



**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 2016**

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



**Interim condensed consolidated financial information (unaudited)  
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<b>Contents</b>	<b>Page</b>
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)	7-18



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

**Auditors' 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 2016, and the related interim condensed consolidated statements of income, other comprehensive income, 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 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.

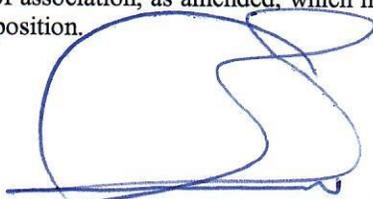
***Conclusion***

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 condensed consolidated interim 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 2016, 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.

  
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**Qais M. Al Nisf**  
**Licence No. 38 "A"**  
**BDO Al Nisf & Partners**

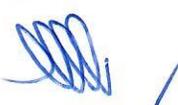
  
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**Bader A. Al-Wazzan**  
**Licence No. 62 "A"**  
**Deloitte & Touche - Al Wazzan & Co.**

**Kuwait: 4 August 2016**

Interim condensed consolidated statement of financial position (unaudited)  
As at 30 June 2016

	Notes	30 June 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		28,861,298	29,148,315	29,436,957
Investment Property	3	359,998,000	358,617,417	288,249,724
Investments in associates	4	36,638,831	23,806,575	32,116,232
Available for sale investments		21,115,517	21,352,246	18,056,887
		<u>446,613,646</u>	<u>432,924,553</u>	<u>367,859,800</u>
<b>Current assets</b>				
Land and real estate held for trading		8,702,983	8,866,615	8,930,436
Investments at fair value through profit or loss		30,362,042	27,289,220	18,544,029
Receivables and other debit balances	5	6,590,874	9,871,068	11,875,644
Cash and cash equivalents		5,209,869	7,006,106	5,054,850
		<u>50,865,768</u>	<u>53,033,009</u>	<u>44,404,959</u>
<b>Total assets</b>		<u>497,479,414</u>	<u>485,957,562</u>	<u>412,264,759</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	6	(2,117,879)	(2,058,200)	(1,874,529)
Statutory reserve		32,321,599	32,321,599	30,163,475
Voluntary reserve		25,519,392	25,519,392	24,440,329
Other reserve	7	8,556,597	9,062,876	6,693,598
Retained earnings		30,477,060	33,934,717	21,325,879
<b>Total equity attributable to the shareholders of the Parent Company</b>		<u>274,773,867</u>	<u>278,797,482</u>	<u>260,765,850</u>
Non-controlling interests		39,838,846	39,571,131	12,054,137
<b>Total equity</b>		<u>314,612,713</u>	<u>318,368,613</u>	<u>272,819,987</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service indemnity		1,195,727	1,200,862	1,033,383
Financing from third party	8	138,939,932	116,225,325	110,000,714
		<u>140,135,659</u>	<u>117,426,187</u>	<u>111,034,097</u>
<b>Current liabilities</b>				
Payables and other credit balances	9	24,010,389	22,687,836	9,601,074
Financing from third party	8	18,720,653	27,474,926	18,809,601
		<u>42,731,042</u>	<u>50,162,762</u>	<u>28,410,675</u>
<b>Total liabilities</b>		<u>182,866,701</u>	<u>167,588,949</u>	<u>139,444,772</u>
<b>Total equity and liabilities</b>		<u>497,479,414</u>	<u>485,957,562</u>	<u>412,264,759</u>

The notes on pages 7 to 18 form an integral part of this interim condensed consolidated financial information.

  
Abdul Fatah M.R. Marafie  
Chairman and Managing Director

Adwan M. Al-Adwani  
Vice Chairman

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



**Interim condensed consolidated statement of income (unaudited)  
For the six months ended 30 June 2016**

	Note	Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
		KD	KD	KD	KD
<b>Revenue</b>					
Net income from investment properties	10	3,465,701	3,012,224	6,740,179	5,795,804
Gain on sale of land and real estate held for trading		-	43,433	72,783	43,433
Net hotel losses		(109,428)	(51,891)	(122,793)	(26,443)
Net gains/(losses) from investment in associate companies		614,148	(171,295)	4,610,091	296,946
Net (losses)/gains from investments	11	(4,251)	2,168,146	848,328	2,547,507
Other income		53,512	66,381	103,613	165,284
<b>Total revenues</b>		<b>4,019,682</b>	<b>5,066,998</b>	<b>12,252,201</b>	<b>8,822,531</b>
<b>Expenses and other charges</b>					
Administrative expenses and other charges	17	721,767	659,034	1,502,692	1,144,876
Financial claims		-	-	1,575,699	-
Financing charges		1,412,643	1,274,681	2,687,087	2,402,079
<b>Total expenses</b>		<b>2,134,410</b>	<b>1,933,715</b>	<b>5,765,478</b>	<b>3,546,955</b>
<b>Net profit before deductions</b>		<b>1,885,272</b>	<b>3,133,283</b>	<b>6,486,723</b>	<b>5,275,576</b>
Kuwait Foundation for the Advancement of Sciences (KFAS)		(9,852)	(18,843)	(9,852)	(28,030)
National Labour Support Tax (NLST)		(46,602)	(66,277)	(127,197)	(106,541)
Zakat Expense		(12,085)	(21,538)	(12,085)	(32,158)
<b>Net profit for the period</b>		<b>1,816,733</b>	<b>3,026,625</b>	<b>6,337,589</b>	<b>5,108,847</b>
<b>Distributed as follows:</b>					
Shareholders of the Parent Company		1,998,999	2,860,322	5,359,622	4,766,393
Non-controlling interests		(182,266)	166,303	977,967	342,454
		<b>1,816,733</b>	<b>3,026,625</b>	<b>6,337,589</b>	<b>5,108,847</b>
<b>Basic earnings per share for Parent Company's shareholders (fils)</b>	12	<b>1.13</b>	<b>1.62</b>	<b>3.04</b>	<b>2.70</b>

The notes on pages 7 to 18 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 2016

	Three months ended 30 June		Six months ended 30 June	
	2016 KD	2015 KD	2016 KD	2015 KD
Net profit for the period	1,816,733	3,026,625	6,337,589	5,108,847
<b>Other comprehensive income items:</b>				
<i>Items that may be reclassified subsequently to the statement of income:</i>				
Group's share in associates' reserves	13,348	(64,982)	60,525	29,920
Foreign currency translation difference	133,260	31,673	281,697	31,673
<i>Available for sale Investments</i>				
Change in fair value	(1,055,894)	56,768	(886,861)	13,358
Transfer to statement of income resulting from sale	(25,372)	(1,754,303)	(25,372)	(1,779,959)
	(1,081,266)	(1,697,535)	(912,233)	(1,766,601)
<b>Total other comprehensive loss items</b>	(934,658)	(1,730,844)	(570,011)	(1,705,008)
Total comprehensive income for the period	882,075	1,295,781	5,767,578	3,403,839
<b>Distributed as follows:</b>				
Shareholders of the Parent Company	1,128,073	1,129,478	4,853,343	3,061,385
Non-controlling interests	(245,998)	166,303	914,235	342,454
	882,075	1,295,781	5,767,578	3,403,839

The notes on pages 7 to 18 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**

**Interim condensed consolidated statement of changes in equity (unaudited)  
For the six months ended 30 June 2016**

	Equity attributable to shareholders of the Parent Company							Total equity attributable to shareholders of the Parent Company	Non-controlling interests	Total Equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 7)	Retained earnings			
Balance as at 1 January 2015	170,198,775	1,308,384	(1,808,875)	30,163,475	24,440,329	8,398,606	35,187,204	267,887,898	12,379,733	280,267,631
Net profit for the period	-	-	-	-	-	-	4,766,393	4,766,393	342,454	5,108,847
Other comprehensive income items for the period	-	-	-	-	-	(1,705,008)	-	(1,705,008)	-	(1,705,008)
Purchase of treasury shares	-	-	(65,654)	-	-	-	-	(65,654)	-	(65,654)
Distribution of bonus shares	8,509,939	-	-	-	-	-	(8,509,939)	-	-	-
Cash dividends	-	-	-	-	-	-	(10,116,334)	(10,116,334)	-	(10,116,334)
Amendments arising from consolidation of subsidiaries	-	-	-	-	-	-	(16,492)	(16,492)	(6,630)	(23,122)
Effect of acquisition of an additional share in a subsidiary	-	-	-	-	-	-	15,047	15,047	(81,173)	(66,126)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(580,247)	(580,247)
<b>Balance as at 30 June 2015</b>	<b>178,708,714</b>	<b>1,308,384</b>	<b>(1,874,529)</b>	<b>30,163,475</b>	<b>24,440,329</b>	<b>6,693,598</b>	<b>21,325,879</b>	<b>260,765,850</b>	<b>12,054,137</b>	<b>272,819,987</b>
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 for the period	-	-	-	-	-	(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 share in a subsidiary	-	-	-	-	-	-	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>

The notes on pages 7 to 18 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 2016

	Notes	Six months ended 30 June	
		2016	2015
		KD	KD
<b>Operating activities:</b>			
Net profit for the period		6,337,589	5,108,847
Adjustments for:			
Depreciation of property, plant and equipment		880,982	803,818
Net write back of provision for doubtful debts		(10,136)	-
Net (profits) from investments in associates		(4,610,091)	(296,946)
Net profits from investments	11	(848,328)	(2,547,507)
Profits from exchange differences		(7,040)	(11,586)
Financial claims	17	1,575,699	-
Financing charges		2,687,087	2,402,079
Employees' end of service indemnity made during the period		76,032	91,141
<i>Operating gain before working capital changes</i>		6,081,794	5,549,846
Land and properties held for trading		163,632	(395,173)
Investments at fair value through statement of income		(3,407,559)	-
Receivables and other debit balances		(438,580)	(4,759,306)
Payables and other credit balances		(1,710,323)	(1,187,365)
<i>Cash from/(used in) operating activities</i>		6,88,964	(791,998)
Employees' end of service indemnity paid during the period		(81,167)	(131,133)
<i>Net cash from/(used in) operating activities</i>		607,797	(923,131)
<b>Investing activities:</b>			
Paid for purchase of property, plant and equipment		(593,965)	(1,081,790)
Paid for purchase of investment properties	3	(1,380,583)	(374,850)
Paid for acquisition of an additional share in a subsidiary		(49,612)	(66,126)
Payment for purchase of shares in associates		(5,267,147)	-
Paid for purchase of available for sale investments		(686,286)	(1,580,397)
Proceeds from sale of available for sale investments		70,008	5,467,128
Proceeds from dividends in associates	4	1,890,762	336,494
Cash dividends received		904,652	799,607
<i>Net cash (used in) / generated from investing activities</i>		(5,112,171)	3,500,066
<b>FINANCING ACTIVITIES:</b>			
Financing from third party		13,960,334	8,902,439
Purchase of treasury shares		(59,679)	(65,654)
Finance charges paid		(2,353,289)	(2,776,227)
Dividend paid		(8,264,990)	(9,531,820)
<b>Non-controlling interests</b>		(574,239)	(580,247)
<i>Net cash from/(used in) financing activities</i>		2,708,137	(4,051,509)
Net change in cash and cash equivalents		(1,796,237)	(1,474,574)
Cash and cash equivalents at the beginning of the period		7,006,106	6,529,424
<b>Cash and cash equivalents at the end of the period</b>		5,209,869	5,054,850

The notes on pages 7 to 18 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 2016**

**1. Overview of the Group**

The Commercial Real Estate Company - Kuwaiti Shareholding Company - Closed ("the Parent Company") was incorporated under articles of association No. 104/M/ file No.1 in Kuwait on 4 February 1968 under commercial register No. 11329 and reregistered on 21 December 1981 under No. 239 in accordance with the provision of commercial companies law. The main objectives of the Parent Company comprise of performing various real estate, agricultural, industrial and commercial activities, carrying out contracting, road and building construction, including sale, purchase and lease of land and real estate property, construction of buildings, utilizing of the financial surplus available to the parent Company by investing it in financial 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 memorandum of association, article No. 4. The Parent Company's management shall carry out all its objectives for which it have been established in accordance with the 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. PO 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 2016	31 December 2015 (audited)	30 June 2015
Al Motagra Real Estate Company K.S.C.C.	Investment properties	Kuwait	71.87%	71.71%	71.52%
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	45.92%	45.92%	-

The financial information of subsidiaries were consolidated based on the interim financial information prepared by management of these companies as at 30 June 2016. The total assets and liabilities of consolidated subsidiaries amounted to KD 137,541,900 and KD 42,460,500 respectively as at 30 June 2016 (30 December 2015: KD 121,031,201 and KD 29,326,847 respectively and 31 June 2015: KD 41,934,748 and KD 1,493,989 respectively). The net profits of subsidiaries amounted to KD 3,600,263 for the period ended 30 June 2016 (30 December 2015: KD 3,221,301 and 31 June 2015: KD 1,636,223).

Subsequent to the date of these interim condensed consolidated financial information the ownership of the Group in Al-Salmiya Group has been increased to become 60.92%. There is no effect of that transaction on the net profit for the period ended 30 June 2016.

The Kuwait Companies Law issued on 24 January 2016 by Decree Law No. 1 of 2016 (the "Companies Law"), which was published in the Official Gazette on 1 February 2016, cancelled the Companies Law No. 25 of 2012, as amended. This Law shall be applicable as of 26 November 2012. The executive regulations of this law has been issued and published in the

**Notes to interim condensed consolidated financial information (unaudited)**  
For the six months ended 30 June 2016

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**1. Overview of the Group (Continued)**

During the period, the general assembly meeting of the Parent Company shareholders was held to approve the consolidated financial statements of the Group for the year ended 31 December 2015.

The interim condensed consolidated financial information was authorized for issue by the Parent Company's board of director's on 4 August 2016.

**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 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For further information, refer to the annual audited consolidated financial statements of the Group for the year ended 31 December 2015.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and amendments effective as of 1 January 2016. New standards and amendments apply for the first time in 2016. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group.

The following is an explanation of standards and amendments applicable as of 1 January 2016, as well as clarification of standards issued but not effective yet:

**a) The amendments became effective as of 1 January 2016.**

Certain new and amended standards have been effective for the current period. However, the Group does not have to change its accounting policy or make adjustments retroactively as a result of adoption of these standards:

- Amendments to IAS 1 – Disclosure Initiative
- Amendments to IAS 16 and IAS 36 – Clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 and IAS 41 – Bearer plants.
- Amendments to IAS 27 – Equity method in separate financial statements
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception
- Annual Improvements to IFRSs 2012-2015 Cycle

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

2. Basis of preparation (Continued)

b) Standards issued but not yet effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the group:

• **IFRS 9 Financial Instruments**

The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also introduces the principles of recognition and derecognition of financial instruments from IAS 39.

The Group's management anticipates that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group's consolidated financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

• **IFRS 15 Revenue from Contracts with Customers**

The standard, effective for annual periods beginning on or after 1 January 2018, deals with revenue recognition and establishes principles for the amount, timing of revenue recognition. It replaces the following existing standards and interpretations upon its effective date:

IAS 18 – Revenue,  
IAS 11 – Construction Contracts,  
IFRIC 13 – Customer Loyalty Programs,  
IFRIC 15 – Agreements for the Construction of Real Estate,  
IFRIC 18 – Transfers of Assets from Customers,  
IFRIC 31 – Revenue – barter transaction involving advertising services,

The Group is currently assessing the impact of IAS 15 and plans to adopt the new standard on the required effective date.

3. Investment Property

	30 June 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD
Balance at beginning of the period/year	358,617,417	286,144,100	286,144,100
Additions	1,380,583	720,889	374,850
Sales	-	(4,682,800)	-
Transferred from projects in progress	-	1,730,774	1,730,774
Change in fair value	-	3,704,454	-
Effect of acquisition of a subsidiary	-	71,000,000	-
Balance at end of the period/year	<u>359,998,000</u>	<u>358,617,417</u>	<u>288,249,724</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

4. Investments in associates

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

	30 June 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD
Balance as at the beginning of the period/year	23,806,575	32,673,424	32,673,424
Additions	13,674,891	3,091,740	-
Sales	-	(84,351)	(84,351)
Cash dividends	(1,890,762)	(785,294)	(785,295)
Transferred to investment in subsidiary	-	(13,138,116)	-
Translation of foreign currencies	281,697	173,678	19,928
Group's share in associates' reserves	60,525	1,882,954	29,920
Group's share in associates' business results	771,846	1,029,190	262,606
Net impairment losses	(65,941)	(1,036,650)	-
	<u>36,638,831</u>	<u>23,806,575</u>	<u>32,116,232</u>

Additions item includes the purchase made during the period, by one of the subsidiaries of a share of 44.87% from equity of Jahra Tourism Company. This investment was classified within investment in an associate as at 30 June 2016. The purchase transaction was resulted in profits of purchase at reduced prices of KD 4,437,372. Out of such profits an amount of KD 3,904,186 recognised in the interim condensed consolidated statement of income for the period ended 30 June 2016. Profits of KD 533,186 was eliminated.

The fair value of the acquired assets and liabilities as at the acquisition date is as follows:

	30 June 2016 KD
Fair value of net purchased assets	21,262,854
Group's share in the fair value of net assets acquired (44.87%)	9,704,519
Amount paid for acquisition	(5,267,147)
Profit of purchase at reduced prices	<u>4,437,372</u>

During the period, procedures of incorporating Aria Vacation Club Company was completed. The Group participated by a percentage of 30% in incorporation, with an amount of KD 3,970,273. This investment was classified as investment in an associate. This transaction effect was eliminated when preparing the interim condensed consolidated statement of cash flows as it is a non-cash transaction.

The Group's share in the results of associates are recorded based on the latest available financial statements as at 31 March 2016.

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

5. Receivables and other debit balances

	30 June 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD
Trade receivables	4,997,018	4,912,305	4,850,244
Due from related parties (see note 13)	73,610	112,105	31,337
Provision for doubtful debts	(4,232,687)	(4,242,823)	(3,994,482)
	837,941	781,587	887,099
Prepaid expenses	603,440	519,312	25,000
Subscription in shares under allocation	3,192,319	6,807,102	9,046,745
Refundable deposits	202,275	199,900	185,445
Prepayments to contractors and suppliers	947,286	1,014,931	746,744
Other debit balances	807,613	548,236	984,611
	<u>6,590,874</u>	<u>9,871,068</u>	<u>11,875,644</u>

6. Treasury shares

	30 June 2016	31 December 2015 (audited)	30 June 2015
Number of shares (No's)	23,462,666	22,688,693	20,491,853
Percentage of issued shares (%)	1.31	1.27	1.15
Market value	1,759,700	1,769,718	1,721,316
Cost	2,117,879	2,058,200	1,874,529

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.

7. 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 2015	4,488,441	(1,687,929)	50,208	5,547,886	8,398,606
Total comprehensive profit for the period	(1,766,601)	29,920	31,673	-	(1,705,008)
As at 30 June 2015	<u>2,721,840</u>	<u>(1,658,009)</u>	<u>81,881</u>	<u>5,547,886</u>	<u>6,693,598</u>
As at 1 January 2016	3,097,895	195,025	222,070	5,547,886	9,062,876
Total comprehensive profits for the period	(848,501)	60,525	281,697	-	(506,279)

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

8. Financing from third party

	30 June 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD
Finance from third party – non current portion	138,939,932	116,225,325	110,000,714
Finance from third party – current portion	18,720,653	27,474,926	18,809,601
	<u>157,660,585</u>	<u>143,700,251</u>	<u>128,810,315</u>
Cost rate (%)	3.75 - 4.75	3.75 - 4.75	3.75 - 4

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 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD
Property, plant and equipment	28,101,189	28,607,640	29,141,966
Investment Property	277,441,142	238,290,960	223,850,155

9. Payables and other credit balances

	30 June 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD
Trade payables	1,159,540	1,163,728	1,515,358
Retentions	2,756,790	3,104,594	1,355,347
Accrued expense	2,712,666	3,319,869	2,136,755
Deferred revenue	8,688,538	9,632,725	521,831
Deposits from others	3,700,927	3,129,845	1,238,982
Kuwait Foundation for the Advancement of Science	89,851	159,999	28,030
National Labour Support Tax (NLST)	386,388	518,383	355,622
Zakat payable	12,085	206,991	32,158
Dividends payable to shareholders	1,256,946	681,988	831,427
Prepayments for sale of properties	-	-	750,000
Financial claims (note 17)	1,575,699	-	-
Other credit balances	1,670,959	769,714	835,564
	<u>24,010,389</u>	<u>22,687,836</u>	<u>9,601,074</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

10. Net income from investment properties

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD	KD	KD	KD
Real estate rental income	4,496,474	3,574,295	8,591,903	7,079,549
Operating expenses	(1,030,773)	(562,071)	(1,851,724)	(1,283,745)
Net rental income	<u>3,465,701</u>	<u>3,012,224</u>	<u>6,740,179</u>	<u>5,795,804</u>

11. Net profit on investments

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD	KD	KD	KD
<b>Available for sale Investments</b>				
Net gain on sales	22,800	1,766,775	33,855	1,766,775
Cash dividends	166,931	149,433	408,311	280,939
	<u>189,731</u>	<u>1,916,208</u>	<u>442,166</u>	<u>2,047,714</u>
<b>Financial investments at fair value through profit or loss</b>				
Change in fair value	(536,188)	-	(334,737)	-
Cash dividends	342,206	251,938	740,899	499,793
	<u>(193,982)</u>	<u>251,938</u>	<u>406,162</u>	<u>499,793</u>
	<u>(4,251)</u>	<u>2,168,146</u>	<u>848,328</u>	<u>2,547,507</u>

12. 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	
	2016	2015	2016	2015
	KD	KD	KD	KD
Net profit for the period attributable to shareholders of the Parent Company	1,998,999	2,860,322	5,359,622	4,766,393
Weighted average number of outstanding shares during the period (shares)	1,764,020,921	1,767,190,205	1,764,209,684	1,767,273,533
Earnings per share (fils)	<u>1.13</u>	<u>1.62</u>	<u>3.04</u>	<u>2.70</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

13. 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 2016	31 December 2015 (audited)	30 June 2015
	KD	KD	KD
<b>Balances</b>			
Receivables and other debit balances	73,610	112,105	31,337
Balances due to key management	305,518	718,182	110,388
<b>Transactions</b>			
Key management benefits	265,388	978,492	174,254
Gain of bargain purchase	2,158,925	-	-

14. Capital commitments and contingent liabilities

	30 June 2016	31 December 2015 (audited)	30 June 2015
	KD	KD	KD
<b>Capital commitments</b>			
Uncalled capital – investments	2,291,602	2,675,541	2,106,000
Contract for projects and investment properties under development	1,423,792	2,894,342	243,239
	<u>3,715,394</u>	<u>5,569,883</u>	<u>2,349,239</u>
<b>Contingent liabilities</b>			
Letters of guarantee	<u>4,122,436</u>	<u>4,122,436</u>	<u>4,056,286</u>

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

15. Segment information

The Group is organized into two major business segments; real estate and investment. Both segments results are reported 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 2016			For the six months ended 30 June 2015		
	Real estate sector KD	Investment sector KD	Total KD	Real estate sector KD	Investment sector KD	Total KD
Revenue	8,541,893	5,508,421	14,050,314	7,096,539	2,844,453	9,940,992
Direct cost	(2,475,897)	(1,699,136)	(4,175,033)	(1,667,098)	(104,688)	(1,771,786)
Gross profit	6,065,996	3,809,285	9,875,281	5,429,441	2,739,765	8,169,206
Unallocated costs			(3,544,732)			(3,071,945)
Currency valuation differences			7,040			11,586
Net profit for the period			6,337,589			5,108,847

Geographic distribution

- Assets and liabilities geographic distribution

	Assets			Liabilities		
	30 June 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD	30 June 2016 KD	31 December 2015 (audited) KD	30 June 2015 KD
State of Kuwait	420,557,969	412,683,490	347,374,278	143,437,391	124,189,039	91,308,384
Gulf countries	38,680,939	37,341,691	34,804,045	39,429,310	43,399,910	48,136,388
Other	38,240,506	35,932,381	30,086,436	-	-	-
	497,479,414	485,957,562	412,264,759	182,866,701	167,588,949	139,444,772

- Business results

	Six months ended 30 June 2016			Six months ended 30 June 2015				
	State of Kuwait KD	Gulf countries KD	Other KD	Total KD	State of Kuwait KD	Gulf countries KD	Other KD	Total KD
Total income	11,252,234	456,409	543,558	12,252,201	8,528,796	(389,794)	683,529	8,822,531
Total expenses	(3,454,055)	(2,460,557)	-	(5,914,612)	(2,696,217)	(1,017,467)	-	(3,713,684)
Net profit	7,798,179	(2,004,148)	543,558	6,337,589	5,832,579	(1,407,261)	683,529	5,108,847

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

16. Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

- Level 1: Quoted prices in active markets for quoted financial instruments.
- Level 2: Quoted prices in an active market for similar instruments or prices quoted by managers of investment funds or other valuation techniques where all the important inputs are based on comparative market data either directly or indirectly.
- Level 3: Valuation techniques in which the inputs that are not based on any comparative market data.

Fair value of financial assets and liabilities of the Group measured at fair value on a periodical basis is as follows:

Financial assets	Fair value as of			Date of Business Evaluation	Fair value level	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2016	31 December 2015 (audited)	30 June 2015					
	KD	KD	KD					
Available for sale Investments	865,875	914,285	1,060,141	30 June 2016	First	Last bid price	N/A	N/A
Available for sale Investments	20,212,507	20,400,826	16,959,611	30 June 2016	Second	Quoted net unit value	N/A	N/A
Available for sale Investments	37,135	37,135	37,135	31 December 2015	Third	Technical valuation techniques	market risk adjusted carrying value	The higher market risk the lower the fair value
Investments at fair value through statement of income	-	-	-	-	First	Last bid price	N/A	N/A
Investments at fair value through statement of income	30,362,042	27,289,220	18,544,029	30 June 2016	Second	Last bid price	N/A	N/A

Notes to interim condensed consolidated financial information (unaudited)  
For the six months ended 30 June 2016

16. Fair value estimation (Continued)

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 2016		31 December 2015		30 June 2015	
	Carrying value KD	Fair value KD	Carrying value KD	Fair value KD	Carrying value KD	Fair value KD
<b>Financial assets</b>						
Loans and receivables						
- Due from related parties	73,610	73,610	112,105	112,105	31,337	31,337
- Trade and non-trading receivable	6,517,264	6,517,264	9,758,963	9,758,963	11,844,307	11,844,307
- Cash and cash equivalents	5,209,869	5,209,869	7,006,106	7,006,106	5,054,850	5,054,850
	<u>11,800,743</u>	<u>11,800,743</u>	<u>16,877,174</u>	<u>16,877,174</u>	<u>16,930,494</u>	<u>16,930,494</u>
<b>Financial liabilities</b>						
Financial liabilities (at amortized cost)						
Financing from third party	157,660,585	155,041,840	143,700,251	142,733,342	128,810,315	125,542,139
- Payables and other credit balances	24,010,389	24,010,389	22,687,836	22,687,836	9,601,074	9,601,074
	<u>181,670,974</u>	<u>179,052,229</u>	<u>166,388,087</u>	<u>165,421,178</u>	<u>138,411,389</u>	<u>135,143,213</u>

Fair value hierarchy within level (3)

	30 June 2016	31 December 2015 (audited)	30 June 2015
	KD	KD	KD
<b>Financial assets</b>			
Loans and receivables	11,800,743	16,877,174	16,930,494
Total	<u>11,800,743</u>	<u>16,877,174</u>	<u>16,930,494</u>
<b>Financial liabilities</b>			
Financial liabilities (at amortized cost)	179,052,229	165,421,178	135,143,213
Total	<u>179,052,229</u>	<u>165,421,178</u>	<u>135,143,213</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.

**Notes to interim condensed consolidated financial information (unaudited)**  
For the six months ended 30 June 2016

**16. Fair value estimation (Continued)**

Reconciliation of Level 3 fair value measurements is as follows:

	<b>Unquoted available for sale investments</b>		
	<b>30 June 2016</b>	<b>31 December</b>	
		<b>2015 (audited)</b>	<b>30 June 2015</b>
	KD	KD	KD
Balance as at the beginning of the period/year	37,135	62,792	62,792
<b>Total profits or losses:</b>			
- In the statement of income	-	(25,657)	(25,657)
Balance at end of the period/year	<u>37,135</u>	<u>37,135</u>	<u>37,135</u>

Transfers out of level 3 represent investments carried at cost since they are acquired recently.

**17. 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 2016. This amount represents the best estimate of the outstanding liabilities until the value of the final liability is decided.

**18. Dividends**

On 27 March 2016 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 2014: cash dividends at 6% and bonus shares at 5%).