



**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 nine month period ended 30 September 2017**

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 - 19

**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 September 2017, and the related interim condensed consolidated statements of income and other comprehensive income, for the three-month and nine-month periods then ended and the related interim condensed consolidated statements of changes in equity, and cash flows for the nine-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 nine-month period ended 30 September 2017, of Companies' Law No. 1 of 2016, and its executive regulations, as amended 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.



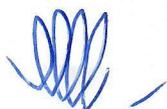
**Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al Wazzan & Co.**

Kuwait
13 November 2017

Interim condensed consolidated statement of financial position (unaudited)
As at 30 September 2017

		30 September 2017	31 December 2016 (audited)	30 September 2016
	Notes	KD	KD	KD
Assets				
Non-current assets				
Property, plant and equipment		26,626,572	27,677,136	28,432,717
Projects in progress	3	4,489,538	-	-
Investment Property	4	367,965,196	367,463,542	360,626,167
Investments in associates	5	42,579,399	42,229,673	37,847,700
Available for sale investments		<u>26,273,527</u>	<u>24,674,581</u>	<u>21,256,028</u>
		467,934,232	462,044,932	448,162,612
Current assets				
Land and real estate held for trading	6	8,714,428	11,778,895	11,795,780
Investments at fair value through profit or loss		30,051,004	29,347,879	30,451,273
Receivables and other debit balances	7	7,801,417	8,089,088	7,638,031
Cash and cash equivalents		<u>4,419,691</u>	<u>3,483,272</u>	<u>5,745,416</u>
		50,986,540	52,699,134	55,630,500
Total assets		<u><u>518,920,772</u></u>	<u><u>514,744,066</u></u>	<u><u>503,793,112</u></u>
Equity and liabilities				
Equity attributable to the shareholders of the Parent Company				
Share capital		178,708,714	178,708,714	178,708,714
Share premium		1,308,384	1,308,384	1,308,384
Treasury shares	8	(2,187,841)	(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	8,261,687	7,530,000	8,536,235
Retained earnings		<u>41,493,320</u>	<u>39,048,176</u>	<u>33,936,054</u>
Total equity attributable to the shareholders of the Parent Company		287,826,272	284,719,403	278,212,499
Non-controlling interests		<u>23,556,952</u>	<u>22,709,860</u>	<u>32,666,979</u>
Total equity		<u><u>311,383,224</u></u>	<u><u>307,429,263</u></u>	<u><u>310,879,478</u></u>
Liabilities				
Non-current liabilities				
Employees' end of service indemnity		1,026,051	947,659	1,211,197
Financing from third party	10	<u>166,154,676</u>	<u>153,840,383</u>	<u>148,924,735</u>
		167,180,727	154,788,042	150,135,932
Current liabilities				
Payables and other credit balances	11	18,995,564	23,702,611	23,841,852
Financing from third party	10	<u>21,361,257</u>	<u>28,824,150</u>	<u>18,935,850</u>
		40,356,821	52,526,761	42,777,702
Total liabilities		<u>207,537,548</u>	<u>207,314,803</u>	<u>192,913,634</u>
Total equity and liabilities		<u><u>518,920,772</u></u>	<u><u>514,744,066</u></u>	<u><u>503,793,112</u></u>

The notes on pages 7 to 19 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 nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		KD	KD	KD	KD
Revenue					
Rental income from investment properties and hotel's revenue		7,294,922	5,537,663	22,522,898	17,168,893
Operational expenses in relation to investment properties and hotel		(2,754,167)	(2,259,545)	(8,059,920)	(7,273,389)
Net income from investment properties and hotel's revenue	12	4,540,755	3,278,118	14,462,978	9,895,504
Gain on sale of land and real estate held for trading		750	-	1,058,507	72,783
Share of profit from investment in associate companies		710,672	1,363,924	1,945,529	5,974,015
Net gains from investments	13	1,637,248	801,567	3,608,745	1,649,895
Other income		93,969	18,752	210,221	122,365
Total revenues		6,983,394	5,462,361	21,285,980	17,714,562
Expenses and other charges					
Administrative expenses and other charges		602,322	553,859	1,929,301	2,056,551
Financial claims	19	-	-	-	1,575,699
Provisions		161,880	-	161,880	-
Financing charges		2,065,956	1,532,405	6,028,661	4,219,492
Total expenses		2,830,158	2,086,264	8,119,842	7,851,742
Net profit before deductions		4,153,236	3,376,097	13,166,138	9,862,820
Kuwait Foundation for the Advancement of Sciences (KFAS)		(22,274)	(9,895)	(79,045)	(19,747)
National Labour Support Tax (NLST)		(91,067)	(85,156)	(287,856)	(212,353)
Zakat Expense		(26,693)	(16,553)	(91,227)	(28,638)
Net profit for the period		4,013,202	3,264,493	12,708,010	9,602,082
Distributed as follows:					
Shareholders of the Parent Company		3,499,088	3,023,852	11,280,885	8,383,474
Non-controlling interests		514,114	240,641	1,427,125	1,218,608
		4,013,202	3,264,493	12,708,010	9,602,082
Basic earnings per share for Parent Company's shareholders (fils)	14	1.98	1.71	6.40	4.75

The notes on pages 7 to 19 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Net profit for the period	4,013,202	3,264,493	12,708,010	9,602,082
Other comprehensive income items:				
<i>Items that may be reclassified subsequently to the statement of income:</i>				
Group's share in associates' reserves	297,876	106,489	704,720	167,014
Foreign currency translation difference	(25,455)	(267,360)	88,600	14,337
Available for sale Investments				
Change in fair value	(24,109)	145,131	(78,753)	(741,730)
Transfer to statement of income resulting from sale	19,714	-	3,605	(25,372)
	(4,395)	145,131	(75,148)	(767,102)
Total other comprehensive income items	268,026	(15,740)	718,172	(585,751)
Total comprehensive income for the period	4,281,228	3,248,753	13,426,182	9,016,331
Distributed as follows:				
Shareholders of the Parent Company	3,753,790	3,003,490	12,012,572	7,856,833
Non-controlling interests	527,438	245,263	1,413,610	1,159,498
	4,281,228	3,248,753	13,426,182	9,016,331

The notes on pages 7 to 19 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 nine months ended 30 September 2017

	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 9)		Retained earnings		Total equity attributable to shareholders of the Parent Company	
	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	-	-	-	-	-	-	-	-	-	-	-	-	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	<u>178,708,714</u>	<u>-</u>	<u>1,308,384</u>	<u>-</u>	<u>(2,117,879)</u>	<u>-</u>	<u>32,321,599</u>	<u>-</u>	<u>25,519,392</u>	<u>-</u>	<u>8,536,235</u>	<u>-</u>	<u>33,936,054</u>	<u>-</u>	<u>278,212,499</u>	<u>32,666,979</u>	<u>310,879,478</u>	
Balance as at 1 January 2017	178,708,714	-	1,308,384	-	(2,117,879)	-	33,922,227	-	26,319,731	-	7,530,000	-	39,048,176	-	284,719,403	22,709,860	307,429,263	
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	11,280,885	-	11,280,885	1,427,125	12,708,010	
Other comprehensive income items for the period	-	-	-	-	-	-	-	-	-	-	731,687	-	-	-	731,687	(13,515)	718,172	
Purchase of treasury shares	-	-	-	-	(69,962)	-	-	-	-	-	-	-	-	-	(69,962)	-	(69,962)	
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	(8,836,792)	-	(8,836,792)	-	(8,836,792)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,051	-	1,051	(566,518)	(565,467)	
Balance as at 30 September 2017	<u>178,708,714</u>	<u>-</u>	<u>1,308,384</u>	<u>-</u>	<u>(2,187,841)</u>	<u>-</u>	<u>33,922,277</u>	<u>-</u>	<u>26,319,731</u>	<u>-</u>	<u>8,261,687</u>	<u>-</u>	<u>41,493,320</u>	<u>-</u>	<u>287,826,272</u>	<u>23,556,952</u>	<u>311,383,224</u>	

The notes on pages 7 to 19 form an integral part of this interim condensed consolidated financial information.

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

	Notes	Nine months ended	
		30 September	
		2017	2016
		KD	KD
Operating activities:			
Net profit for the period		12,708,010	9,602,082
Adjustments for:			
Depreciation of property, plant and equipment		1,371,081	1,328,015
provision for doubtful debts		161,880	(10,136)
Share of profits from investments in associates		(1,945,529)	(5,974,015)
Gain on sale of land and real estate held for trading		(1,058,507)	(72,783)
Net profits from investments	13	(3,608,745)	(1,649,895)
Profits from exchange differences		(81,233)	(10,967)
Financial claims	19	-	1,575,699
Financing charges		6,028,661	4,219,492
Employees' end of service indemnity made during the period		140,396	99,583
<i>Operating gain before working capital changes</i>		<u>13,716,014</u>	<u>9,107,075</u>
Land and properties held for trading		2,091,134	(2,856,382)
Investments at fair value through statement of income		912,662	(3,373,762)
Receivables and other debit balances		(1,014,479)	(1,733,255)
Payables and other credit balances		(5,007,693)	(2,008,416)
<i>Cash from operating activities</i>		<u>10,697,638</u>	<u>(864,740)</u>
Employees' end of service indemnity paid during the period		(62,004)	(89,248)
<i>Net cash from/ (used in) operating activities</i>		<u>10,635,634</u>	<u>(953,988)</u>
Investing activities:			
Paid for purchase of property, plant and equipment		(104,418)	(612,417)
Paid for purchase of investment properties	4	(501,654)	(2,008,750)
Paid for projects in progress	3	(1,900,945)	-
Paid for acquisition of an additional share in a subsidiary		(1,500)	(7,031,600)
Payment for purchase of shares in associates		(95,751)	(5,529,319)
Paid for purchase of available for sale investments		(1,646,368)	(686,286)
Proceeds from sale of available for sale investments		269,189	70,007
Dividends received from associates	5	2,486,093	1,995,762
Cash dividends received		2,063,461	1,835,027
<i>Net cash generated from/(used in) investing activities</i>		<u>568,107</u>	<u>(11,967,576)</u>
FINANCING ACTIVITIES:			
Financing from third party		4,851,400	24,160,334
Purchase of treasury shares		(69,962)	(59,679)
Finance charges paid		(6,128,476)	(3,364,979)
Dividend paid		(8,356,317)	(8,500,563)
Non-controlling interests		(563,967)	(574,239)
<i>Net cash (used in)/from financing activities</i>		<u>(10,267,322)</u>	<u>11,660,874</u>
Net change in cash and cash equivalents		936,419	(1,260,690)
Cash and cash equivalents at the beginning of the period		3,483,272	7,006,106
Cash and cash equivalents at the end of the period		<u>4,419,691</u>	<u>5,745,416</u>

The notes on pages 7 to 19 form an integral part of this interim condensed consolidated financial information.

Notes to interim condensed consolidated financial information (unaudited)
For the nine months ended 30 September 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 on 28 February, 1968 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 September 2017	31 December 2016 (audited)	30 September 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%	60.92%

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 13 November 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 nine month period ended 30 September 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 nine months ended 30 September 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.

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions 1 January 2018

New and revised IFRSs

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

Amendments to IAS 40 *Investment Property*: 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 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9

When IFRS 9 is first applied

IFRS 7 *Financial Instruments: Disclosures* 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 *Financial Instruments* (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 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following area:

- **Classification and measurement:** 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.
- **Impairment:** 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.
- **Hedge accounting:** 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.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Notes to interim condensed consolidated financial information (unaudited)
For the nine months ended 30 September 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*

1 January 2019

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.

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 nine months ended 30 September 2017

3. Projects in progress

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Balance at beginning of the period/year	-	-	-
Additions	1,900,945	-	-
Transferred from land and real estate held for trading (note 6)	2,031,840	-	-
Transfer from projects under study – receivables and other debit balances	556,753	-	-
Balance at end of the period/year	4,489,538	-	-

4. Investment property

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Balance at beginning of the period/year	367,463,542	358,617,417	358,617,417
Additions	501,654	2,887,263	2,008,750
Transferred from property, plant and equipment	-	242,864	-
Change in fair value	-	5,715,998	-
Balance at end of the period/year	367,965,196	367,463,542	360,626,167

5. Investments in associates

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

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Balance as at the beginning of the period/year	42,229,673	23,806,575	23,806,575
Additions	95,751	16,818,384	13,937,063
Cash dividends	(2,486,093)	(1,995,762)	(1,995,762)
Translation of foreign currencies	89,819	65,373	13,819
Group's share in associates' reserves	704,720	(98,413)	167,014
Group's share in associates' business results	1,945,529	2,507,600	1,984,932
Net reversal of impairment / (impairment losses)	-	1,125,916	(65,941)
	42,579,399	42,229,673	37,847,700

6. Land and real estate held for trading

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Balance at beginning of the period/year	11,778,895	8,866,615	8,866,615
Additions	69,938	3,116,845	3,116,845
Sales during the period	(1,102,565)	(187,680)	(187,680)
Transfer to projects in progress (note 3)	(2,031,840)	-	-
Impairment in fair value of lands and real estate held for trading	-	(16,885)	-
	8,714,428	11,778,895	11,795,780

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

7. Receivables and other debit balances

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Trade receivables	5,658,746	5,014,085	5,127,636
Due from related parties (note 15)	133,563	137,010	118,470
Provision for doubtful debts	<u>(4,349,046)</u>	<u>(4,187,166)</u>	<u>(4,232,687)</u>
Prepaid expenses	1,443,263	963,929	1,013,419
Subscription in shares under allocation	127,530	156,648	679,892
Refundable deposits	1,565,626	1,902,233	1,786,169
Advance payment for purchasing of land	351,430	414,230	294,981
Prepayments to contractors and suppliers	3,340,195	2,887,034	2,336,689
Other debit balances	748,266	947,510	897,026
	<u>225,107</u>	<u>817,504</u>	<u>629,855</u>
	<u>7,801,417</u>	<u>8,089,088</u>	<u>7,638,031</u>

8. Treasury shares

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Number of shares (No's)	24,343,570	23,462,666	23,462,666
Percentage of issued shares (%)	1.36	1.31	1.31
Market value	2,312,639	1,853,551	1,759,700
Cost	2,187,841	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.

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
Balance as at 1 January 2016	3,097,895	195,025	222,070	5,547,886	9,062,876
Total comprehensive income for the period	<u>(707,992)</u>	<u>167,014</u>	<u>14,337</u>	<u>-</u>	<u>(526,641)</u>
Balance as at 30 September 2016	<u>2,389,903</u>	<u>362,039</u>	<u>236,407</u>	<u>5,547,886</u>	<u>8,536,235</u>
As at 1 January 2017	1,593,364	96,611	292,139	5,547,886	7,530,000
Total comprehensive income for the period	<u>(61,633)</u>	<u>704,720</u>	<u>88,600</u>	<u>-</u>	<u>731,687</u>
As at 30 September 2017	<u>1,531,731</u>	<u>801,331</u>	<u>380,739</u>	<u>5,547,886</u>	<u>8,261,687</u>

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

10. Financing from third party

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Finance from third party – non current portion	166,154,676	153,840,383	148,924,735
Finance from third party – current portion	21,361,257	28,824,150	18,935,850
	<u>187,515,933</u>	<u>182,664,533</u>	<u>167,860,585</u>
Cost rate (%)	4.00-4.50	4.00-5.00	3.75-5.00

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 5-20 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 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Property, plant and equipment	26,174,759	27,370,868	27,549,473
Investment property	282,250,769	282,005,260	277,443,783

11. Payables and other credit balances

	30 September 2016	31 December 2016 (audited)	30 September 2017
	KD	KD	KD
Trade payables	1,031,546	1,751,390	1,156,321
Due to related party (note 15)	189,717	189,717	-
Retentions	2,130,421	2,788,689	2,790,491
Accrued expense	3,369,905	3,500,062	3,288,968
Deferred revenue	3,242,998	6,668,695	8,245,084
Deposits from others	3,845,539	3,931,992	3,824,817
Kuwait Foundation for the Advancement of Science	120,392	82,694	99,745
National Labour Support Tax (NLST)	287,856	405,156	341,949
Zakat payable	91,227	103,873	28,638
Dividends payable to shareholders	1,458,737	978,262	1,021,373
Financial claims (note 19)	1,575,699	1,575,699	1,575,699
Other credit balances	1,651,527	1,726,382	1,468,767
	<u>18,995,564</u>	<u>23,702,611</u>	<u>23,841,852</u>

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Real estate rental income	6,144,089	4,508,694	18,504,592	13,100,597
Hotel's and hospitality revenues	1,150,833	1,028,969	4,018,306	4,068,296
Total revenues	7,294,922	5,537,663	22,522,898	17,168,893
Operating expenses	(1,308,808)	(893,453)	(3,482,686)	(2,745,177)
Hotel and hospitality expenses	(1,445,359)	(1,366,092)	(4,577,234)	(4,528,212)
	<u>4,540,755</u>	<u>3,278,118</u>	<u>14,462,978</u>	<u>9,895,504</u>

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

Hotel and hospitality expenses include an amount of KD 1,255,457 (2016 – KD 1,240,143) which represents the current period depreciation of the hotel building and related equipments.

13. Net gain from investments

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Available for sale Investments				
Net gain on sales	24,863	-	19,497	33,855
Cash dividends	443,348	173,510	769,462	581,821
Impairment	-	-	(90,000)	-
	<u>468,211</u>	<u>173,510</u>	<u>698,959</u>	<u>615,676</u>
Financial investments at fair value through profit or loss				
Change in fair value	630,326	123,028	1,466,518	(211,709)
Net gain on sales	149,269	-	149,269	-
Cash dividends	389,442	505,029	1,293,999	1,245,928
	<u>1,169,037</u>	<u>628,057</u>	<u>2,909,786</u>	<u>1,034,219</u>
	<u>1,637,248</u>	<u>801,567</u>	<u>3,608,745</u>	<u>1,649,895</u>

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 September		Nine months ended 30 September	
	2017	2016	2017	2016
	Net profit for the period attributable to shareholders of the Parent Company	3,499,088	3,023,852	11,280,885
Weighted average number of outstanding shares during the period (shares)	1,763,385,870	1,763,624,474	1,763,385,870	1,764,013,190
Earnings per share (fils)	<u>1.98</u>	<u>1.71</u>	<u>6.40</u>	<u>4.75</u>

15. Related parties transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, and associates in which the company has representatives in their board. The transactions with related parties are subject to approval of the shareholders at the general assembly. Significant related party transactions and balances resulting therefrom were as follows:

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Balances			
Receivables and other debit balances	133,563	137,010	118,470
Balances due to key management	371,708	832,873	277,592
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	-
Transactions			
Key management benefits	431,675	1,100,030	402,588
Gain of bargain purchase	-	2,158,925	2,158,925

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

16. Capital commitments and contingent liabilities

	30 September 2017	31 December 2016 (audited)	30 September 2016
	KD	KD	KD
Capital commitments			
Uncalled capital – investments	885,414	1,248,890	1,761,047
Contract for projects and investment properties under development	12,234,484	302,553	701,868
Other	19,483	37,766	-
	<u>13,139,381</u>	<u>1,589,209</u>	<u>2,462,915</u>
Contingent liabilities			
Letters of guarantee	<u>2,995,067</u>	<u>2,857,238</u>	<u>2,790,188</u>

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

18. 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
	September 2017	31 December 2016 (audited)					
	KD	KD					
Available for sale Investments	855,161	933,371	30 September 2017	First	Last bid price	N/A	N/A
Available for sale Investments	25,381,231	23,704,075	31 December 2016	Second	Quoted net unit value	N/A	N/A
Available for sale Investments through statement of income	37,135	37,135	31 December 2016	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	30,051,004	29,347,879	30 September 2017	Second	Net unit value	N/A	N/A

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):

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

	30 September 2017		31 December 2016		30 September 2016	
	Carrying value KD	Fair value KD	Carrying value KD	Fair value KD	Carrying value KD	Fair value KD
Financial assets						
Receivables						
- Due from related parties	133,563	133,563	137,010	137,010	118,470	118,470
- Trade and non-trading receivable	7,667,854	7,667,854	7,952,078	7,952,078	7,519,561	7,519,561
- Cash and cash equivalents	4,419,691	4,419,691	3,483,272	3,483,272	5,745,416	5,745,416
	<u>12,221,108</u>	<u>12,221,108</u>	<u>11,572,360</u>	<u>11,572,360</u>	<u>13,383,447</u>	<u>13,383,447</u>
Financial liabilities						
Financial liabilities (at amortized cost)						
Financing from third party	187,515,933	181,979,643	182,664,533	181,375,289	167,860,585	164,654,626
- Payables and other credit balances	<u>18,995,564</u>	<u>18,995,564</u>	<u>23,702,611</u>	<u>23,702,611</u>	<u>23,841,852</u>	<u>23,841,852</u>
	<u>206,511,497</u>	<u>200,975,207</u>	<u>206,367,144</u>	<u>205,077,900</u>	<u>191,702,437</u>	<u>188,496,478</u>

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

	Fair value hierarchy within level (3)		
	30 September 2017 KD	31 December 2016 (audited) KD	30 September 2016 KD
Financial assets			
Receivables	12,221,108	11,572,360	13,383,447
Total	<u>12,221,108</u>	<u>11,572,360</u>	<u>13,383,447</u>
Financial liabilities			
Financial liabilities (at amortized cost)	200,975,207	205,077,900	188,496,478
Total	<u>200,975,207</u>	<u>205,077,900</u>	<u>188,496,478</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 September 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%).