



**Commercial Real Estate Company K.P.S.C.  
and its subsidiaries  
State of Kuwait**

**Interim condensed consolidated financial information (unaudited)  
and review report for the six months ended 30 June 2017**

Interim condensed consolidated financial information (unaudited)  
and review report for the six months ended 30 June 2017

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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)	7-20

**Commercial Real Estate Company K.P.S.C.  
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 financial position of Commercial Real Estate Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2017, and the related interim condensed consolidated statements of income and other comprehensive income, for the three-month and six-month periods then ended and the related interim condensed consolidated statements of changes in equity, and cash flows for the six-month 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 the International Accounting Standard 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 the 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 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 accounts of the Parent Company. We further report that nothing have come to our attention indicating any contravention during the six-month period ended 30 June 2017, of Companies' Law No. 1 of 2016, and its executive regulations or the Parent Company's memorandum and articles of association, as amended, which might have materially affected the Group's activities or its consolidated financial position.



**Talal Y. Al-Muzaini  
Licence No. 209A  
Deloitte & Touche  
Al Wazzan & Co.**

Kuwait  
9 August 2017

Interim condensed consolidated statement of financial position (unaudited)

As at 30 June 2017

Assets	Notes	30 June	31 December	30 June
		2017	2016	2016
		KD	(audited) KD	KD
<b>Non-current assets</b>				
Property, plant and equipment		26,894,661	27,677,136	28,861,298
Projects in progress	3	3,913,026	-	-
Investment Property	4	367,495,689	367,463,542	359,998,000
Investments in associates	5	41,607,298	42,229,673	36,638,831
Available for sale investments		26,129,212	24,674,581	21,115,517
		<u>466,039,886</u>	<u>462,044,932</u>	<u>446,613,646</u>
<b>Current assets</b>				
Land and real estate held for trading	6	8,644,490	11,778,895	8,702,983
Investments at fair value through profit or loss		30,184,071	29,347,879	30,362,042
Receivables and other debit balances	7	8,082,461	8,089,088	6,590,874
Cash and cash equivalents		3,674,275	3,483,272	5,209,869
		<u>50,585,297</u>	<u>52,699,134</u>	<u>50,865,768</u>
<b>Total assets</b>		<u>516,625,183</u>	<u>514,744,066</u>	<u>497,479,414</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	(2,118,591)	(2,117,879)	(2,117,879)
Statutory reserve		33,922,277	33,922,277	32,321,599
Voluntary reserve		26,319,731	26,319,731	25,519,392
Other reserve	9	8,006,985	7,530,000	8,556,597
Retained earnings		37,994,232	39,048,176	30,477,060
<b>Total equity attributable to the shareholders of the Parent Company</b>		<u>284,141,732</u>	<u>284,719,403</u>	<u>274,773,867</u>
Non-controlling interests		23,029,514	22,709,860	39,838,846
<b>Total equity</b>		<u>307,171,246</u>	<u>307,429,263</u>	<u>314,612,713</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service indemnity		1,022,809	947,659	1,195,727
Financing from third party	10	166,179,744	153,840,383	138,939,932
		<u>167,202,553</u>	<u>154,788,042</u>	<u>140,135,659</u>
<b>Current liabilities</b>				
Payables and other credit balances	11	20,118,450	23,702,611	24,010,389
Financing from third party	10	22,132,934	28,824,150	18,720,653
		<u>42,251,384</u>	<u>52,526,761</u>	<u>42,731,042</u>
<b>Total liabilities</b>		<u>209,453,937</u>	<u>207,314,803</u>	<u>182,866,701</u>
<b>Total equity and liabilities</b>		<u>516,625,183</u>	<u>514,744,066</u>	<u>497,479,414</u>

The notes on pages 7 to 20 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 other comprehensive income (unaudited)  
For the six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		KD	KD	KD	KD
<b>Revenue</b>					
Rental income from investment properties and hotel's revenue		7,505,422	5,956,014	15,227,976	11,631,230
Operational expenses in relation to investment properties and hotel		(2,844,829)	(2,599,741)	(5,305,753)	(5,013,844)
Net income from investment properties and hotel's revenue	12	4,660,593	3,356,273	9,922,223	6,617,386
Gain on sale of land and real estate held for trading		357,482	-	1,057,757	72,783
Share of profit from investment in associate companies		911,818	614,148	1,234,857	4,610,091
Net gains/(losses) from investments	13	1,291,426	(4,251)	1,971,497	848,328
Other income		63,450	53,512	116,252	103,613
<b>Total revenues</b>		<u>7,284,769</u>	<u>4,019,682</u>	<u>14,302,586</u>	<u>12,252,201</u>
<b>Expenses and other charges</b>					
Administrative expenses and other charges		693,217	721,767	1,326,979	1,502,692
Financial claims	19	-	-	-	1,575,699
Financing charges		2,089,311	1,412,643	3,962,705	2,687,087
<b>Total expenses</b>		<u>2,782,528</u>	<u>2,134,410</u>	<u>5,289,684</u>	<u>5,765,478</u>
<b>Net profit before deductions</b>		4,502,241	1,885,272	9,012,902	6,486,723
Kuwait Foundation for the Advancement of Sciences (KFAS)		(27,263)	(9,852)	(56,771)	(9,852)
National Labour Support Tax (NLST)		(97,663)	(46,602)	(196,789)	(127,197)
Zakat Expense		(31,563)	(12,085)	(64,534)	(12,085)
<b>Net profit for the period</b>		<u>4,345,752</u>	<u>1,816,733</u>	<u>8,694,808</u>	<u>6,337,589</u>
<b>Distributed as follows:</b>					
Shareholders of the Parent Company		3,852,554	1,998,999	7,781,797	5,359,622
Non-controlling interests		493,198	(182,266)	913,011	977,967
		<u>4,345,752</u>	<u>1,816,733</u>	<u>8,694,808</u>	<u>6,337,589</u>
<b>Basic earnings per share for Parent Company's shareholders (fils)</b>	14	<u>2.18</u>	<u>1.13</u>	<u>4.41</u>	<u>3.04</u>

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of other comprehensive income (unaudited)  
For the six months ended 30 June 2017

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	KD	KD	KD	KD
Net profit for the period	4,345,752	1,816,733	8,694,808	6,337,589
<b>Other comprehensive income items:</b>				
<i>Items that may be reclassified</i>				
<i>subsequently to the statement of income:</i>				
Group's share in associates' reserves	166,197	13,348	406,844	60,525
Foreign currency translation difference	40,340	133,260	114,055	281,697
Available for sale Investments				
Change in fair value	(80,535)	(1,055,894)	(54,644)	(886,861)
Transfer to statement of income resulting from sale	-	(25,372)	(16,109)	(25,372)
	(80,535)	(1,081,266)	(70,753)	(912,233)
<b>Total other comprehensive income items</b>	<b>126,002</b>	<b>(934,658)</b>	<b>450,146</b>	<b>(570,011)</b>
Total comprehensive income for the period	4,471,754	882,075	9,144,954	5,767,578
<b>Distributed as follows:</b>				
Shareholders of the Parent Company	4,005,395	1,128,073	8,258,782	4,853,343
Non-controlling interests	466,359	(245,998)	886,172	914,235
	4,471,754	882,075	9,144,954	5,767,578

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (unaudited)  
For the six months ended 30 June 2017

	Equity attributable to shareholders of the Parent Company										Total equity attributable to shareholders of the Parent Company						
	Share capital		Share premium		Treasury shares		Statutory reserve		Voluntary reserve		Other reserves (Note 9)		Retained earnings		Total equity		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	
Balance as at 1 January 2016	178,708,714	1,308,384	(2,058,200)	32,321,599	25,519,392	9,062,876	33,934,717	278,797,482	39,571,131	318,368,613							
Net profit for the period	-	-	-	-	-	5,359,622	5,359,622	977,967	6,337,589								
Other comprehensive income items	-	-	-	-	-	(506,279)	-	(506,279)	(63,732)	(570,011)							
Purchase of treasury shares	-	-	(59,679)	-	-	-	-	(59,679)	-	(59,679)							
Cash dividends	-	-	-	-	-	-	(8,839,948)	(8,839,948)	-	(8,839,948)							
Effect of acquisition of an additional	-	-	-	-	-	-	22,669	22,669	(72,281)	(49,612)							
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(574,239)	(574,239)							
<b>Balance as at 30 June 2016</b>	<b>178,708,714</b>	<b>1,308,384</b>	<b>(2,117,879)</b>	<b>32,321,599</b>	<b>25,519,392</b>	<b>8,556,597</b>	<b>30,477,060</b>	<b>274,773,867</b>	<b>39,838,846</b>	<b>314,612,713</b>							
Balance as at 1 January 2017	178,708,714	1,308,384	(2,117,879)	33,922,277	26,319,731	7,530,000	39,048,176	284,719,403	22,709,860	307,429,263							
Net profit for the period	-	-	-	-	-	-	7,781,797	7,781,797	913,011	8,694,808							
Other comprehensive income items	-	-	-	-	-	476,985	-	476,985	(26,839)	450,146							
Purchase of treasury shares	-	-	(712)	-	-	-	-	(712)	-	(712)							
Cash dividends	-	-	-	-	-	-	(8,836,792)	(8,836,792)	-	(8,836,792)							
Effect of acquisition of an additional	-	-	-	-	-	-	1,051	1,051	-	1,051							
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(566,518)	(566,518)							
<b>Balance as at 30 June 2017</b>	<b>178,708,714</b>	<b>1,308,384</b>	<b>(2,118,591)</b>	<b>33,922,277</b>	<b>26,319,731</b>	<b>8,006,985</b>	<b>37,994,232</b>	<b>284,141,732</b>	<b>23,029,514</b>	<b>307,171,246</b>							

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (unaudited)  
For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 KD	2016 KD
<b>Operating activities:</b>			
Net profit for the period		8,694,808	6,337,589
Adjustments for:			
Depreciation of property, plant and equipment		858,132	880,982
Net write back of provision for doubtful debts		-	(10,136)
Share of profits from investments in associates		(1,234,857)	(4,610,091)
Gain on sale of land and real estate held for trading		(1,057,757)	(72,783)
Net profits from investments	13	(1,971,497)	(848,328)
Profits from exchange differences		(46,892)	(7,040)
Financial claims	19	-	1,575,699
Financing charges		3,962,705	2,687,087
Employees' end of service indemnity made during the period		120,356	76,032
<i>Operating gain before working capital changes</i>		<u>9,324,998</u>	<u>6,009,011</u>
Land and properties held for trading		2,160,322	236,415
Investments at fair value through statement of income		-	(3,407,559)
Receivables and other debit balances		(917,544)	(438,580)
Payables and other credit balances		(4,277,704)	(1,710,323)
<i>Cash from operating activities</i>		<u>6,290,072</u>	<u>688,964</u>
Employees' end of service indemnity paid during the period		(45,206)	(81,167)
<i>Net cash from operating activities</i>		<u>6,244,866</u>	<u>607,797</u>
<b>Investing activities:</b>			
Paid for purchase of property, plant and equipment		(75,657)	(593,965)
Paid for purchase of investment properties	5	(32,147)	(1,380,583)
Paid for projects in progress	3	(1,324,433)	-
Paid for acquisition of an additional share in a subsidiary		(1,500)	(49,612)
Payment for purchase of shares in associates		(1,743)	(5,267,147)
Paid for purchase of available for sale investments		(1,497,658)	(686,286)
Proceeds from sale of available for sale investments		244,324	70,008
Dividends received from associates	6	2,381,093	1,890,762
Cash dividends received		1,230,671	904,652
<i>Net cash generated from/(used in) investing activities</i>		<u>922,950</u>	<u>(5,112,171)</u>
<b>FINANCING ACTIVITIES:</b>			
Financing from third party		5,648,145	13,960,334
Purchase of treasury shares		(712)	(59,679)
Finance charges paid		(3,960,073)	(2,353,289)
Dividend paid		(8,100,206)	(8,264,990)
<b>Non-controlling interests</b>		(563,967)	(574,239)
<i>Net cash (used in)/from financing activities</i>		<u>(6,976,813)</u>	<u>2,708,137</u>
Net change in cash and cash equivalents		191,003	(1,796,237)
Cash and cash equivalents at the beginning of the period		3,483,272	7,006,106
<b>Cash and cash equivalents at the end of the period</b>		<u>3,674,275</u>	<u>5,209,869</u>

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

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 parent 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 condensed consolidated interim financial information includes the interim condensed financial information of the Parent Company, its subsidiaries and branches (together referred to as "the Group").

Subsidiary	Activity	Country of incorporation	Shareholding percent		
			30 June 2017	31 December 2016 (audited)	30 June 2016
Al Motagra Real Estate Company K.S.C.C.	Investment properties	Kuwait	72.22%	72.22%	71.87%
Symphony Style Hotel Kuwait	Hotel services	Kuwait	100%	100%	100%
Commercial Real Estate Developing Company	Investment properties	Bahrain	100%	100%	100%
Al-Salmiya Group K.S.C. (Closed)	Investment properties	Kuwait	81.90%	81.90%	45.92%

During the period, the general assembly meeting of the Parent Company shareholders was held on 20 March 2017 to approve the consolidated financial statements for the year ended 31 December 2016.

This interim condensed consolidated financial information was authorized for issue by Parent Company's Board of Director's on 9 August 2017.

2. Basis of preparation

The Group's interim condensed consolidated financial information have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and notes required for complete annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). 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 six month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further information, refer to the annual audited consolidated financial statements of the Group for the year ended 31 December 2016.

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

The accounting policies used in the preparation of this interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016. Amendments to IFRSs, which are effective for annual accounting period starting from 1 January 2017, did not have any material impact on the accounting policies, financial position or performance of the Company.

**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 2016.

**a) The amendments became effective as of 1 January 2017**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

**b) Standards issued but not yet effective**

**New and revised IFRSs**

**Effective for annual periods  
beginning on or after**

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28

1 January 2018

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

New and revised IFRSs

Effective for annual periods beginning on or after

Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . :The standard contains requirements in the following area	
<ul style="list-style-type: none"> <li>• <b>Classification and measurement:</b> Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</li> <li>• <b>Impairment:</b> The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.</li> <li>• <b>Hedge accounting:</b> Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.</li> <li>• <b>Derecognition:</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</li> </ul>	

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

New and revised IFRSs

Effective for annual  
periods  
beginning on or  
after

IFRS 15 *Revenue from Contracts with Customers*

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

1 January 2018

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

1 January 2019

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date  
deferred indefinitely.  
Adoption is still  
permitted.

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

3. Projects in progress	30 June	31 December	30 June
	2017	2016	2016
	KD	(audited)	KD
Balance at beginning of the period/year	-	-	-
Additions	1,324,433	-	-
Transferred from land and real estate held for trading	2,031,840	-	-
Transfer from projects under study – receivables and other debit balances	556,753	-	-
Balance at beginning of the period/year	<u>3,913,026</u>	<u>-</u>	<u>-</u>

  

4. Investment Property	30 June	31 December	30 June
	2017	2016	2016
	KD	(audited)	KD
Balance at beginning of the period/year	367,463,542	358,617,417	358,617,417
Additions	32,147	2,887,263	1,380,583
Transferred from property, plant and equipment	-	242,864	-
Change in fair value	-	5,715,998	-
Balance at end of the period/year	<u>367,495,689</u>	<u>367,463,542</u>	<u>359,998,000</u>

  

5. Investments in associates	30 June	31 December	30 June
	2017	2016	2016
	KD	(audited)	KD
Balance as at the beginning of the period/year	42,229,673	23,806,575	23,806,575
Additions	1,743	16,818,384	13,674,891
Cash dividends	(2,381,093)	(1,995,762)	(1,890,762)
Translation of foreign currencies	115,274	65,373	281,697
Group's share in associates' reserves	406,844	(98,413)	60,525
Group's share in associates' business results	1,234,857	2,507,600	771,846
Net impairment losses	-	1,125,916	(65,941)
	<u>41,607,298</u>	<u>42,229,673</u>	<u>36,638,831</u>

Below is the movement in the investment in associates during the period/year:

	30 June	31 December	30 June
	2017	2016	2016
	KD	(audited)	KD
Balance as at the beginning of the period/year	42,229,673	23,806,575	23,806,575
Additions	1,743	16,818,384	13,674,891
Cash dividends	(2,381,093)	(1,995,762)	(1,890,762)
Translation of foreign currencies	115,274	65,373	281,697
Group's share in associates' reserves	406,844	(98,413)	60,525
Group's share in associates' business results	1,234,857	2,507,600	771,846
Net impairment losses	-	1,125,916	(65,941)
	<u>41,607,298</u>	<u>42,229,673</u>	<u>36,638,831</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

6. Land and real estate held for trading

	30 June 2017 KD	31 December 2016 (audited) KD	30 June 2016 KD
Balance at beginning of the period/year	11,778,895	8,866,615	8,866,615
Additions	-	3,116,845	24,048
Sales during the period	(1,102,565)	(187,680)	(187,680)
Transfer to Projects in progress	(2,031,840)	-	-
Impairment in fair value of lands and real estate held for trading	-	(16,885)	-
	<u>8,644,490</u>	<u>11,778,895</u>	<u>8,702,983</u>

7. Receivables and other debit balances

	30 June 2017 KD	31 December 2016 (audited) KD	30 June 2016 KD
Trade receivables	5,237,101	5,014,085	4,997,018
Due from related parties (note 15)	151,563	137,010	73,610
Provision for doubtful debts	(4,187,166)	(4,187,166)	(4,232,687)
	<u>1,201,498</u>	<u>963,929</u>	<u>837,941</u>
Prepaid expenses	146,617	156,648	603,440
Subscription in shares under allocation	1,724,137	1,902,233	1,418,751
Refundable deposits	322,181	414,230	202,275
Advance payment for purchasing of land	3,340,195	2,887,034	1,773,568
Prepayments to contractors and suppliers	1,161,486	947,510	947,286
Other debit balances	186,347	817,504	807,613
	<u>8,082,461</u>	<u>8,089,088</u>	<u>6,590,874</u>

8. Treasury shares

	30 June 2017 KD	31 December 2016 (audited) KD	30 June 2016 KD
Number of shares (No's)	23,471,570	23,462,666	23,462,666
Percentage of issued shares (%)	1.31	1.31	1.31
Market value	1,711,077	1,853,551	1,759,700
Cost	2,118,591	2,117,879	2,117,879

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.

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

9. Other reserve

	Change of fair value reserve KD	Group's share in associates' reserves KD	Translation of foreign currencies KD	Property, plant and equipment revaluation surplus KD	Total KD
As at 1 January 2016	3,097,895	195,025	222,070	5,547,886	9,062,876
Total comprehensive profit for the period	(848,501)	60,525	281,697	-	(506,279)
As at 30 June 2016	<u>2,249,394</u>	<u>255,550</u>	<u>503,767</u>	<u>5,547,886</u>	<u>8,556,597</u>
As at 1 January 2017	1,593,364	96,611	292,139	5,547,886	7,530,000
Total comprehensive profits for the period	(43,914)	406,844	114,055	-	476,985
As at 30 June 2017	<u>1,549,450</u>	<u>503,455</u>	<u>406,194</u>	<u>5,547,886</u>	<u>8,006,985</u>

10. Financing from third party

	30 June 2017 KD	31 December 2016 (audited) KD	30 June 2016 KD
Finance from third party – non current portion	166,179,744	153,840,383	138,939,932
Finance from third party – current portion	<u>22,132,934</u>	<u>28,824,150</u>	<u>18,720,653</u>
	<u>188,312,678</u>	<u>182,664,533</u>	<u>157,660,585</u>
Cost rate (%)	<u>4.00-4.50</u>	<u>4.00-5.00</u>	<u>3.75 - 4.75</u>

Finance granted by third party represents murabaha and securitization 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.

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

	30 June 2017 KD	31 December 2016 (audited) KD	30 June 2016 KD
Property, plant and equipment	26,607,347	27,370,868	28,101,189
Investment Property	<u>282,025,184</u>	<u>282,005,260</u>	<u>277,441,142</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

11. Payables and other credit balances

	30 June 2017	31 December 2015 (audited)	30 June 2016
	KD	KD	KD
Trade payables	1,360,049	1,751,390	1,159,540
Due to related party (note 15)	189,717	189,717	-
Retentions	2,384,740	2,788,689	2,756,790
Accrued expense	3,081,148	3,500,062	2,712,666
Deferred revenue	4,027,624	6,668,695	8,688,538
Deposits from others	3,794,809	3,931,992	3,700,927
Kuwait Foundation for the Advancement of Science	98,118	82,694	89,851
National Labour Support Tax (NLST)	196,789	405,156	386,388
Zakat payable	64,534	103,873	12,085
Dividends payable to shareholders	1,714,848	978,262	1,256,946
Financial claims (note 19)	1,575,699	1,575,699	1,575,699
Other credit balances	1,630,375	1,726,382	1,670,959
	<u>20,118,450</u>	<u>23,702,611</u>	<u>24,010,389</u>

12. Net income from investment properties and hotel's revenue

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	KD	KD	KD	KD
Real estate rental income	6,163,686	4,496,474	12,360,503	8,591,903
Hotel's and hospitality revenues	1,341,736	1,459,540	2,867,473	3,039,327
Total revenues	7,505,422	5,956,014	15,227,976	11,631,230
Operating expenses	(1,291,214)	(1,030,773)	(2,173,878)	(1,851,724)
Hotel and hospitality expenses	(1,553,615)	(1,568,968)	(3,131,875)	(3,162,120)
	<u>4,660,593</u>	<u>3,356,273</u>	<u>9,922,223</u>	<u>6,617,386</u>

Hotel and hospitality expenses include an amount of KD 820,850 (2016 – KD 823,635) which represents the current period depreciation of the hotel building and related equipments.

13. Net gain/(losses) from investments

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	KD	KD	KD	KD
Available for sale Investments				
Net gain on sales	11,123	22,800	(5,366)	33,855
Cash dividends	190,581	166,931	326,114	408,311
Impairment	-	-	(90,000)	-
	<u>201,704</u>	<u>189,731</u>	<u>230,748</u>	<u>442,166</u>
Financial investments at fair value through profit or loss				
Change in fair value	649,546	(536,188)	836,192	(334,737)
Cash dividends	440,176	342,206	904,557	740,899
	<u>1,089,722</u>	<u>(193,982)</u>	<u>1,740,749</u>	<u>406,162</u>
	<u>1,291,426</u>	<u>(4,251)</u>	<u>1,971,497</u>	<u>848,328</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

14. Basic earnings per share attributable to 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 30 June		Six months ended 30 June	
	2017 KD	2016 KD	2017 KD	2016 KD
Net profit for the period attributable to shareholders of the Parent Company	3,852,554	1,998,999	7,781,797	5,359,622
Weighted average number of outstanding shares during the period (shares)	1,763,615,570	1,764,020,921	1,763,617,095	1,764,209,684
Earnings per share (fils)	2.18	1.13	4.41	3.04

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

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:

	30 June 2017	31 December 2016 (audited)	30 June 2016
	KD	KD	KD
<b>Balances</b>			
Receivables and other debit balances	151,563	137,010	73,610
Balances due to key management	436,623	832,873	305,518
Payables and other credit balances	189,717	189,717	-
Purchase of investments in associate	-	2,852,074	-
Purchase of investments available for sale	-	3,580,380	-
Purchase of lands and real estate held for trading	-	3,116,845	-
	30 June 2017	31 December 2016 (audited)	30 June 2016
	KD	KD	KD
<b>Transactions</b>			
Key management benefits	280,371	1,100,030	265,388
Gain of bargain purchase	-	2,158,925	2,158,925

16. Capital commitments and contingent liabilities

	30 June 2017	31 December 2016 (audited)	30 June 2016
	KD	KD	KD
<b>Capital commitments</b>			
Uncalled capital – investments	886,329	1,248,890	2,291,602
Contract for projects and investment properties under development	12,019,759	302,553	1,423,792
Other	22,132	37,766	-
	<u>12,928,220</u>	<u>1,589,209</u>	<u>3,715,394</u>
<b>Contingent liabilities</b>			
Letters of guarantee	<u>2,894,902</u>	<u>2,857,238</u>	<u>4,122,436</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

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 in line with internal reports submitted to management is as follows:

	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Real estate sector KD	Investment sector KD	Total KD	Real estate sector KD	Investment sector KD	Total KD
Revenue	16,285,733	3,296,354	19,582,087	8,541,893	5,508,421	14,050,314
Direct cost	(5,791,230)	(182,089)	(5,973,319)	(2,475,897)	(1,699,136)	(4,175,033)
Gross profit	10,494,503	3,114,265	13,608,768	6,065,996	3,809,285	9,875,281
Unallocated costs			(4,960,852)			(3,544,732)
Currency valuation differences			46,892			7,040
Net profit for the period			8,694,808			6,337,589
<b>Geographic distribution</b>						
<b>Assets and liabilities geographic distribution</b>						
	Assets			Liabilities		
	30 June 2017 KD	31 December 2016 (audited) KD	30 June 2016 KD	30 June 2017 KD	31 December 2016 (audited) KD	30 June 2016 KD
State of Kuwait	432,180,676	433,534,903	420,557,969	161,697,738	158,561,482	143,437,391
Gulf countries	44,645,612	43,342,513	38,680,939	47,756,199	48,753,321	39,429,310
Other	39,798,895	37,866,650	38,240,506	-	-	-
	516,625,183	514,744,066	497,479,414	209,453,937	207,314,803	182,866,701



Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

Fair value of financial assets and liabilities of the Group not measured at fair value on a periodical basis is as follows (provided that disclosing the fair value):

	30 June 2017		31 December 2015		30 June 2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	KD	KD	KD	KD	KD	KD
<b>Financial assets</b>						
Loans and receivables						
· Due from related parties	151,563	151,563	137,010	137,010	73,610	73,610
· Trade and non-trading receivable	7,930,898	7,930,898	7,952,078	7,952,078	6,517,264	6,517,264
· Cash and cash equivalents	3,674,275	3,674,275	3,483,272	3,483,272	5,209,869	5,209,869
	<u>11,756,736</u>	<u>11,756,736</u>	<u>11,572,360</u>	<u>11,572,360</u>	<u>11,800,743</u>	<u>11,800,743</u>
<b>Financial liabilities</b>						
Financial liabilities (at amortized cost)						
· Financing from third party	188,312,678	182,759,90	182,664,533	181,375,289	157,660,585	155,041,840
· Payables and other credit balances	20,118,450	20,118,450	23,702,611	23,702,611	24,010,389	24,010,389
	<u>208,431,128</u>	<u>202,878,35</u>	<u>206,367,144</u>	<u>205,077,900</u>	<u>181,670,974</u>	<u>179,052,229</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2017

	Fair value hierarchy within level (3)		
	30 June 2017 KD	31 December 2016 (audited) KD	30 June 2016 KD
<b>Financial assets</b>			
Loans and receivables	11,756,736	11,572,360	11,800,743
Total	<u>11,756,736</u>	<u>11,572,360</u>	<u>11,800,743</u>
<b>Financial liabilities</b>			
Financial liabilities (at amortized cost)	202,878,356	205,077,900	179,052,229
Total	<u>202,878,356</u>	<u>205,077,900</u>	<u>179,052,229</u>

The fair value of financial assets and liabilities are categorized under level 3 below by using recognized valuation technique such as discounted cash flows, price multiple or adjusted fair value.

**19. Financial claims**

During the period, 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 exited from it since 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 liability provision of KD 1,575,699 in the interim condensed consolidated statement of income for the period ended 30 June 2017. This amount represents the best estimate of the outstanding liabilities until the value of the final liability is decided.

**20. Dividends**

On 20 March 2017 the annual general ordinary assembly was held and approved distribution of cash dividends at 5% (5 fils per share) to the shareholders of record as of the date of the general assembly (31 December 2015: cash dividends at 5%).