



**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 2019**



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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 - 15

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 2019, 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 2019 that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Y. Al-Muzaini

Licence No. 209A

Deloitte & Touche - Al-Wazzan & Co.

Kuwait, 14 May 2019

Interim Condensed Consolidated Statement of Financial Position as at 31 March 2019

(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Notes	31 March 2019	31 December 2018 (audited)	31 March 2018
Assets				
Non-current assets				
Property, plant and equipment		24,803,755	24,881,238	25,950,529
Investment property	5	370,688,175	370,400,645	367,630,777
Investments in associates	6	46,678,928	47,308,182	44,440,040
Investment at FVOCI		40,037,508	34,252,835	25,254,966
		<u>482,208,366</u>	<u>476,842,900</u>	<u>463,276,312</u>
Current assets				
Land and properties held for trading		13,858,669	13,180,088	13,931,370
Investments at fair value through profit or loss		20,668,039	20,750,539	25,205,228
Receivables and other debit balances	7	9,549,143	9,974,210	11,888,275
Cash and cash equivalents		3,031,574	1,622,383	4,724,822
		<u>47,107,425</u>	<u>45,527,220</u>	<u>55,749,695</u>
Total assets		<u>529,315,791</u>	<u>522,370,120</u>	<u>519,026,007</u>
Equity and liabilities				
Equity attributable to the shareholders of the Parent Company				
Share capital		178,708,714	178,708,714	178,708,714
Share premium		1,308,384	1,308,384	1,308,384
Treasury shares	8	(4,340,805)	(3,599,426)	(2,208,386)
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	5,573,554	5,374,271	6,774,551
Retained earnings		48,022,111	46,917,225	46,863,966
Total equity attributable to the shareholders of the Parent Company		<u>294,043,014</u>	<u>293,480,224</u>	<u>293,933,639</u>
Non-controlling interests		21,429,286	22,064,705	24,631,652
Total equity		<u>315,472,300</u>	<u>315,544,929</u>	<u>318,565,291</u>
Liabilities				
Non-current liabilities				
Employees' end of service indemnity		984,372	949,902	1,030,610
Lease liabilities	5	2,707,245	-	-
Financing from third party	10	156,352,978	150,886,386	147,207,720
		<u>160,044,595</u>	<u>151,836,288</u>	<u>148,238,330</u>
Current liabilities				
Payables and other credit balances	11	17,455,058	17,237,231	17,599,285
Financing from third party	10	36,343,838	37,751,672	34,623,101
		<u>53,798,896</u>	<u>54,988,903</u>	<u>52,222,386</u>
Total liabilities		<u>213,843,491</u>	<u>206,825,191</u>	<u>200,460,716</u>
Total equity and liabilities		<u>529,315,791</u>	<u>522,370,120</u>	<u>519,026,007</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 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	For the three months period ended 31 March	
		2019	2018
Revenue			
Rental income from investment properties and hotel's revenue		7,684,973	8,002,189
Operating expenses		(2,545,568)	(2,607,196)
Net income from operating activities	12	5,139,405	5,394,993
Share of profit from investment in associate companies	6	546,410	604,884
Net gain on investments	13	625,068	744,907
Gain from sale of land & properties held for trading		-	346,242
Other income		15,909	88,295
Total revenues		<u>6,326,792</u>	<u>7,179,321</u>
Expenses and other charges			
Administrative expenses and other charges		623,043	614,487
Provision net of reversals		42,949	85,342
Finance charges		2,063,840	1,986,084
Total expenses		<u>2,729,832</u>	<u>2,685,913</u>
Net profit for the period before deductions			
		3,596,960	4,493,408
Kuwait Foundation for the Advancement of Sciences (KFAS)		(25,054)	(31,677)
National Labour Support Tax (NLST)		(31,007)	(123,377)
Zakat Expense		(8,015)	(44,652)
Net profit for the period		<u>3,532,884</u>	<u>4,293,702</u>
Distributed as follows:			
Shareholders of the Parent Company		3,131,448	3,759,946
Non-controlling interests		401,436	533,756
		<u>3,532,884</u>	<u>4,293,702</u>
Basic earnings per share for Parent Company's shareholders (fils)	14	<u>1.80</u>	<u>2.13</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 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar)

	For the three months period ended 31 March	
	2019	2018
Net profit for the period	<u>3,532,884</u>	<u>4,293,702</u>
Other comprehensive income items:		
<i>Items that may be reclassified subsequently to the consolidated statement of income:</i>		
Change in fair value reserve	3,975	(13,516)
Group's share in associates' reserves	227,063	176,237
Foreign currency translation reserve	<u>(19,707)</u>	<u>(16,462)</u>
Total other comprehensive income items	<u>211,331</u>	<u>146,259</u>
Total comprehensive income for the period	<u><u>3,744,215</u></u>	<u><u>4,439,961</u></u>
Distributed as follows:		
Shareholders of the Parent Company	3,342,779	3,906,205
Non-controlling interests	<u>401,436</u>	<u>533,756</u>
Total comprehensive income for the period	<u><u>3,744,215</u></u>	<u><u>4,439,961</u></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 three months period ended 31 March 2019
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Equity attributable to the shareholders of the Parent Company									
	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
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	24,136,788	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	24,136,788	314,409,611
Net profit for the period	-	-	-	-	-	-	3,759,946	3,759,946	533,756	4,293,702
Total comprehensive income for the period	-	-	-	-	-	146,259	-	146,259	-	146,259
IFRS 9 and other adjustment of associates	-	-	-	-	-	-	(264,380)	(264,380)	(1,654)	(266,034)
Acquisition of additional share in subsidiary	-	-	-	-	-	-	18,991	18,991	(37,238)	(18,247)
Balance as at 31 March 2018	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	6,774,551	46,863,966	293,933,639	24,631,652	318,565,291
Balance as at 1 January 2019	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	46,917,225	293,480,224	22,064,705	315,544,929
Impact of 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 9 (Note 2.1.1)	-	-	-	-	-	-	(2,308,709)	(2,308,709)	(510,230)	(2,818,939)
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	21,548,205	312,904,785
Net profit for the period	-	-	-	-	-	211,331	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)
Balance as at 31 March 2019	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

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 2019
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Notes	For the three months period ended 31 March	
		2019	2018
Operating activities:			
Net profit for the period		3,532,884	4,293,702
Adjustments for:			
Depreciation of property, plant and equipment		455,686	442,195
Provision of credit losses		42,949	85,342
Share of profit from investments in associates		(546,410)	(604,884)
Net gain on investments	13	(625,068)	(744,907)
Gain from sale of land and properties held for trading		-	(346,242)
Finance cost		2,063,840	1,986,084
Employees' end of service indemnity provided during the period		71,567	80,739
<i>Operating cash flow before changes in the working capital</i>		4,995,448	5,192,029
Payment for purchase of land and properties held for trading		(678,581)	(493,946)
Proceeds from sale of land and properties held for trading		-	691,388
Payment for purchase of investment property		(463,012)	(119,392)
Receivables and other debit balances		(585,054)	(1,477,588)
Payables and other credit balances		(523,623)	(677,089)
Employees' end of service indemnity paid during the period		(37,097)	(74,659)
Net cash generated from operating activities		2,708,081	3,040,743
Investing activities:			
Payment for purchase of property, plant and equipment		(202,721)	(29,806)
Payment to acquire an additional share in subsidiaries		-	(18,247)
Payment to acquire shares in associates		(8,486)	(49,562)
Proceeds from sale of investment at fair value through profit or loss		-	2,905,307
Payment to acquire investment at FVTOCI		(4,730,076)	-
Proceeds on sale of Investment at FVTOCI		8,243	5,924
Dividend received from associates	6	1,659,140	1,422,121
Cash dividends received		610,321	415,024
Net cash (used in)/ generated from investing activities		(2,663,579)	4,650,761
FINANCING ACTIVITIES:			
Financing from third party		4,058,758	(3,084,636)
Finance charges paid		(281,513)	(2,707,209)
Dividend paid		(1,671,177)	(12,267)
Payment for buy-back of treasury shares		(741,379)	-
Net cash generated from/ (used in) financing activities		1,364,689	(5,804,112)
Net increase in cash and cash equivalents		1,409,191	1,887,392
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		3,031,574	4,724,822

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

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

And its subsidiaries

State of Kuwait

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 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 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 2019	31 December 2018 (audited)	31 March 2018
Al Mutajara Real Estate Company K.S.C.C.	Real estate	Kuwait	77.57%	77.57%	72.29%
Commercial Real Estate Development Company	Real estate	Bahrain	100%	100%	100%
Commercial Real Estate Development Company	Real estate	Morocco	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 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 14 May 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 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 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.

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

And its subsidiaries
State of Kuwait

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 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 three: valuation techniques that are not based on observable market data.

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

And its subsidiaries

State of Kuwait

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 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:

Financial assets	Fair value as at			Fair value hierarchy	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
	31 March 2019	31 December 2018 (audited)	31 March 2018				
Investments at fair value - other comprehensive income							
Quoted shares	115,285	111,309	103,756	Level 1	Last bid price	N/A	N/A
Private equity	39,493,863	33,713,166	24,056,150	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	513,000	595,500	735,000	Level 1	Last bid price	N/A	N/A
Private equity	20,155,039	20,155,039	24,470,228	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

	31 March 2019	31 December 2018 (audited)	31 March 2018
Balance at beginning of the period/ year	370,400,645	367,511,385	367,511,385
Additions	463,012	482,312	119,392
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>370,688,175</u>	<u>370,400,645</u>	<u>367,630,777</u>

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

And its subsidiaries

State of Kuwait

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2019**(Unaudited)***(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 2,797,414 as at 31 March 2019 distributed as follows:

	31 March 2019
<u>Lease liabilities (non-current)</u>	
Amounts due after 12 months	2,707,245
<u>Lease liabilities (current)</u>	
Amounts due within 12 months	90,169
	<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 2019	31 December 2018	31 March 2018
		(audited)	
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)	(241,824)
Effect of adoption of IFRS 9	-	423,133	(24,210)
Effect of adoption of IFRS 16	(27,959)	-	-
Group's share in a associates results	546,410	2,573,344	604,884
Group's share in a associates reserves	227,063	(628,762)	176,237
Gains/ (losses) of investments at FVTOCI	88,839	(674,739)	-
Translation of foreign currencies	(19,707)	(37,549)	(16,462)
Additions	8,486	1,109,575	49,562
Cash dividends	(1,659,140)	(2,826,673)	(1,422,121)
Reveral of impairment	-	2,350,467	-
	<u>46,678,928</u>	<u>47,308,182</u>	<u>44,440,040</u>

7. Receivables and other debit balances

	31 March 2019	31 December 2018	31 March 2018
		(audited)	
Trade receivables	6,986,029	6,991,296	6,042,186
Due from related parties (Note 15)	148,141	130,141	149,182
Provision for impairment	<u>(4,675,034)</u>	<u>(4,632,085)</u>	<u>(4,599,801)</u>
	2,459,136	2,489,352	1,591,567
Prepaid expenses	133,558	106,429	126,104
Advance payments for acquisition of investments	360,401	1,160,287	5,363,578
Advance payment for purchase of land	4,872,561	4,757,989	3,344,997
Refundable deposits	348,530	349,530	350,005
Advances to contractors and suppliers	916,021	740,597	721,642
Other debit balances	458,936	370,026	390,382
	<u>9,549,143</u>	<u>9,974,210</u>	<u>11,888,275</u>

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

And its subsidiaries
State of Kuwait

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2019

(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Movement in provision for doubtful debts is as follows:

	31 March 2019	31 December 2018 (audited)	31 March 2018
Balance at beginning of the period/year	4,632,085	4,514,459	4,514,459
Provision created during the period/year	42,949	386,709	109,148
Reversal of provision for doubtful debts	-	-	(23,806)
Bad debts	-	(269,083)	-
Balance at end of the period/year	<u>4,675,034</u>	<u>4,632,085</u>	<u>4,599,801</u>

8. Treasury shares

	31 March 2019	31 December 2018 (audited)	31 March 2018
Number of shares (No's)	50,391,697	42,326,225	24,566,570
Percentage of issued shares (%)	2.82	2.37	1.37
Market value	4,741,859	3,894,013	2,041,482
Cost	4,340,805	3,599,426	2,208,386

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	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 (Note 2.1.1)	(1,125,077)	-	-	-	(1,125,077)
As at 1 January 2018	(85,441)	864,284	301,563	5,547,886	6,628,292
Total comprehensive income for the period	(13,516)	176,237	(16,462)	-	146,259
As at 31 March 2018	<u>(98,957)</u>	<u>1,040,521</u>	<u>285,101</u>	<u>5,547,886</u>	<u>6,774,551</u>
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>5,573,554</u>

10. Financing from third party

	31 March 2019	31 December 2018 (audited)	31 March 2018
Finance from third party – non current portion	156,352,978	150,886,386	147,207,720
Finance from third party – current portion	36,343,838	37,751,672	34,623,101
	<u>192,696,816</u>	<u>188,638,058</u>	<u>181,830,821</u>
Cost rate (%)	<u>4.30 – 4.50</u>	<u>4.30 – 4.70</u>	<u>4.30-4.70</u>

Finance granted by third party represents murabaha and Tawarraq contracts. Most of the finance granted by third party is defined by contracts over a period of 6-20 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.

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

	31 March 2019	31 December 2018 (audited)	31 March 2018
Property, plant and equipment	23,857,635	24,376,572	25,292,000
Investment property	282,547,470	282,472,540	282,830,131

11. Payables and other credit balances

	31 March 2019	31 December 2018 (audited)	31 March 2018
Trade payables	948,699	1,637,954	897,823
Due to related parties (Note 15)	189,717	189,717	189,717
Retentions	766,174	776,988	1,375,769
Accrued expense	5,110,309	3,387,402	3,712,768
Revenues received in advance	836,045	1,134,885	2,089,511
Deposits from others	3,576,499	3,561,444	3,599,542
Kuwait Foundation for the Advancement of Science (KFAS)	122,825	97,771	130,129
National Labour Support Tax (NLST)	436,477	405,470	491,963
Zakat payable	123,992	117,539	155,996
Dividends payable to shareholders	221,308	1,892,485	1,424,673
Financial claims (Note 18)	1,575,699	1,575,699	1,575,699
Other credit balances*	3,547,314	2,459,877	1,955,695
	<u>17,455,058</u>	<u>17,237,231</u>	<u>17,599,285</u>

* Other credit balances include lease liabilities of KD 90,169 due within 12 months.

12. Net income from operating activities

	For the three months period ended 31 March	
	2019	2018
Real estate rental income	6,204,128	6,331,978
Hotel's and hospitality revenues	1,480,845	1,670,211
Total revenues	7,684,973	8,002,189
Operating expenses	(1,092,801)	(1,038,960)
Hotel and hospitality expenses	(1,452,767)	(1,568,236)
	<u>5,139,405</u>	<u>5,394,993</u>

Hotel and hospitality expenses include an amount of KD 428,249 (KD 416,351 - 2018) which represents the current period depreciation of the hotel building and related equipment.

13. Net gain on investments

	For the three months period ended 31 March	
	2019	2018
Investment at FVOCI		
Cash dividends	664,422	439,878
	<u>664,422</u>	<u>439,878</u>
Investments at fair value through profit or loss		
Change in fair value	(82,500)	(75,000)
Gain on sale	-	275,183
Cash dividends	43,146	104,846
	<u>(39,354)</u>	<u>305,029</u>
	<u>625,068</u>	<u>744,907</u>

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

And its subsidiaries

State of Kuwait

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2019**(Unaudited)***(All amounts are in Kuwaiti Dinar unless otherwise stated)***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	
	2019	2018
Net profit for the period (KD)	3,131,448	3,759,946
Weighted average number of outstanding shares (share)	1,739,906,055	1,762,520,567
Basic EPS (fils)	1.80	2.13

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:

	Three months ended	
	31 March	
	2019	2018
Transaction		
Key management benefits	163,429	140,141
Purchase of lands and property held for trading	414,683	-

	31 March	31 December	31 March
	2019	2018	2018
	(audited)		
Balances			
Receivables and other debit balances	148,141	130,141	149,182
Payables and other credit balances	189,717	189,717	189,717
Balances due to key management	413,058	503,326	861,092

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

16. Capital commitments and contingent liabilities

	31 March	31 December	31 March
	2019	2018	2018
	(audited)		
Capital commitments			
Uncalled capital – investments	361,172	436,429	437,361
Contract for projects and investment properties under development	6,442,987	6,836,699	10,512,062
Other	-	3,296,235	321,621
	<u>6,804,159</u>	<u>10,569,363</u>	<u>11,271,044</u>
Contingent liabilities			
Letters of guarantee	<u>3,459,988</u>	<u>3,760,481</u>	<u>2,995,067</u>

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

And its subsidiaries

State of Kuwait



Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 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 three months period ended 31 March 2019			For the three months period ended 31 March 2018				
	Real estate sector	Hotel	Investment sector	Total	Real estate sector	Hotel	Investment sector	Total
Revenue	6,204,128	1,480,845	1,171,478	8,856,451	6,678,220	1,670,211	1,349,791	9,698,222
Direct cost	(1,327,549)	(1,452,767)	(39,801)	(2,820,117)	(1,310,041)	(1,568,235)	(39,762)	(2,918,038)
Gross profit	4,876,579	28,078	1,131,677	6,036,334	5,368,179	101,976	1,310,029	6,780,184
Unallocated costs				(2,503,450)				(2,486,482)
Net profit for the period				3,532,884				4,293,702

Geographic distribution:

A- Assets and liabilities

	Assets			Liabilities		
	31 March 2019	31 December 2018	31 March 2018	31 March 2019	31 December 2018	31 March 2018
State of Kuwait	428,676,012	427,735,500	434,272,574	181,942,117	175,756,333	154,650,958
Gulf countries	52,715,167	51,705,543	44,656,917	31,901,374	31,068,858	45,809,758
Other	47,924,612	42,929,077	40,096,516	-	-	-
	529,315,791	522,370,120	519,026,007	213,843,491	206,825,191	200,460,716

B- Statement of income

	For the three months period ended 31 March 2019			For the three months period ended 31 March 2018				
	State of Kuwait	Gulf countries	Other	Total	State of Kuwait	Gulf countries	Other	Total
Total income	5,369,538	286,897	670,357	6,326,792	6,113,275	243,636	822,410	7,179,321
Total expenses	(2,350,729)	(443,179)	-	(2,793,908)	(2,285,809)	(599,810)	-	(2,885,619)
Net profit	3,018,809	(156,282)	670,357	3,532,884	3,827,466	(356,174)	822,410	4,293,702

Notes to the Interim Condensed Consolidated Financial Information for the three months period ended 31 March 2019
(Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

18. Financial claims

In 2016, the Parent Company was notified that the General Authority for Zakat and Tax in the Kingdom of Saudi Arabia assessed tax for capital gains on a deemed profit basis on the Parent Company and other investors for one of the investments which the Company has exited from 2009.

The Parent Company's share in such tax assessment is KD 2,867,000. The Group believes that the value of the tax assessment mentioned in the notice is overestimated. The Group appointed a tax consultant for it in KSA and filed a formal objection to the tax claim. Further, the Group recalculated its share in the tax assessment value. Based on this, the Parent Company recognised a claims provision of KD 1,575,699 in the interim condensed consolidated statement of income for the period ended 31 March 2016. This amount represents the best estimate of the outstanding liabilities until the value of the final liability is decided.

19. 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).