



**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 2019**



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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 2019, 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 2019 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, 6 August 2019

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

(All amounts are in Kuwaiti Dinar)

	Notes	30 June 2019	31 December 2018 (audited)	30 June 2018
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		24,566,988	24,881,238	25,636,589
Investment property	5	371,415,440	370,400,645	367,782,946
Investments in associates	6	47,540,958	47,308,182	45,036,928
Investment at FVOCI		40,207,505	34,252,835	25,994,705
		<u>483,730,891</u>	<u>476,842,900</u>	<u>464,451,168</u>
<b>Current assets</b>				
Land and properties held for trading		14,198,679	13,180,088	15,029,181
Investments at fair value through profit or loss		20,545,039	20,750,539	24,957,672
Receivables and other debit balances	7	9,994,428	9,974,210	11,282,444
Cash and cash equivalents		1,464,446	1,622,383	5,093,163
		<u>46,202,592</u>	<u>45,527,220</u>	<u>56,362,460</u>
<b>Total assets</b>		<u>529,933,483</u>	<u>522,370,120</u>	<u>520,813,628</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	(1,455,603)	(3,599,426)	(2,368,432)
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	5,918,245	5,374,271	5,861,138
Retained earnings		38,823,108	46,917,225	42,018,511
<b>Total equity attributable to the shareholders of the Parent Company</b>		<u>288,073,904</u>	<u>293,480,224</u>	<u>288,014,725</u>
Non-controlling interests		21,918,210	22,064,705	24,533,756
<b>Total equity</b>		<u>309,992,114</u>	<u>315,544,929</u>	<u>312,548,481</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service indemnity		967,673	949,902	887,856
Lease liabilities	5	2,660,305	-	-
Financing from third party	10	170,014,262	150,886,386	155,857,720
		<u>173,642,240</u>	<u>151,836,288</u>	<u>156,745,576</u>
<b>Current liabilities</b>				
Payables and other credit balances	11	15,563,291	17,237,231	18,259,376
Financing from third party	10	30,735,838	37,751,672	33,260,195
		<u>46,299,129</u>	<u>54,988,903</u>	<u>51,519,571</u>
<b>Total liabilities</b>		<u>219,941,369</u>	<u>206,825,191</u>	<u>208,265,147</u>
<b>Total equity and liabilities</b>		<u>529,933,483</u>	<u>522,370,120</u>	<u>520,813,628</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 2019  
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
<b>Revenue</b>					
Rental income from investment properties and hotel's revenue		7,659,142	7,455,699	15,344,115	15,457,888
Operating expenses		(2,498,963)	(2,590,978)	(5,044,531)	(5,198,174)
Net income from operating activities	12	5,160,179	4,864,721	10,299,584	10,259,714
Share in associates results	6	791,039	1,355,369	1,337,449	1,960,253
Net gain on investments	13	527,249	400,284	1,152,317	1,145,191
Gain on sale of land and properties held for trading		48,470	98,411	48,470	444,653
Other income		12,393	5,624	28,302	93,919
Total revenues		<u>6,539,330</u>	<u>6,724,409</u>	<u>12,866,122</u>	<u>13,903,730</u>
<b>Expenses and other charges</b>					
Administrative expenses and other charges		700,738	584,763	1,323,781	1,199,250
Provision net of reversals		458,650	53,790	501,599	139,132
Finance charges		2,090,528	2,092,099	4,154,368	4,078,183
Total expenses		<u>3,249,916</u>	<u>2,730,652</u>	<u>5,979,748</u>	<u>5,416,565</u>
<b>Net profit for the period before deductions</b>		3,289,414	3,993,757	6,886,374	8,487,165
Kuwait Foundation for the Advancement of Sciences (KFAS)		(17,761)	(19,077)	(42,815)	(50,754)
National Labour Support Tax (NLST)		(59,061)	(93,155)	(90,068)	(216,532)
Zakat Expense		(17,574)	(22,686)	(25,589)	(67,338)
<b>Net profit for the period</b>		<u>3,195,018</u>	<u>3,858,839</u>	<u>6,727,902</u>	<u>8,152,541</u>
<b>Distributed as follows:</b>					
Shareholders of the Parent Company		2,706,095	3,394,185	5,837,543	7,154,131
Non-controlling interests		488,923	464,654	890,359	998,410
		<u>3,195,018</u>	<u>3,858,839</u>	<u>6,727,902</u>	<u>8,152,541</u>
<b>Basic earnings per share for Parent Company's shareholders (fils)</b>	14	<u>1.54</u>	<u>1.91</u>	<u>3.34</u>	<u>4.06</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 2019  
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Net profit for the period	3,195,018	3,858,839	6,727,902	8,152,541
<b>Other comprehensive income items:</b>				
<i>Items that may be reclassified subsequently to the consolidated statement of income:</i>				
Change in fair value reserve	8,349	1,674	12,324	(11,842)
Group's share in associates' reserves	21,651	(605,988)	248,714	(429,751)
Foreign currency translation reserve	32,215	6,271	12,508	(10,191)
<b>Total other comprehensive income items</b>	<u>62,215</u>	<u>(598,043)</u>	<u>273,546</u>	<u>(451,784)</u>
<b>Total comprehensive income for the period</b>	<u>3,257,233</u>	<u>3,260,796</u>	<u>7,001,448</u>	<u>7,700,757</u>
<b>Distributed as follows:</b>				
Shareholders of the Parent Company	2,768,310	2,796,142	6,111,089	6,702,347
Non-controlling interests	488,923	464,654	890,359	998,410
<b>Total comprehensive income for the period</b>	<u>3,257,233</u>	<u>3,260,796</u>	<u>7,001,448</u>	<u>7,700,757</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 six months ended 30 June 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			Total equity attributable to shareholders of the Parent Company
<b>Balance as at 1 January 2018</b>	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	7,753,369	42,224,332	290,272,823	24,136,788	314,409,611
Impact of initial application of IFRS 9	-	-	-	-	-	(1,125,077)	1,125,077	-	-	-
<b>Balance as at 1 January 2019</b>	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	6,628,292	43,349,409	290,272,823	24,136,788	314,409,611
Reclassification of profit on sale of FVOCI investment and other adjustment of associates	-	-	-	-	-	(315,370)	317,024	1,654	(1,654)	-
Acquisition of additional share in subsidiary	-	-	-	-	-	-	18,991	18,991	(37,238)	(18,247)
Cash dividends	-	-	-	-	-	-	(8,821,044)	(8,821,044)	-	(8,821,044)
Purchase of treasury shares	-	-	(160,046)	-	-	-	-	(160,046)	-	(160,046)
Net profit for the period	-	-	-	-	-	-	7,154,131	7,154,131	998,410	8,152,541
Total comprehensive income for the period	-	-	-	-	-	-	-	(451,784)	-	(451,784)
Cash dividends to subsidiaries	-	-	-	-	-	-	-	-	(562,550)	(562,550)
<b>Balance as at 30 June 2018</b>	178,708,714	1,308,384	(2,368,432)	35,418,545	27,067,865	5,861,138	42,018,511	288,014,725	24,533,756	312,548,481
<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 prior years adjustments of associate	-	-	-	-	-	-	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	-	-	-	-	-	273,546	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 (Note 18)	-	-	-	-	-	-	(8,699,846)	(8,699,846)	-	(8,699,846)
Dividends in kind from treasury shares (Note 18)	-	-	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)
<b>Balance as at 30 June 2019</b>	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

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 2019  
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	For the six months ended 30 June	
		2019	2018
<b>Operating activities:</b>			
Net profit for the period		6,727,902	8,152,541
Adjustments for:			
Depreciation of property, plant and equipment		920,124	894,697
Financial claims		521,955	-
(Reversal)/ provide provision of credit losses		(20,356)	139,132
Share in associates results		(1,337,449)	(1,960,253)
Net profit of investments	13	(1,152,317)	(1,145,191)
Foreign currency translation differences		-	(36,683)
Gain from sale of land and properties held for trading		(48,470)	(444,653)
Finance cost		4,154,368	4,078,183
Employees' end of service indemnity provided during the period		97,024	106,922
<i>Operating cash flow before changes in the working capital</i>		9,862,781	9,784,695
Payment for purchase of land and properties held for trading		(1,224,960)	(1,663,355)
Proceeds from sale of land and properties held for trading		254,839	861,397
Payment for purchase of investment property		(1,190,277)	(271,561)
Receivables and other debit balances		(947,752)	(1,682,485)
Payables and other credit balances		(953,593)	(1,693,822)
Employees' end of service indemnity paid during the period		(79,253)	(243,596)
Net cash generated from operating activities		5,721,785	5,091,273
<b>Investing activities:</b>			
Payment for purchase of property, plant and equipment		(430,392)	(168,368)
Payment to acquire an additional share in subsidiaries		-	(18,247)
Payment to acquire shares in associates		(8,487)	(1,029,316)
Proceeds from sale of investment at fair value through profit or loss		-	3,007,243
Payment to aquire investment at FVTOCI		(4,891,724)	-
Proceeds on sale of Investment at FVTOCI		8,243	5,991
Dividend received from associates	6	1,659,140	2,826,673
Cash dividends received		1,219,983	991,623
Net cash (used in)/ generated from investing activities		(2,443,237)	5,615,599
<b>FINANCING ACTIVITIES:</b>			
Financing from third party		12,112,042	4,202,458
Finance charges paid		(4,205,304)	(4,793,542)
Dividend paid		(10,026,792)	(7,137,459)
Payment for aquisition of treasury shares		(796,077)	(160,046)
Non-controlling interests		(520,354)	(562,550)
Net cash used in financing activities		(3,436,485)	(8,451,139)
Net increase in cash and cash equivalents		(157,937)	2,255,733
Cash and cash equivalents at the beginning of the period		1,622,383	2,837,430
<b>Cash and cash equivalents at the end of the period</b>		<b>1,464,446</b>	<b>5,093,163</b>

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 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 June 2019	31 December 2018 (audited)	30 June 2018
Al Mutajara Real Estate Company K.S.C.C.	Investment property	Kuwait	77.57%	77.57%	72.29%
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 6 August 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 six-month period ended 30 June 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 six months ended 30 June 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.

**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.

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

**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 six: 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 2019 (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 2019	31 December 2018	June 30 2018				
<b>Financial assets</b>							
<b>Investments at fair value - other comprehensive income</b>		(audited)					
Quoted shares	123,633	111,309	105,346	Level 1	Last bid price	N/A	N/A
Private equity	39,655,512	33,713,166	24,794,299	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
<b>Investments at fair value - statement of income:</b>							
Quoted shares	390,000	595,500	555,000	Level 1	Last bid price	N/A	N/A
Private equity	20,155,039	20,155,039	24,402,672	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 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.

**5. Investment properties**

	30 June 2019	31 December 2018	30 June 2018
		(audited)	
Balance at beginning of the period/ year	370,400,645	367,511,385	367,511,385
Additions	1,190,277	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>371,415,440</u>	<u>370,400,645</u>	<u>367,782,946</u>

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

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 2,660,305 as at 30 June 2019 distributed as follows:

	<u>30 June 2019</u>
<b><u>Lease liabilities (non-current)</u></b>	
Amounts due after 12 months	2,660,305
<b><u>Lease liabilities (current)</u></b>	
Amounts due within 12 months	<u>115,582</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 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**

	<u>30 June 2019</u>	<u>31 December 2018 (audited)</u>	<u>30 June 2018</u>
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	1,337,449	2,573,344	1,960,253
Group's share in a associates reserves	248,714	(628,762)	(429,751)
Gains/ (losses) on sale investments at FVTOCI	105,963	(674,739)	-
Translation of foreign currencies	12,508	(37,549)	(10,191)
Additions	8,487	1,109,575	1,029,316
Cash dividends	(1,659,140)	(2,826,673)	(2,826,673)
Reverval of impairment	-	2,350,467	-
	<u>47,540,958</u>	<u>47,308,182</u>	<u>45,036,928</u>

**7. Receivables and other debit balances**

	<u>30 June 2019</u>	<u>31 December 2018 (audited)</u>	<u>30 June 2018</u>
Trade receivables	7,019,564	6,991,296	6,376,800
Due from related parties (Note 15)	165,454	130,141	158,182
Provision for credit losses	<u>(4,426,027)</u>	<u>(4,632,085)</u>	<u>(4,611,308)</u>
	2,758,991	2,489,352	1,923,674
Prepaid expenses	124,101	106,429	95,559
Advance payments for acquisition of investments	360,401	1,160,287	4,531,652
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	998,382	740,597	692,205
Other debit balances	531,422	370,026	348,602
	<u>9,994,428</u>	<u>9,974,210</u>	<u>11,282,444</u>

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(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Movement in provision for doubtful debts is as follows:

	30 June 2019	31 December 2018 (audited)	30 June 2018
Balance at beginning of the period/year	4,632,085	4,514,459	4,514,459
Provision created during the period/year	117,707	386,709	139,132
Reversal of provision for credit losses	(138,063)	-	-
Bad debts	(185,702)	(269,083)	(42,283)
Balance at end of the period/year	<u>4,426,027</u>	<u>4,632,085</u>	<u>4,611,308</u>

**8. Treasury shares**

	30 June 2019	31 December 2018 (audited)	30 June 2018
Number of shares (No's)	16,257,844	42,326,225	26,610,970
Percentage of issued shares (%)	0.91	2.37	1.49
Market value	1,508,728	3,894,013	1,902,684
Cost	1,455,603	3,599,426	2,368,432

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)
<b>As at 1 January 2018</b>	(85,441)	864,284	301,563	5,547,886	-	6,628,292
Total comprehensive income for the period	(11,842)	(429,751)	(10,191)	-	-	(451,784)
Reclassification of profit on sale of investment at fair value through other comprehensive income and other adjustments to associates	-	(315,370)	-	-	-	(315,370)
<b>As at 30 June 2018</b>	<u>(97,283)</u>	<u>119,163</u>	<u>291,372</u>	<u>5,547,886</u>	<u>-</u>	<u>5,861,138</u>
<b>As at 1 January 2019</b>	(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
<b>As at 30 June 2019</b>	<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>

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

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

**10. Financing from third party**

	<b>30 June 2019</b>	<b>31 December 2018 (audited)</b>	<b>30 June 2018</b>
Finance from third party – non current portion	170,014,262	150,886,386	155,857,720
Finance from third party – current portion	30,735,838	37,751,672	33,260,195
	<u>200,750,100</u>	<u>188,638,058</u>	<u>189,117,915</u>
Cost rate (%)	4.25 - 4.50	4.30 - 4.70	4.50 - 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.

	<b>30 June 2019</b>	<b>31 December 2018 (audited)</b>	<b>30 June 2018</b>
Property, plant and equipment	23,539,412	24,376,572	24,996,164
Investment property	282,686,876	282,472,540	282,967,858

**11. Payables and other credit balances**

	<b>30 June 2019</b>	<b>31 December 2018 (audited)</b>	<b>30 June 2018</b>
Trade payables	837,357	1,637,954	1,384,135
Due to related parties (Note 15)	189,717	189,717	189,717
Retentions	865,409	776,988	962,852
Accrued expense	3,125,396	3,387,402	3,779,487
Revenues received in advance	642,422	1,134,885	1,631,828
Deposits from others	3,607,325	3,561,444	3,416,303
Kuwait Foundation for the Advancement of Science (KFAS)	140,586	97,771	149,206
National Labour Support Tax (NLST)	90,068	405,470	216,532
Zakat payable	25,589	117,539	68,900
Dividends payable to shareholders	565,539	1,892,485	3,120,525
Financial claims *	2,097,654	1,575,699	1,575,699
Other credit balances**	3,376,229	2,459,877	1,764,192
	<u>15,563,291</u>	<u>17,237,231</u>	<u>18,259,376</u>

\* During the period ended 30 June 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 2,097,654. Accordingly, the Group has provided the financial claims with the amount of KD 521,955 and the Group has settled the settlement amount in the subsequent period.

\*\* Other credit balances include lease liabilities of KD 115,582 due within 12 months.

**12. Net income from operating activities**

	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Real estate rental income	6,455,148	6,095,844	12,659,276	12,427,822
Hotel's and hospitality revenues	1,203,994	1,359,855	2,684,839	3,030,066
Total revenues	7,659,142	7,455,699	15,344,115	15,457,888
Operating expenses	(1,168,364)	(1,260,990)	(2,261,165)	(2,299,950)
Hotel and hospitality expenses	(1,330,599)	(1,329,988)	(2,783,366)	(2,898,224)
	<u>5,160,179</u>	<u>4,864,721</u>	<u>10,299,584</u>	<u>10,259,714</u>

Hotel and hospitality expenses include an amount of KD 864,951 (KD 842,271 - 2018) which represents the current period depreciation of the hotel building and related equipment.

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

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

**13. Net gain on investments**

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
<b>Investment at FVOCI</b>				
Cash dividends	617,049	511,959	1,281,471	951,837
	<u>617,049</u>	<u>511,959</u>	<u>1,281,471</u>	<u>951,837</u>
<b>Investments at fair value through profit or loss</b>				
Change in fair value	(123,000)	(180,000)	(205,500)	(255,000)
Gain on sale	-	34,380	-	309,563
Cash dividends	33,200	33,945	76,346	138,791
	<u>(89,800)</u>	<u>(111,675)</u>	<u>(129,154)</u>	<u>193,354</u>
	<u>527,249</u>	<u>400,284</u>	<u>1,152,317</u>	<u>1,145,191</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 June		For the six months ended 30 June	
	2019	2018	2019	2018
Net profit for the period (KD)	2,706,095	3,394,185	5,837,543	7,154,131
Weighted average number of outstanding shares (share)	<u>1,758,177,690</u>	<u>1,773,921,703</u>	<u>1,749,107,219</u>	<u>1,761,706,282</u>
<b>Basic EPS (fils)</b>	<u>1.54</u>	<u>1.91</u>	<u>3.34</u>	<u>4.06</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 June		For the six months ended 30 June	
	2019	2018	2019	2018
Key management benefits	141,985	134,684	305,414	274,825
Purchase of lands and property held for trading	70,114	-	484,797	-
		<b>30 June 2019</b>	<b>31 December 2018 (audited)</b>	<b>30 June 2018</b>
<b>Balances</b>				
Receivables and other debit balances		165,454	130,141	158,182
Payables and other credit balances		189,717	189,717	189,717
Balances due to key management		279,751	503,326	707,495

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 six months ended 30 June 2019 (Unaudited)**

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

**16. Capital commitments and contingent liabilities**

	<b>30 June 2019</b>	<b>31 December 2018 (audited)</b>	<b>30 June 2018</b>
<b>Capital commitments</b>			
Uncalled capital – investments	360,000	436,429	438,135
Contract for projects and investment properties under development	5,491,660	6,836,699	9,525,410
Other	-	3,296,235	282,024
	<u>5,851,660</u>	<u>10,569,363</u>	<u>10,245,569</u>
<b>Contingent liabilities</b>			
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 six months ended 30 June 2019 (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 six months ended 30 June 2019			For the six months ended 30 June 2018				
	Real estate sector	Hotel	Investment sector	Total	Real estate sector	Hotel	Investment sector	Total
Revenue	12,914,115	2,684,839	2,489,766	18,088,720	13,289,219	3,030,066	3,105,444	19,424,729
Direct cost	(2,842,665)	(2,783,366)	(607,559)	(6,233,590)	(3,216,116)	(2,898,224)	(81,089)	(6,195,429)
Gross profit	10,071,450	(98,527)	1,882,207	11,855,130	10,073,103	131,842	3,024,355	13,229,300
Unallocated costs				(5,127,228)				(5,076,759)
Net profit for the period				6,727,902				8,152,541

**Geographic distribution:**

**A- Assets and liabilities**

	Assets			Liabilities		
	30 June 2019	31 December 2018 (audited)	30 June 2018	30 June 2019	31 December 2018 (audited)	30 June 2018
State of Kuwait	433,747,974	427,735,500	434,355,104	187,447,658	175,756,333	175,384,884
Gulf countries	48,231,598	51,705,543	45,582,014	32,493,711	31,068,858	32,880,263
Other	47,953,911	42,929,077	40,876,510	-	-	-
	529,933,483	522,370,120	520,813,628	219,941,369	206,825,191	208,265,147

**B- Statement of income**

	For the six months ended 30 June 2019			For the six months ended 30 June 2018				
	State of Kuwait	Gulf countries	Other	Total	State of Kuwait	Gulf countries	Other	Total
Total income	11,141,990	453,095	1,271,037	12,866,122	12,106,607	456,878	1,340,245	13,903,730
Total expenses	(4,897,242)	(1,240,978)	-	(6,138,220)	(4,637,371)	(1,113,818)	-	(5,751,189)
Net profit	6,244,748	(787,883)	1,271,037	6,727,902	7,469,236	(656,940)	1,340,245	8,152,541

**Commercial Real Estate Company K.P.S.C.**

And its subsidiaries

State of Kuwait

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

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**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).