



**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 2019**



**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 2019**

Contents	Page
Review Report	1
Interim condensed consolidated statement of financial position (unaudited)	2
Interim condensed consolidated statement of income (unaudited)	3
Interim condensed consolidated statement of comprehensive income (unaudited)	4
Interim condensed consolidated statement of changes in equity (unaudited)	5
Interim condensed consolidated statement of cash flows (unaudited)	6
Notes to interim condensed consolidated financial information (unaudited)	7 - 16

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 2019, 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 2019 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, 12 November 2019

**Interim Condensed Consolidated Statement of Financial Position as at 30 September 2019
(Unaudited)**

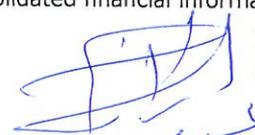
(All amounts are in Kuwaiti Dinar)

	Notes	30 September 2019	31 December 2018 (audited)	30 September 2018
Assets				
Non-current assets				
Property, plant and equipment		24,414,707	24,881,238	25,213,844
Investment property	5	372,253,678	370,400,645	367,782,946
Investments in associates	6	47,186,429	47,308,182	45,042,135
Investment at FVOCI		40,168,388	34,252,835	31,262,558
		<u>484,023,202</u>	<u>476,842,900</u>	<u>469,301,483</u>
Current assets				
Land and properties held for trading		14,564,351	13,180,088	15,853,027
Investments at fair value through profit or loss		21,532,956	20,750,539	19,260,668
Receivables and other debit balances	7	11,813,004	9,974,210	8,027,190
Cash and cash equivalents		3,357,770	1,622,383	5,486,857
		<u>51,268,081</u>	<u>45,527,220</u>	<u>48,627,742</u>
Total assets		<u>535,291,283</u>	<u>522,370,120</u>	<u>517,929,225</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	(1,925,832)	(3,599,426)	(2,606,877)
Statutory reserve		36,941,642	36,941,642	35,418,545
Voluntary reserve		27,829,414	27,829,414	27,067,865
Other reserve	9	5,929,687	5,374,271	5,545,955
Retained earnings		42,477,916	46,917,225	44,919,806
Total equity attributable to the shareholders of the Parent Company		<u>291,269,925</u>	<u>293,480,224</u>	<u>290,362,392</u>
Non-controlling interests		22,398,537	22,064,705	24,901,809
Total equity		<u>313,668,462</u>	<u>315,544,929</u>	<u>315,264,201</u>
Liabilities				
Non-current liabilities				
Employees' end of service indemnity		976,397	949,902	935,313
Lease liabilities	5	2,574,899	-	-
Financing from third party	10	166,060,709	150,886,386	151,817,665
		<u>169,612,005</u>	<u>151,836,288</u>	<u>152,752,978</u>
Current liabilities				
Payables and other credit balances	11	15,403,014	17,237,231	17,747,120
Financing from third party	10	36,607,802	37,751,672	32,164,926
		<u>52,010,816</u>	<u>54,988,903</u>	<u>49,912,046</u>
Total liabilities		<u>221,622,821</u>	<u>206,825,191</u>	<u>202,665,024</u>
Total equity and liabilities		<u>535,291,283</u>	<u>522,370,120</u>	<u>517,929,225</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 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019	2018	2019	2018
Revenue					
Rental income from investment properties and hotel's revenue		7,102,389	7,538,448	22,446,504	22,996,336
Operating expenses		(2,401,499)	(2,706,478)	(7,446,030)	(7,904,652)
Net income from operating activities	12	4,700,890	4,831,970	15,000,474	15,091,684
Share in associates results	6	1,031,918	1,087,987	2,369,367	3,048,240
Net gain on investments	13	1,295,398	1,028,361	2,447,715	2,173,552
Gain on sale of land and properties held for trading		-	241,151	48,470	685,804
Foreign currency valuation differences		(4,821)	(25,773)	(4,384)	10,910
Other income		17,590	19,118	45,455	76,354
Total revenues		<u>7,040,975</u>	<u>7,182,814</u>	<u>19,907,097</u>	<u>21,086,544</u>
Expenses and other charges					
Administrative expenses and other charges		580,371	547,612	1,904,152	1,746,862
Provision net of reversals		(32,550)	255,554	469,049	394,686
Finance charges		2,219,321	2,119,138	6,373,689	6,197,321
Total expenses		<u>2,767,142</u>	<u>2,922,304</u>	<u>8,746,890</u>	<u>8,338,869</u>
Net profit for the period before deductions		<u>4,273,833</u>	<u>4,260,510</u>	<u>11,160,207</u>	<u>12,747,675</u>
Kuwait Foundation for the Advancement of Sciences (KFAS)		(22,668)	(24,036)	(65,483)	(74,790)
National Labour Support Tax (NLST)		(87,990)	(78,496)	(178,058)	(295,028)
Zakat Expense		(28,273)	(29,425)	(53,862)	(96,763)
Net profit for the period		<u>4,134,902</u>	<u>4,128,553</u>	<u>10,862,804</u>	<u>12,281,094</u>
Distributed as follows:					
Shareholders of the Parent Company		3,654,575	3,701,516	9,492,118	10,855,647
Non-controlling interests		480,327	427,037	1,370,686	1,425,447
		<u>4,134,902</u>	<u>4,128,553</u>	<u>10,862,804</u>	<u>12,281,094</u>
Basic earnings per share for Parent Company's shareholders (fils)					
	14	<u>2.07</u>	<u>2.08</u>	<u>5.41</u>	<u>6.16</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 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
Net profit for the period	4,134,902	4,128,553	10,862,804	12,281,094
Other comprehensive income items:				
<i>Items that may be reclassified subsequently to the consolidated statement of income:</i>				
Group's share in associates' reserves	(28,523)	(1,196,697)	220,191	(1,626,448)
Foreign currency translation reserve	57,854	33,658	70,362	23,467
<i>Items that may not be reclassified subsequently to the consolidated statement of income:</i>				
Change in fair value reserve	(17,889)	15,833	(5,565)	3,991
Total other comprehensive income items	<u>11,442</u>	<u>(1,147,206)</u>	<u>284,988</u>	<u>(1,598,990)</u>
Total comprehensive income for the period	<u>4,146,344</u>	<u>2,981,347</u>	<u>11,147,792</u>	<u>10,682,104</u>
Distributed as follows:				
Shareholders of the Parent Company	3,666,017	2,554,310	9,777,106	9,256,657
Non-controlling interests	480,327	427,037	1,370,686	1,425,447
Total comprehensive income for the period	<u>4,146,344</u>	<u>2,981,347</u>	<u>11,147,792</u>	<u>10,682,104</u>

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 2019
(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		
Balance as at 1 January 2018	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	7,753,369	42,224,332	290,272,823	314,409,611
Impact of initial application of IFRS 9	-	-	-	-	-	(1,125,077)	1,125,077	-	-
Balance as at 1 January 2018	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	6,628,292	43,349,409	290,272,823	314,409,611
Reclassification of profit on sale of FVOCI investment and other adjustment of associates	-	-	-	-	-	538,593	(536,940)	1,653	-
Transfers to retained earnings from sale of investments at FVTOCI	-	-	-	-	-	(21,940)	21,940	-	-
Acquisition of additional share in subsidiary	-	-	-	-	-	-	50,794	50,794	-
Cash dividends	-	-	-	-	-	-	(8,821,044)	(8,821,044)	(45,429)
Purchase of treasury shares	-	-	(398,491)	-	-	-	(398,491)	(398,491)	(8,821,044)
Net profit for the period	-	-	-	-	-	-	10,855,647	10,855,647	12,281,094
Total comprehensive income for the period	-	-	-	-	-	-	10,855,647	10,855,647	12,281,094
Cash dividends to subsidiaries	-	-	-	-	-	(1,598,990)	-	(1,598,990)	(1,598,990)
Balance as at 30 September 2018	178,708,714	1,308,384	(2,606,877)	35,418,545	27,067,865	5,545,955	44,919,806	290,362,392	315,264,201
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	315,544,929
Impact of prior years adjustments of 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)	(6,270)
Balance as at 1 January 2019	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	44,793,581	291,356,580	(2,818,939)
Net profit for the period	-	-	-	-	-	284,988	9,492,118	9,492,118	21,548,205
Total comprehensive income for the period	-	-	-	-	-	284,988	9,492,118	9,492,118	1,370,686
Sale of investment at FVTOCI – associate	-	-	-	-	-	(12,048)	105,963	105,963	-
Sale of investment at FVTOCI	-	-	-	-	-	-	8,243	(3,805)	-
Cash dividends (Note 18)	-	-	-	-	-	-	(8,699,846)	(8,699,846)	(3,805)
Dividends in kind from treasury shares (Note 18)	-	-	2,939,667	-	-	282,476	(3,222,143)	(8,699,846)	(8,699,846)
Cash dividends of subsidiary	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(1,266,073)	-	-	-	-	(1,266,073)	(520,354)
Balance as at 30 September 2019	178,708,714	1,308,384	(1,925,832)	36,941,642	27,829,414	5,929,687	42,477,916	291,269,925	(1,266,073)
								22,398,537	313,668,462

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 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	For the nine months ended 30 September	
		2019	2018
Operating activities:			
Net profit for the period		10,862,804	12,281,094
Adjustments for:			
Depreciation of property, plant and equipment		1,388,821	1,353,545
Provisions net of reversals		469,049	394,686
Share in associates results		(2,369,367)	(3,048,240)
Net profit of investments	13	(2,447,715)	(2,173,552)
Foreign currency valuation differences		4,384	(10,910)
Gain from sale of land and properties held for trading		(48,470)	(685,804)
Finance cost		6,373,689	6,197,321
Employees' end of service indemnity provided during the period		185,554	158,827
<i>Operating cash flow before changes in the working capital</i>		14,418,749	14,466,967
Payment for purchase of land and properties held for trading		(1,590,632)	(2,700,967)
Proceeds from sale of land and properties held for trading		254,839	1,316,314
Payment for purchase of investment property		(2,028,515)	(271,561)
Receivables and other debit balances		(1,128,198)	(2,330,763)
Payables and other credit balances		(2,809,465)	(2,554,853)
Employees' end of service indemnity paid during the period		(159,059)	(248,044)
Net cash generated from operating activities		6,957,719	7,677,093
Investing activities:			
Payment for purchase of property, plant and equipment		(746,808)	(204,471)
Payment to acquire an additional share in subsidiaries		-	(45,430)
Payment to acquire shares in associates		(118,309)	(1,109,575)
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	8,906,069
Payment to acquire investment at FVTOCI		(4,913,420)	(1,727,642)
Proceeds on sale of investment at FVTOCI		51,167	29,607
Dividend received from associates	6	1,809,140	2,826,673
Cash dividends received		1,918,203	1,917,167
Net cash (used in)/ generated from investing activities		(2,592,040)	10,592,398
Financing activities:			
Financing from third party		14,030,453	(932,866)
Finance charges paid		(4,645,842)	(5,444,223)
Dividend paid		(10,228,476)	(8,281,934)
Payment for acquisition of treasury shares		(1,266,073)	(398,491)
Non-controlling interests		(520,354)	(562,550)
Net cash used in financing activities		(2,630,292)	(15,620,064)
Net increase in cash and cash equivalents		1,735,387	2,649,427
Cash and cash equivalents at the beginning of the period		1,622,383	2,837,430
Cash and cash equivalents at the end of the period		3,357,770	5,486,857

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 2019
(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 2019	31 December 2018 (audited)	30 September 2018
Al Mutajara Real Estate Company K.S.C.C.	Investment property	Kuwait	77.57%	77.57%	72.40%
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 7 April 2019 to approve the consolidated financial statements for the year ended 31 December 2018.

This interim condensed consolidated financial information was authorized for issue by Parent Company's board of director's on 12 November 2019.

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 2018. In the opinion of management, all normal recurring accruals may considered necessary for a fair presentation have been included.

Operating results for the nine-month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019.

2.1 Significant accounting policies

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

2.1.1 New and amended standards adopted by the Group

The Group has adopted the new and amended standards and interpretations that became effective in the current period. The adoption of these standards and interpretations has no material impact on the financial statements of the Group, except as mentioned below:

IFRS 16 "Leases"

General impact

IFRS 16 'Leases' replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Group's financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application.

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated financial position as at 31 December 2018.

There are no onerous lease contracts that would have required on adjustment to the right-of-use assets at the date of initial application.

Impact on accounting policy

Until the 2018 financial year, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group unless the term is 12 months or less or the lease for low value asset. Assets and liabilities arising from a lease are initially measured on a present value basis. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Impact on financial position as at 1 January 2019:

- Investments in associate – decrease by KD 27,959
- Retained earnings – decrease by KD 2,330,398
- Non-controlling interests - decrease by KD 516,500
- Lease liabilities – increase by KD 2,818,939

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2019
(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 nine: 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:

Financial assets	Fair value as at			Fair value hierarchy	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
	30 September 2019	31 December 2018 (audited)	30 September 2018				
Investments at fair value - other comprehensive income							
Quoted shares	105,744	111,309	108,526	Level 1	Last bid price	N/A	N/A
Private equity	39,634,284	33,713,166	30,058,972	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	428,360	428,360	1,095,060	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	712,261	595,500	526,500	Level 1	Last bid price	N/A	N/A
Private equity	20,820,695	20,155,039	18,734,168	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 other financial assets and financial liabilities in level 3 approximately equal its book value as at the interim financial information date.

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 2018, except the following:

Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). At initial adoption of IFRS 16 "Leases", the Management has applied judgments and estimates to determine the incremental borrowing rate.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

5. Investment properties

	30 September 2019	31 December 2018 (audited)	30 September 2018
Balance at beginning of the period/ year	370,400,645	367,511,385	367,511,385
Additions	2,028,515	482,312	271,561
Transferred from Land and properties held for trading	-	4,591,825	-
Transferred to property, plant and equipment	(175,482)	-	-
Change in fair value	-	(2,184,877)	-
Balance at end of the period/year	<u>372,253,678</u>	<u>370,400,645</u>	<u>367,782,946</u>

Investments properties include the fair value of right of use Boulevard project which expired in year 2036. The requirements of International Standard No. 16 "Leases" have been applied to that project. This resulted in a reduction of the retained earnings by KD 2,308,709 and the recognition of lease liabilities of KD 2,818,939 as at 1 January 2019.

The balance of lease liabilities amounted to KD 2,754,064 as at 30 September 2019 distributed as follows:

	30 September 2019
Lease liabilities (non-current)	
Amounts due after 12 months	2,574,899
Lease liabilities (current)	
Amounts due within 12 months	179,165
	<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 five to nine years, with the option of renew for other periods. All operating lease contracts contain contractual terms relating to the revision of the lease value to reflect the market value in case the renter uses the option of renewal. 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

	30 September 2019	31 December 2018 (audited)	30 September 2018
Balance as at the beginning of the period/year	47,308,182	45,313,974	45,313,974
Prior years adjustments	206,754	(294,588)	-
Effect of adoption of IFRS 9	-	423,133	-
Effect of adoption of IFRS 16	(27,959)	-	-
Group's share in a associates results	2,369,367	2,573,344	3,048,240
Group's share in a associates reserves	220,191	(628,762)	(1,626,448)
Gains/ (losses) on sale investments at FVTOCI	105,963	(674,739)	-
Translation of foreign currencies	70,362	(37,549)	23,467
Additions	118,309	1,109,575	1,109,575
Cash dividends	(3,184,740)	(2,826,673)	(2,826,673)
Reverval of impairment	-	2,350,467	-
	<u>47,186,429</u>	<u>47,308,182</u>	<u>45,042,135</u>

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2019
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

7. Receivables and other debit balances

	30 September 2019	31 December 2018 (audited)	30 September 2018
Trade receivables	7,307,351	6,991,296	7,445,586
Due from related parties (Note 15)	174,696	130,141	149,254
Provision for credit losses	(4,318,859)	(4,632,085)	(4,866,862)
	3,163,188	2,489,352	2,727,978
Prepaid expenses	158,901	106,429	63,941
Advance payments for acquisition of investments	-	1,160,287	97,617
Advance payment for purchase of land	4,872,601	4,757,989	3,344,997
Refundable deposits	348,530	349,530	345,755
Advances to contractors and suppliers	931,576	740,597	809,142
Other debit balances	2,338,208	370,026	604,137
	<u>11,813,004</u>	<u>9,974,210</u>	<u>8,027,190</u>

Movement in provision for doubtful debts is as follows:

	30 September 2019	31 December 2018 (audited)	30 September 2018
Balance at beginning of the period/year	4,632,085	4,514,459	4,514,459
Provision created during the period/year	169,789	386,709	394,686
Reversal of provision for credit losses	(232,731)	-	-
Bad debts	(250,284)	(269,083)	(42,283)
Balance at end of the period/year	<u>4,318,859</u>	<u>4,632,085</u>	<u>4,866,862</u>

8. Treasury shares

	30 September 2019	31 December 2018 (audited)	30 September 2018
Number of shares (share)	21,329,995	42,326,225	29,792,035
Percentage of issued shares (%)	1.19	2.37	1.67
Market value	1,785,321	3,894,013	2,383,363
Cost	1,925,832	3,599,426	2,606,877

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 2018	1,039,636	864,284	301,563	5,547,886	-	7,753,369
Impact of initial application of IFRS 9	(1,125,077)	-	-	-	-	(1,125,077)
As at 1 January 2018	<u>(85,441)</u>	<u>864,284</u>	<u>301,563</u>	<u>5,547,886</u>	<u>-</u>	<u>6,628,292</u>
Total comprehensive income for the period	3,991	(1,626,448)	23,467	-	-	(1,598,990)
Sale of investment at FVTOCI	(21,940)	-	-	-	-	(21,940)
Reclassification to profit on sale of investment at FVOCI and other adjustment of assets	-	538,593	-	-	-	538,593
As at 30 September 2018	<u>(103,390)</u>	<u>(223,571)</u>	<u>325,030</u>	<u>5,547,886</u>	<u>-</u>	<u>5,545,955</u>
As at 1 January 2019	<u>(673,151)</u>	<u>235,522</u>	<u>264,014</u>	<u>5,547,886</u>	<u>-</u>	<u>5,374,271</u>
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	(5,565)	220,191	70,362	-	-	284,988
As at 30 September 2019	<u>(690,764)</u>	<u>455,713</u>	<u>334,376</u>	<u>5,547,886</u>	<u>282,476</u>	<u>5,929,687</u>

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

10. Financing from third party

	30 September 2019	31 December 2018 (audited)	30 September 2018
Finance from third party – non current portion	166,060,709	150,886,386	151,817,665
Finance from third party – current portion	36,607,802	37,751,672	32,164,926
	<u>202,668,511</u>	<u>188,638,058</u>	<u>183,982,591</u>
Cost rate (%)	3.8 – 4.5	4.30 – 4.70	4.30 – 4.75

Finance granted by third party represents Murabaha and Tawarraq contracts. Most of the financing contracts granted by third party over a period of 5 to 20 years. Including a grace period of one year. Part of the contracts is renewed for one year or more during the specified period. The above details represent the financing based on the latest renewal as per the contracts.

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

	30 September 2019	31 December 2018 (audited)	30 September 2018
Property, plant and equipment	23,299,242	24,376,572	24,702,419
Investment property	278,241,546	282,472,540	282,967,858

11. Payables and other credit balances

	30 September 2019	31 December 2018 (audited)	30 September 2018
Trade payables	914,345	1,637,954	1,220,721
Due to related parties (Note 15)	189,717	189,717	189,717
Retentions	890,486	776,988	656,305
Accrued expense	4,980,396	3,387,402	4,973,163
Revenues received in advance	463,845	1,134,885	1,323,411
Deposits from others	3,606,323	3,561,444	3,401,221
Kuwait Foundation for the Advancement of Science (KFAS)	114,368	97,771	124,016
National Labour Support Tax (NLST)	178,058	405,470	295,028
Zakat payable	53,862	117,539	98,325
Dividends payable to shareholders	363,855	1,892,485	1,976,050
Financial claims *	-	1,575,699	1,575,699
Other credit balances**	3,647,759	2,459,877	1,913,464
	<u>15,403,014</u>	<u>17,237,231</u>	<u>17,747,120</u>

* During the period ended 30 September 2019, the Group received final approval from the General Authority for Zakat and Income in the Kingdom of Saudi Arabia to settle the dispute relating to Zakat claims. The final settlement claim amounted to KD 2,107,690. Accordingly, the Group has provided the financial claims with the amount of KD 531,991 and the Group has settled the settlement amount in the subsequent period.

** Other credit balances include lease liabilities of KD 179,165 due within 12 months.

12. Net income from operating activities

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
Real estate rental income	6,168,432	6,430,942	18,827,708	18,858,764
Hotel's and hospitality revenues	933,957	1,107,506	3,618,796	4,137,572
Total revenues	7,102,389	7,538,448	22,446,504	22,996,336
Operating expenses	(1,233,329)	(1,430,734)	(3,494,494)	(3,730,684)
Hotel and hospitality expenses	(1,168,170)	(1,275,744)	(3,951,536)	(4,173,968)
	<u>4,700,890</u>	<u>4,831,970</u>	<u>15,000,474</u>	<u>15,091,684</u>

Hotel and hospitality expenses include an amount of KD 1,305,304 (KD 1,274,088 - 2018) which represents the current period depreciation of the hotel building and related equipment.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

13. Net gain on investments

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
Investment at FVOCI				
Cash dividends	679,807	519,198	1,961,278	1,471,035
	<u>679,807</u>	<u>519,198</u>	<u>1,961,278</u>	<u>1,471,035</u>
Investments at fair value through profit or loss				
Change in fair value	286,621	(28,500)	81,121	(283,500)
Gain on sale	11,666	230,322	11,666	539,885
Cash dividends	317,304	307,341	393,650	446,132
	<u>615,591</u>	<u>509,163</u>	<u>486,437</u>	<u>702,517</u>
	<u>1,295,398</u>	<u>1,028,361</u>	<u>2,447,715</u>	<u>2,173,552</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:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
Net profit for the period (KD)	3,654,575	3,701,516	9,492,118	10,855,647
Weighted average number of outstanding shares (share)	<u>1,769,246,189</u>	<u>1,777,706,610</u>	<u>1,755,893,978</u>	<u>1,760,879,010</u>
Basic EPS (fiils)	<u>2.07</u>	<u>2.08</u>	<u>5.41</u>	<u>6.16</u>

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	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
Key management benefits	142,144	135,304	447,558	409,962
Purchase of lands and property held for trading	-	-	484,797	-
			30 September 2019	31 December 2018 (audited)
Balances				30 September 2018
Receivables and other debit balances		174,696	130,141	149,254
Payables and other credit balances		189,717	189,717	189,717
Balances due to key management		296,898	503,326	531,494

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 nine months ended 30 September 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

16. Capital commitments and contingent liabilities

	30 September 2019	31 December 2018 (audited)	30 September 2018
Capital commitments			
Uncalled capital – investments	361,070	436,429	441,488
Contract for projects and investment properties under development	4,860,398	6,836,699	9,477,733
Other	-	3,296,235	194,038
	<u>5,221,468</u>	<u>10,569,363</u>	<u>10,113,259</u>
Contingent liabilities			
Letters of guarantee	<u>3,459,088</u>	<u>3,760,481</u>	<u>3,660,317</u>

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

17. Segment information

The Group's major business segments are; real estate, hotels and investment. The 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 nine months ended 30 September 2019			For the nine months ended 30 September 2018				
	Real estate sector	Hotel	Investment sector	Total	Real estate sector	Hotel	Investment sector	Total
Revenue	19,082,547	3,618,796	4,817,082	27,518,425	20,175,078	4,137,572	5,221,792	29,534,442
Direct cost	(4,225,705)	(3,951,536)	(653,636)	(8,830,877)	(5,284,997)	(4,173,968)	(117,941)	(9,576,906)
Gross profit	14,856,842	(332,740)	4,163,446	18,687,548	14,890,081	(36,396)	5,103,851	19,957,536
Unallocated costs				(7,820,360)				(7,687,352)
Net profit for the period				(4,384)				10,910
				10,862,804				12,281,094

Geographic distribution:

A- Assets and liabilities

	Assets		Liabilities	
	30 September 2019	31 December 2018 (audited)	30 September 2019	31 December 2018 (audited)
State of Kuwait	432,080,977	427,735,500	190,561,545	175,756,333
Gulf countries	54,967,811	51,705,543	31,061,276	31,068,858
Other	48,242,495	42,929,077	-	-
	535,291,283	522,370,120	221,622,821	206,825,191
		517,929,225		202,665,024

B- Statement of income

	For the nine months ended 30 September 2019		For the nine months ended 30 September 2018	
	State of Kuwait	Gulf countries	State of Kuwait	Gulf countries
Total income	17,390,253	554,855	18,240,299	756,479
Total expenses	(7,441,537)	(1,602,756)	(7,211,682)	(1,593,768)
Net profit	9,948,716	(1,047,901)	11,028,617	(837,289)
		1,961,989	10,862,804	2,089,766
				21,086,544
				(8,805,450)
				12,281,094

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

18. Dividends

On 7 April 2019 the Annual General Ordinary Assembly was held and approved distribution of cash dividends to the shareholders of record as of the due date at 5% after deduction of treasury shares, and distribution of bonus share of 2% from the paid up share capital distributed from treasury shares (2 treasury share per 100 shares) for the year ended 31 December 2018 (cash dividends of 5 fils each by 5% - 31 December 2017).