>31 March 2019</b>
Finance from third party – current portion	17,575,389	13,593,613	36,343,838
Finance from third party – non current portion	183,298,884	188,646,441	156,352,978
	<u>200,874,273</u>	<u>202,240,054</u>	<u>192,696,816</u>
Cost rate (%)	2.75 - 4.5	3 - 4.5	4.3 - 4.5

Finance granted by third party is secured against mortgage of the following assets:

	<b>31 March 2020</b>	<b>31 December 2019 (audited)</b>	<b>31 March 2019</b>
Property, plant and equipment	22,515,957	22,879,762	23,857,635
Investment property	283,576,632	271,853,260	282,547,470

**11. Payables and other credit balances**

	<b>31 March 2020</b>	<b>31 December 2019 (audited)</b>	<b>31 March 2019</b>
Trade payables	1,074,568	1,839,956	948,699
Due to related parties (Note 15)	51,024	32,167	189,717
Retentions	1,047,648	1,056,868	766,174
Accrued expense	4,254,526	3,132,105	5,110,309
Revenues received in advance	405,446	575,262	836,045
Deposits from others	3,762,858	3,761,211	3,576,499
Kuwait Foundation for the Advancement of Science (KFAS)	109,539	94,316	122,825
National Labour Support Tax (NLST)	343,072	274,951	436,477
Zakat payable	81,346	61,110	123,992
Dividends payable to shareholders	217,576	260,817	221,308
Financial claims	-	-	1,575,699
Other credit balances*	4,988,251	4,821,436	3,547,314
	<u>16,335,854</u>	<u>15,910,199</u>	<u>17,455,058</u>

\* Other credit balances include lease liabilities of KD 93,463 due within 12 months.

**12. Net income from operating activities**

	<b>For the three months period ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
Real estate rental income	5,790,146	6,204,128
Hotel's and hospitality revenues	930,507	1,480,845
Total revenues	6,720,653	7,684,973
Operating expenses	(1,195,890)	(1,092,801)
Hotel and hospitality expenses	(1,086,105)	(1,452,767)
	<u>4,438,658</u>	<u>5,139,405</u>

Hotel and hospitality expenses include an amount of KD 437,408 (KD 428,249 - 2019) which represents the current period depreciation of the hotel building and related equipment.

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

13. Net gain on investments

	For the three months period ended 31 March	
	2020	2019
<b>Investment at FVOCI</b>		
Cash dividends	491,006	664,422
	<u>491,006</u>	<u>664,422</u>
<b>Investments at fair value through profit or loss</b>		
Change in fair value	118,710	(82,500)
Cash dividends	10,102	43,146
	<u>128,812</u>	<u>(39,354)</u>
	<u>619,818</u>	<u>625,068</u>

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:

	Three months ended 31 March	
	2020	2019
Net profit for the period (KD)	2,050,893	3,131,448
Weighted average number of outstanding shares (share)	<u>1,796,889,280</u>	<u>1,792,058,643</u>
<b>Basic EPS (fils)</b>	<u>1.14</u>	<u>1.75</u>

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 general assembly. Significant related party transactions and balances resulting therefrom were as follows:

Transaction	Three months ended 31 March	
	2020	2019
Key management benefits	167,833	163,429
Operating Revenue	5,264	-
Purchase of lands and property held for trading	-	414,683
Operating expenses and other charges	115,705	-
Property, plant and equipment	41,371	-

	31 March 2020	31 December 2019 (audited)	31 March 2019
<b>Balances</b>			
Receivables and other debit balances	190,723	172,643	148,141
Advance payment to contractors and suppliers	-	154,535	-
Payables and other credit balances	51,024	32,167	189,717
Balances due to key management	621,335	593,720	413,058

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.

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020  
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

16. Capital commitments and contingent liabilities

	31 March 2020	31 December 2019 (audited)	31 March 2019
<b>Capital commitments</b>			
Uncalled capital – investments	450,664	442,675	361,172
Contract for projects and investment properties under development	3,122,389	3,165,307	6,442,987
	<u>3,573,053</u>	<u>3,607,982</u>	<u>6,804,159</u>
<b>Contingent liabilities</b>			
Letters of guarantee	3,459,088	3,459,088	3,459,988
	<u>3,459,088</u>	<u>3,459,088</u>	<u>3,459,988</u>

**Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020 (Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**17. Segment information**

The Group is organized into two 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 three months period ended 31 March 2020			For the three months period ended 31 March 2019				
	Real estate sector	Hotel	Investment sector	Total	Real estate sector	Hotel	Investment sector	Total
Revenue	5,790,146	930,507	735,283	7,455,936	6,204,128	1,480,845	1,171,478	8,856,451
Direct cost	(1,481,965)	(1,086,105)	(47,916)	(2,615,986)	(1,327,549)	(1,452,767)	(39,801)	(2,820,117)
Gross profit	4,308,181	(155,598)	687,367	4,839,950	4,876,579	28,078	1,131,677	6,036,334
Unallocated costs				(2,448,216)				(2,503,450)
Net profit for the period				2,391,734				3,532,884

**Geographic distribution:**

**A- Assets and liabilities**

	Assets			Liabilities		
	31 March 2020	31 December 2019	31 March 2019	31 March 2020	31 December 2019	31 March 2019
State of Kuwait	437,093,880	432,220,436	428,676,012	190,706,573	191,231,618	181,942,117
Gulf countries	59,582,769	60,004,459	52,715,167	30,138,902	30,414,536	31,901,374
Other	43,228,589	46,629,232	47,924,612	-	-	-
	539,905,238	538,854,127	529,315,791	220,845,475	221,646,154	213,843,491

**B- Statement of income**

	For the three months period ended 31 March 2020			For the three months period ended 31 March 2019				
	State of Kuwait	Gulf countries	Other	Total	State of Kuwait	Gulf countries	Other	Total
Total income	4,687,696	96,410	490,420	5,274,526	5,369,538	286,897	670,357	6,326,792
Total expenses	(2,604,070)	(278,722)	-	(2,882,792)	(2,350,729)	(443,179)	-	(2,793,908)
Net profit	2,083,626	(182,312)	490,420	2,391,734	3,018,809	(156,282)	670,357	3,532,884

**Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2020  
(Unaudited)**

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

**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.