



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

Interim Condensed Consolidated Financial Information
for the nine months ended 30 September 2016
and Review Report
(Unaudited)



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

Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Real Estate Company K.S.C.P "the Parent Company" and its subsidiaries (together referred to as "the Group") as at 30 September 2016, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. 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".

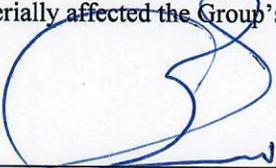
A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards 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 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 nine-month period ended 30 September 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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Kuwait, 13 November 2016

Interim condensed consolidated statement of financial position as at 30 September 2016
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	30 September 2016	31 December 2015 (Audited)	30 September 2015
Assets				
Non-current assets				
Property, plant and equipment		28,432,717	29,148,315	29,293,572
Investment properties	4	360,626,167	358,617,417	283,646,182
Investment in associates	5	37,847,700	23,806,575	33,782,401
Available for sale investments		21,256,028	21,352,246	19,764,019
		<u>448,162,612</u>	<u>432,924,553</u>	<u>366,486,174</u>
Current assets				
Land and real estates held for trading	6	11,795,780	8,866,615	8,825,450
Investments at fair value through profit or loss		30,451,273	27,289,220	18,544,029
Receivables and other debit balances	7	7,638,031	9,871,068	11,271,680
Cash and cash equivalents		5,745,416	7,006,106	3,169,050
		<u>55,630,500</u>	<u>53,033,009</u>	<u>41,810,209</u>
Total assets		<u>503,793,112</u>	<u>485,957,562</u>	<u>408,296,383</u>
Equity and liabilities				
Equity attributable to Parent Company's Shareholders				
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	(2,117,879)	(2,058,200)	(1,979,097)
Statutory reserve		32,321,599	32,321,599	30,163,475
Voluntary reserve		25,519,392	25,519,392	24,440,329
Other reserves	9	8,536,235	9,062,876	7,013,766
Retained earnings		33,936,054	33,934,717	24,272,293
Total equity attributable to the Parent Company's Shareholders		<u>278,212,499</u>	<u>278,797,482</u>	<u>263,927,864</u>
Non-controlling interests		<u>32,666,979</u>	<u>39,571,131</u>	<u>12,137,925</u>
Total equity		<u>310,879,478</u>	<u>318,368,613</u>	<u>276,065,789</u>
Liabilities				
Non-current liabilities				
Employees' end of service indemnity		1,211,197	1,200,862	1,056,611
Finance from third parties	10	148,924,735	116,225,325	99,032,283
		<u>150,135,932</u>	<u>117,426,187</u>	<u>100,088,894</u>
Current liabilities				
Payables and other credit balances	11	23,841,852	22,687,836	7,883,766
Finance from third parties	10	18,935,850	27,474,926	24,257,934
		<u>42,777,702</u>	<u>50,162,762</u>	<u>32,141,700</u>
Total liabilities		<u>192,913,634</u>	<u>167,588,949</u>	<u>132,230,594</u>
Total equity and liabilities		<u>503,793,112</u>	<u>485,957,562</u>	<u>408,296,383</u>

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



Abdul Fatah M.R. Marafie
Chairman



Adwan M. Al-Adwani
Vice-Chairman

Interim condensed consolidated statement of income for the nine months ended 30 September 2016
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
Revenues					
Net investment properties income	13	3,615,241	4,512,413	10,355,420	10,308,217
Gain on sale of land and real estates held for trading		-	43,301	72,783	86,734
Net hotel losses	14	(337,123)	(275,864)	(459,916)	(302,307)
Net gains from investment in associates		1,363,924	252,967	5,974,015	549,913
Net gains from investments	15	801,567	392,449	1,649,895	2,939,956
Other revenues		18,752	1,935	122,365	167,219
Total revenues		<u>5,462,361</u>	<u>4,927,201</u>	<u>17,714,562</u>	<u>13,749,732</u>
Expenses and other charges					
Administrative expenses and other charges		553,859	459,059	2,056,551	1,603,935
Financial claims	12	-	-	1,575,699	-
Finance charges		1,532,405	1,261,855	4,219,492	3,663,934
Total expenses		<u>2,086,264</u>	<u>1,720,914</u>	<u>7,851,742</u>	<u>5,267,869</u>
Net profit before deductions		3,376,097	3,206,287	9,862,820	8,481,863
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		(9,895)	(19,742)	(19,747)	(47,772)
National Labor Support Tax (NLST)		(85,156)	(70,107)	(212,353)	(176,648)
Zakat expense		(16,553)	(22,977)	(28,638)	(55,135)
Net profit for the period		<u>3,264,493</u>	<u>3,093,461</u>	<u>9,602,082</u>	<u>8,202,308</u>
Attributable to:					
Parent Company's shareholders		3,023,852	2,925,396	8,383,474	7,691,789
Non-controlling interests		240,641	168,065	1,218,608	510,519
		<u>3,264,493</u>	<u>3,093,461</u>	<u>9,602,082</u>	<u>8,202,308</u>
Earnings per share attributable to the Parent Company's shareholders (fil)	16	<u>1.71</u>	<u>1.66</u>	<u>4.75</u>	<u>4.35</u>

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

**Interim condensed consolidated statement of comprehensive income for the nine months ended 30 September 2016
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Net profit for the period	<u>3,264,493</u>	<u>3,093,461</u>	<u>9,602,082</u>	<u>8,202,308</u>
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Group's share in associates' reserves	<u>106,489</u>	<u>94,111</u>	<u>167,014</u>	<u>124,031</u>
Exchange difference on translating foreign operations	<u>(267,360)</u>	<u>85,937</u>	<u>14,337</u>	<u>117,610</u>
<i>Available for sale investments:</i>				
Change in fair value	<u>145,131</u>	<u>158,119</u>	<u>(741,730)</u>	<u>171,477</u>
Transferred to statement of income from sales	<u>-</u>	<u>(17,999)</u>	<u>(25,372)</u>	<u>(1,797,958)</u>
	<u>145,131</u>	<u>140,120</u>	<u>(767,102)</u>	<u>(1,626,481)</u>
Total other comprehensive income	<u>(15,740)</u>	<u>320,168</u>	<u>(585,751)</u>	<u>(1,384,840)</u>
Total comprehensive income for the period	<u>3,248,753</u>	<u>3,413,629</u>	<u>9,016,331</u>	<u>6,817,468</u>
Attributable to:				
Parent Company's shareholders	<u>3,003,490</u>	<u>3,245,564</u>	<u>7,856,833</u>	<u>6,306,949</u>
Non-controlling interests	<u>245,263</u>	<u>168,065</u>	<u>1,159,498</u>	<u>510,519</u>
	<u>3,248,753</u>	<u>3,413,629</u>	<u>9,016,331</u>	<u>6,817,468</u>

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

Interim condensed consolidated statement of changes in equity for the nine months ended 30 September 2016
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Parent Company's shareholders									
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (note 9)	Retained earnings	Total	Non-controlling interests	Total equity
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	-	-	-	-	-	-	7,691,789	7,691,789	510,519	8,202,308
Other comprehensive income for the period	-	-	-	-	(1,384,840)	-	-	(1,384,840)	-	(1,384,840)
Purchase of treasury shares	-	-	(170,222)	-	-	-	-	(170,222)	-	(170,222)
Effect of acquisition of a share in a subsidiary	-	-	-	-	-	-	36,065	36,065	(165,450)	(129,385)
Amendments arising from consolidation of subsidiaries	-	-	-	-	-	-	(16,492)	(16,492)	(6,630)	(23,122)
Distribution of bonus shares	8,509,939	-	-	-	-	-	(8,509,939)	-	-	-
Cash dividends	-	-	-	-	-	-	(10,116,334)	(10,116,334)	-	(10,116,334)
Cash dividends of a subsidiary	-	-	-	-	-	-	-	-	(580,247)	(580,247)
Balance as at 30 September 2015	178,708,714	1,308,384	(1,979,097)	30,163,475	24,440,329	7,013,766	24,272,293	263,927,864	12,137,925	276,065,789
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	-	-	-	-	-	-	8,383,474	8,383,474	1,218,608	9,602,082
Other comprehensive income for the period	-	-	-	-	-	(526,641)	-	(526,641)	(59,110)	(585,751)
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 a share in a subsidiary (note 18)	-	-	-	-	-	-	457,811	457,811	(7,489,411)	(7,031,600)
Cash dividends of a subsidiary	-	-	-	-	-	-	-	-	(574,239)	(574,239)
Balance as at 30 September 2016	178,708,714	1,308,384	(2,117,879)	32,321,599	25,519,392	8,536,235	33,936,054	278,212,499	32,666,979	310,879,478

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

**Interim condensed consolidated statement of cash flows for the nine months ended 30 September 2016
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Nine months ended 30 September	
	2016	2015
Cash flows from operating activities		
Net profit for the period	9,602,082	8,202,308
<i>Adjustments:</i>		
Depreciation of property, plant and equipment	1,328,015	1,213,085
Gains on sale of investment properties	-	(1,317,200)
Reversal of provision of doubtful debts	(10,136)	-
Net profits from investments in associates	(5,974,015)	(549,913)
Net profit from investments	(1,649,895)	(2,939,956)
Foreign currency valuation differences	(10,967)	(3,774)
Finance claims	1,575,699	-
Finance charges	4,219,492	3,663,934
Employees' end of service indemnity made during the period	99,583	114,626
Operating gains before working capital changes	9,179,858	8,383,110
Lands and real estate held for trading	(2,929,165)	(290,187)
Investments at fair value through profit or loss	(3,373,762)	-
Receivables and other debit balances	(1,733,255)	(4,619,837)
Payables and other credit balances	(2,008,416)	(2,471,508)
Employees' end of service indemnity paid during the period	(89,248)	(131,390)
Net cash (used in)/ generated from operating activities	(953,988)	870,188
Cash flows from investing activities		
Paid for purchase of property, plant and equipment	(612,417)	(1,347,672)
Paid for purchase of investment properties	(2,008,750)	(454,108)
Proceeds from sale of investment properties	-	6,000,000
Paid for acquisition of an additional share in subsidiaries	(7,031,600)	(129,385)
Paid for acquisition of an additional share in associates	(5,529,319)	(1,234,459)
Cash dividends received from investments in associates	1,995,762	785,294
Paid for acquisition of available sale investments	(686,286)	(3,227,410)
Proceeds from sale of available for sale investments	70,007	5,604,288
Cash dividends received	1,835,027	1,144,294
Net cash (used in)/ generated from investing activities	(11,967,576)	7,140,842
Cash flows from financing activities		
Finance from third parties	24,160,334	3,382,341
Purchase of treasury shares	(59,679)	(170,222)
Finance charges paid	(3,364,979)	(4,407,660)
Dividends paid	(8,500,563)	(9,595,616)
Net change in non-controlling equity	(574,239)	(580,247)
Net cash generated from/ (used in) financing activities	11,660,874	(11,371,404)
Net change in cash and cash equivalents	(1,260,690)	(3,360,374)
Cash and cash equivalents at beginning of the period	7,006,106	6,529,424
Cash and cash equivalents at end of the period	5,745,416	3,169,050

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

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2016
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Overview of the Group

Commercial Real Estate Company is a Kuwaiti Shareholding Company Closed (“the Parent Company”) was incorporated under Articles of Association No. 104/M/ Vol. 1 on 4 February 1968 and registered in the Commercial Register on 28 February 1968 under No. 11329. And reregistered on 21 December 1981 under No. 239 in accordance with the provisions of commercial companies law. The main objectives of the Company are to carry out 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 Company by investing it in financial portfolios managed by specialized companies and financial institutions; and establishing real estate funds and portfolios and the management of these funds for its own and for third parties or as stated in the Company’s Article of Association (Article No. 5) and Company’s Memorandum (Article No. 4). The Company’s management shall carry out all its objectives for which it have been established in accordance with the Noble Islamic Sharia principles.

The Parent Company’s registered office is located in Jaber Al-Mubarak Street, Commercial Real Estate Company’s Building, Sharq, P.O. Box. 4119 Safat, 13042 Kuwait.

The Parent Company has been registered in the Kuwait Stock Exchange on 21 December 2004.

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries (together referred to as “the Group”).

<u>Name of the Company</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Ownership (%)</u>		
			<u>30 September 2016</u>	<u>31 December 2015</u>	<u>30 September 2015</u>
Al Motajara Real Estate Company	Real estate investment	Kuwait	71.87	71.71	71.52
Symphony Style Hotel (formerly: Missoni Hotel)	Hotels services	Kuwait	100	100	100
Commercial Real Estate Development Company	Real estate investment	Bahrain	100	100	100
Al-Salmiya Group for Projects Development Company	Real estate investment	Kuwait	60.92	45.92	-

The financial statements of the above subsidiaries are combined based on management accounts prepared by management as at 30 September 2016.

During the period, the Group increased its ownership in the subsidiary “Al-Salmiya Group for Projects Development Company K.S.C.C” of 15% by acquired additional shares from non-controlling interests against KD 6,981,988. The net book value of the acquired assets and liabilities exceeds the paid amount by KD 435,142 and the difference recorded into equity (note 18).

The total assets and liabilities of consolidated subsidiaries amounted to KD 138,218,271 and KD 42,058,425 respectively as at 30 September 2016 (KD 121,031,201 and KD 29,326,847 respectively as at 31 December 2015 - and KD 42,558,344 and KD 1,529,052 respectively as at 30 September 2015). The total business results of subsidiaries amounted to KD 4,349,123 for the period ended 30 September 2016 (KD 2,135,512 for the period ended 30 September 2015).

On 1 February 2016, the new Companies Law no. 1/2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the companies law no. 25 of 2012 and its amendments have been cancelled. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016, which cancelled the Executive Regulations of Law No. 25 of 2012. Companies should make necessary arrangements to be in compliance with provisions of the new law within six months from the executive regulation effective date.

The interim condensed consolidated financial information was authorised for issuance by the Board of Directors on 13 November 2016.

**Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2016
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with the International Accounting Standard No. (34) "Interim Financial Reporting". The interim condensed consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In the opinion of management, all adjustments considered necessary and the regular accruals for a fair presentation have been included.

The operating results for the nine-month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements and should refer to the annual consolidated financial statements of the Group as at 31 December 2015.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2015 except for the adoption of the new and amended IFRS that have become effective from 1 January 2016:

New and revised IFRSs issued and effective

In the current period, the Company has applied a number of new and revised IFRSs that are issued and effective. The application of these standards and amendments did not have a material impact on the Group's interim condensed consolidated financial information.

New and revised IFRSs in issue but not yet effective

For annual periods beginning on or after 1 January 2016

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation & Amortization
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The Group's Management do not anticipate that the application of these amendments will have a material impact on the Group's interim condensed consolidated financial information.

Effective for annual periods beginning on or after 1 January 2018

IFRS 15 Revenue from Contracts with Customers

The Group's Management anticipate that the application of these IFRS 15 in the future may have a material impact on amounts reported in respect of the Group's interim condensed consolidated financial information. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

IFRS 9 Financial Instruments

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

3. Fair value estimation

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

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

Notes to the Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2016
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Financial assets	Fair value as at			Valuation date	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 September 2016	31 December 2015 (Audited)	30 September 2015					
Available for sale investments	1,006,386	914,285	1,218,260	30 September 2016	Level 1	Last bid price	N/A	N/A
- Quoted shares	20,212,507	20,400,826	18,508,624	31 December 2015	Level 2	Net unit value announced	N/A	N/A
- Private equities managed by others	37,135	37,135	37,135	31 December 2015	Level 3	Technical assessment methods	Adjusted book value of market risk	The higher market risk, the lower the fair value.
- Unquoted shares Investment at fair value through profit or loss								
- Private equities managed by others	30,451,273	27,289,220	18,544,029	30 September 2016	Level 2	Net unit value announced	N/A	N/A

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required):

	30 September 2016		31 December 2015 (Audited)		30 September 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
<i>Loans and receivables</i>						
Due from related parties	118,470	118,470	112,105	112,105	31,377	31,377
Trade and non-trade receivables	7,519,561	7,519,561	9,758,963	9,758,963	11,240,303	11,240,303
Cash and cash equivalents	5,745,416	5,745,416	7,006,106	7,006,106	3,169,050	3,169,050
	<u>13,383,447</u>	<u>13,383,447</u>	<u>16,877,174</u>	<u>16,877,174</u>	<u>14,440,730</u>	<u>14,440,730</u>
Financial liabilities						
<i>Financial liabilities (at amortized cost)</i>						
Finance from third parties	167,860,585	164,654,626	143,700,251	142,733,342	123,290,217	119,983,791
Payables and other credit balances	23,841,852	23,841,852	22,684,836	22,684,836	7,883,766	7,883,766
	<u>191,702,437</u>	<u>188,496,478</u>	<u>166,388,087</u>	<u>165,421,178</u>	<u>131,173,983</u>	<u>127,867,557</u>

Fair value hierarchy within level (3)

	30 September 2016	31 December 2015 (Audited)	30 September 2015
Financial assets			
Loans and receivables	13,383,447	16,877,174	14,440,730
Total	<u>13,383,447</u>	<u>16,877,174</u>	<u>14,440,730</u>
Financial liabilities			
Financial liabilities (at amortized cost)	188,496,478	165,421,178	127,867,557
Total	<u>188,496,478</u>	<u>165,421,178</u>	<u>127,867,557</u>

The fair value of financial assets and liabilities included in level 3 below have been determined by using recognized valuation techniques such as discounted cash flows, price multiple or adjusted carrying value.

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Reconciliation of Level 3 fair value measurements is as follows:

	Unquoted available for sale investments		
	30 September 2016	31 December 2015 (Audited)	30 September 2015
Balance at the beginning of the period/ year	37,135	62,792	62,792
Total gains or losses:			
- in statement of income	-	(25,657)	(25,657)
Balance at the end of the period/ year	<u>37,135</u>	<u>37,135</u>	<u>37,135</u>
4. Investment properties			
	30 September 2016	31 December 2015 (Audited)	30 September 2015
Balance at beginning of the period/year	358,617,417	286,144,100	286,144,100
Additions	2,008,750	720,889	454,108
Sales	-	(4,682,800)	(4,682,800)
Transferred from project under progress	-	1,730,774	1,730,774
Changes at fair value	-	3,704,454	-
Effect of aquisition of subsidiary	-	71,000,000	-
Balance at end of the period/year	<u>360,626,167</u>	<u>358,617,417</u>	<u>283,646,182</u>
5. Investment in associates			
	30 September 2016	31 December 2015 (Audited)	30 September 2015
Balance at beginning of the period/year	23,806,575	32,673,424	32,673,424
Additions	13,937,063	3,091,740	1,234,459
Sales	-	(84,351)	(84,351)
Cash dividends	(1,995,762)	(785,294)	(785,294)
Transferred to investment in subsidiary	-	(13,138,116)	-
Translation of foreign currencies	13,819	173,678	104,559
Group's share in associates' reserves	167,014	1,882,954	124,031
Group's share in associates' business results	1,984,932	1,029,190	515,573
Net impairment losses	(65,941)	(1,036,650)	-
Balance at end of the period/ year	<u>37,847,700</u>	<u>23,806,575</u>	<u>33,782,401</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 September 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 4,055,024 recognised in the interim condensed consolidated statement of income for the period ended 30 September 2016, profits of KD 382,348 was eliminated.

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

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

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6. Lands and properties held for trading

	30 September 2016	31 December 2015 (Audited)	30 September 2015
Balance at beginning of the period/year	8,866,615	8,535,263	8,535,263
Additions	3,116,845	504,603	504,603
Sales	(187,680)	(214,416)	(214,416)
Reverse of impairment losses	-	41,165	-
Balance at end of the period/year	11,795,780	8,866,615	8,825,450

7. Receivables and other debit balances

	30 September 2016	31 December 2015 (Audited)	30 September 2015
Trade receivables	5,127,636	4,912,305	4,878,579
Due from related parties	118,470	112,105	31,377
Provision for doubtful debts	(4,232,687)	(4,242,823)	(3,994,482)
Prepaid expenses	1,013,419	781,587	915,474
Subscription in shares under allocation	679,892	579,510	101,488
Prepayments to contractors and suppliers	4,122,858	6,807,102	8,908,803
Refundable deposits	897,026	1,031,887	698,916
Other debit balances	294,981	199,900	185,696
	629,855	471,082	461,303
	7,638,031	9,871,068	11,271,680

Following is the movement on provision for doubtful debts:

	30 September 2016	31 December 2015 (Audited)	30 September 2015
Balance at beginning of the period/year	4,242,823	3,994,482	3,994,482
Formed provision	39,866	341,001	-
Reversal of provision of doubtful debt	(50,002)	(144,824)	-
Effect of aquisition of subsidiary	-	52,164	-
Balance at end of the period/year	4,232,687	4,242,823	3,994,482

8. Treasury shares

	30 September 2016	31 December 2015 (Audited)	30 September 2015
Number of shares - share	23,462,666	22,688,693	21,688,693
Percentage to issued shares (%)	1.31	1.27	1.21
Market value (KD)	1,759,700	1,769,718	1,756,784

The Parent Company management is required to retain reserves and retained earnings equivalent to the cost of treasury shares throughout the period, as per related regulatory authorization.

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

13. Net investment properties income

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Rental income	4,508,694	3,917,857	13,100,597	10,997,406
Operating expenses	(893,453)	(722,644)	(2,745,177)	(2,006,389)
Net rental income	3,615,241	3,195,213	10,355,420	8,991,017
Profit on sales	-	1,317,200	-	1,317,200
	<u>3,615,241</u>	<u>4,512,413</u>	<u>10,355,420</u>	<u>10,308,217</u>

14. Net hotel losses

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Net hotel revenues	1,028,969	949,137	4,068,296	3,776,458
Operating expenses – including depreciation	(1,366,092)	(1,225,001)	(4,528,212)	(4,078,765)
	<u>(337,123)</u>	<u>(275,864)</u>	<u>(459,916)</u>	<u>(302,307)</u>

Operating expenses include depreciation expenses of the hotel's building and its equipment of KD 1,240,143 for the period ended 30 September 2016 (KD 1,168,798 – 30 September 2015).

15. Net gains from investments

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Available for sale investments				
Gain on sale	-	57,161	33,855	1,823,936
Cash dividends	173,510	88,457	581,821	369,396
	<u>173,510</u>	<u>145,618</u>	<u>615,676</u>	<u>2,193,332</u>
Investments at fair value through profit or loss				
Change in fair value	123,028	-	(211,709)	-
Cash dividends	505,029	246,831	1,245,928	746,624
	<u>628,057</u>	<u>246,831</u>	<u>1,034,219</u>	<u>746,624</u>
	<u>801,567</u>	<u>392,449</u>	<u>1,649,895</u>	<u>2,939,956</u>

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



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16. Earnings per share

Earnings per share are calculated by dividing the attributable net profit to the shareholders of the Parent Company by the weighted average number of outstanding shares after deducting the weighted average number of the outstanding treasury shares during the period as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Net profit for the period for the shareholders of the Parent Company	3,023,852	2,925,396	8,383,474	7,691,789
Weighted average number of outstanding shares (share)	1,763,624,474	1,765,643,904	1,764,013,190	1,766,724,354
Earnings per share (fils)	1.71	1.66	4.75	4.35

17. Related party transactions

Related parties comprise of the Group's shareholders who have representation in the board of directors, board members, key management personnel, associate companies and companies in which the Company has representatives in their board. All transactions with related parties are subject to approval of the shareholders General Assembly. Significant related party transactions and balances resulting therefrom were as follows:

	30 September 2016	31 December 2015 (Audited)	30 September 2015
Consolidated statement of financial position			
Receivables and other debit balances	118,470	112,105	31,377
Balances due to key management	277,592	718,182	111,307
Consolidated statement of income			
Key management benefits	402,588	978,492	290,736
Gain of bargain purchase	2,158,925	-	-

18. Acquisition of additional share in a subsidiary

During the period, the Group increased its interest in the subsidiary "Al-Salmiya Group for development Projects Company K.S.C.C" at 15% by acquiring interests from non-controlling interests against an amount of KD 6,981,988. The net carrying value of acquired assets and liabilities exceeds the paid consideration of KD 435,141 and this difference has been included within equity.

Following are the statement of acquired assets and liabilities as at acquisition date:

Cash and cash equivalents	2,088,676
Receivables and other debit balances	949,462
Properties and equipment	444,454
Investments properties	72,225,831
Credit facilities	(13,181,700)
Payables and other credit balances	(13,044,640)
Employees' end of service indemnity	(34,554)
Fair value of net acquired assets	49,447,529
Parent Company's share in net acquired assets (15%)	7,417,129
Fair value of paid amount against acquisition	

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19. Capital commitments and contingent liabilities

Capital commitments

	30 September 2016	31 December 2015 (Audited)	30 September 2015
Uncalled capital – investments	1,761,047	2,675,541	6,844,961
Contracts for projects in progress	701,868	2,894,342	251,182
	<u>2,462,915</u>	<u>5,569,883</u>	<u>7,096,143</u>

Contingent liabilities

	30 September 2016	31 December 2015 (Audited)	30 September 2015
Letters of guarantee	2,790,188	4,122,436	2,053,000

20. Dividends

On 27 March 2016, the General Assembly of the shareholders has approved the financial statements for the year ended 31 December 2015 and approved to distribute cash dividends of 5% to the listed shareholders on the date of the Ordinary General Assembly meeting (6% dividends and bonus shares of 5% for the year ended 31 December 2014).

21. Segment information

The Group is organised into two major business segments; real estate and investment. Both segments results are reported to senior executive management. Further more, the Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. Revenues, profits, assets and liabilities are measured according to the same accounting basis followed in preparation of consolidated financial statements.

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

	Nine months ended 30 September 2016		
	Real estate segment	Investment segment	Total
Revenues	12,713,464	7,673,912	20,387,376
Direct costs	(3,486,984)	(1,719,499)	(5,206,483)
Gross profit	9,226,480	5,954,413	15,180,893
Unallocated costs			(5,589,778)
Currency valuation differences			10,967
Net profit			<u>9,602,082</u>

	Nine months ended 30 September 2015		
	Real estate segment	Investment segment	Total
Revenues	12,099,033	3,489,869	15,588,902
Direct costs	(2,550,137)	(154,969)	(2,705,106)
Gross profit	9,548,896	3,334,900	12,883,796
Unallocated costs			(4,685,262)
Currency valuation differences			3,774
Net profit			<u>8,202,308</u>

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Geographical distribution

Geographic distribution of assets and liabilities

	Assets		
	30 September 2016	31 December 2015 (Audited)	30 September 2015
Kuwait			
GCC	422,983,070	412,683,490	342,099,421
Other	42,477,112	37,341,691	34,948,604
	<u>38,332,930</u>	<u>35,932,381</u>	<u>31,248,358</u>
	<u>503,793,112</u>	<u>485,957,562</u>	<u>408,296,383</u>
	Liabilities		
	30 September 2016	31 December 2015 (Audited)	30 September 2015
Kuwait			
GCC	145,237,080	124,189,039	88,521,099
	<u>47,676,554</u>	<u>43,399,911</u>	<u>43,709,495</u>
	<u>192,913,634</u>	<u>167,588,950</u>	<u>132,230,594</u>

Operating results

	Nine months ended 30 September 2016			
	Kuwait	GCC	Other	Total
Total revenues	15,879,228	643,040	1,192,294	17,714,562
Total expenses	(5,207,513)	(2,904,967)	-	(8,112,480)
Net profit/ (loss)	<u>10,671,715</u>	<u>(2,261,927)</u>	<u>1,192,294</u>	<u>9,602,082</u>
	Nine months ended 30 September 2015			
	Kuwait	GCC	Other	Total
Total revenues	13,059,730	(328,026)	1,018,028	13,749,732
Total expenses	(4,134,962)	(1,412,462)	-	(5,547,424)
Net profit	<u>8,924,768</u>	<u>(1,740,488)</u>	<u>1,018,028</u>	<u>8,202,308</u>