



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

**Interim Condensed Consolidated Financial Information (Unaudited)  
And the review report for the nine months ended 30 September 2018**

**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 statement of financial position of Commercial Real Estate Company K.P.S.C. ("Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2018, and the related interim condensed consolidated statements of income, 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-months period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 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. To the extent of information made available to us we have not become aware of any violations during the nine months period ended 30 September 2018, 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 had a material effect on the business or financial position of the Parent Company.



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

Kuwait  
13 November 2018

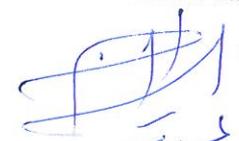
Interim condensed consolidated statement of financial position (unaudited)  
As at 30 September 2018

		30 September 2018	31 December 2017 (audited)	30 September 2017
	Notes	KD	KD	KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		25,213,844	26,362,918	26,626,572
Investment property	3	367,782,946	367,511,385	368,125,099
Investments in associates	4	45,042,135	45,313,974	42,579,399
Investment available for sale		-	26,531,681	26,273,527
Investment at FVOCI		31,262,558	-	-
		<u>469,301,483</u>	<u>465,719,958</u>	<u>463,604,597</u>
<b>Current assets</b>				
Land and properties held for trading		15,853,027	13,782,570	13,044,063
Investments at fair value through profit or loss		19,260,668	26,653,077	30,051,004
Receivables	5	8,027,190	10,366,328	7,801,417
Cash and cash equivalents		5,486,857	2,837,430	4,419,691
		<u>48,627,742</u>	<u>53,639,405</u>	<u>55,316,175</u>
<b>Total assets</b>		<u>517,929,225</u>	<u>519,359,363</u>	<u>518,920,772</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	(2,606,877)	(2,208,386)	(2,187,841)
Statutory reserve		35,418,545	35,418,545	33,922,277
Voluntary reserve		27,067,865	27,067,865	26,319,731
Other reserve	7	5,545,955	7,753,369	8,261,687
Retained earnings		44,919,806	42,224,332	41,493,320
<b>Total equity attributable to the shareholders of the Parent Company</b>		<u>290,362,392</u>	<u>290,272,823</u>	<u>287,826,272</u>
Non-controlling interests		24,901,809	24,136,788	23,556,952
<b>Total equity</b>		<u>315,264,201</u>	<u>314,409,611</u>	<u>311,383,224</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service indemnity		935,313	1,024,530	1,026,051
Financing from third party	8	151,817,665	153,442,557	166,154,676
		<u>152,752,978</u>	<u>154,467,087</u>	<u>167,180,727</u>
<b>Current liabilities</b>				
Payables	9	17,747,120	19,009,765	18,995,564
Financing from third party	8	32,164,926	31,472,900	21,361,257
		<u>49,912,046</u>	<u>50,482,665</u>	<u>40,356,821</u>
<b>Total liabilities</b>		<u>202,665,024</u>	<u>204,949,752</u>	<u>207,537,548</u>
<b>Total equity and liabilities</b>		<u>517,929,225</u>	<u>519,359,363</u>	<u>518,920,772</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



**Adwan M. Al-Adwani**  
Vice Chairman

Interim condensed consolidated statement of income (unaudited)  
For the nine months period ended 30 September 2018

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2018	2017	2018	2017
		KD	KD	KD	KD
<b>Revenue</b>					
Rental income from investment properties and hotel revenue		7,538,448	7,294,922	22,996,336	22,522,898
Operating expenses		(2,706,478)	(2,754,167)	(7,904,652)	(8,059,920)
Net income from operating activities	10	4,831,970	4,540,755	15,091,684	14,462,978
Share of profit from investment in associate companies	4	1,087,987	710,672	3,048,240	1,945,529
Net gain on investments	11	1,028,361	1,637,248	2,173,552	3,608,745
Gain from sale of land & properties held for trading		241,151	750	685,804	1,058,507
Currency valuation differences		(25,773)	34,341	10,910	81,233
Other income		19,118	59,628	76,354	128,988
<b>Total revenues</b>		<b>7,182,814</b>	<b>6,983,394</b>	<b>21,086,544</b>	<b>21,285,980</b>
<b>Expenses and other charges</b>					
Administrative expenses and other charges		547,612	602,322	1,746,862	1,929,301
Provision net of reversals		255,554	161,880	394,686	161,880
Finance cost		2,119,138	2,065,956	6,197,321	6,028,661
<b>Total expenses</b>		<b>2,922,304</b>	<b>2,830,158</b>	<b>8,338,869</b>	<b>8,119,842</b>
<b>Net profit for the period before deductions</b>		<b>4,260,510</b>	<b>4,153,236</b>	<b>12,747,675</b>	<b>13,166,138</b>
Kuwait Foundation for the Advancement of Sciences (KFAS)		(24,036)	(22,274)	(74,790)	(79,045)
National Labour Support Tax (NLST)		(78,496)	(91,067)	(295,028)	(287,856)
Zakat Expense		(29,425)	(26,693)	(96,763)	(91,227)
<b>Net profit for the period</b>		<b>4,128,553</b>	<b>4,013,202</b>	<b>12,281,094</b>	<b>12,708,010</b>
<b>Distributed as follows:</b>					
Shareholders of the Parent Company		3,701,516	3,499,088	10,855,647	11,280,885
Non-controlling interests		427,037	514,114	1,425,447	1,427,125
		<b>4,128,553</b>	<b>4,013,202</b>	<b>12,281,094</b>	<b>12,708,010</b>
<b>Basic earnings per share for Parent Company's shareholders (fils)</b>	12	<b>2.08</b>	<b>1.98</b>	<b>6.16</b>	<b>6.40</b>

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

**Interim condensed consolidated statement of comprehensive income (unaudited)  
For the nine months period ended 30 September 2018**

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2018	2017	2018	2017
Notes	KD	KD	KD	KD
Net profit for the period	4,128,553	4,013,202	12,281,094	12,708,010
<b>Other comprehensive income items:</b>				
Items that may be reclassified subsequently to the consolidated statement of income:				
Change in fair value reserve	(6,107)	(24,109)	(17,949)	(78,753)
Transfer to statement of income resulting from sale (AFS)	-	19,714	-	3,605
Gain on sale of Investment at FVOCI	21,940	-	21,940	-
Group's share in associates' reserves	(1,196,697)	297,876	(1,626,448)	704,720
Foreign currency translation reserve	33,658	(25,455)	23,467	88,600
<b>Total other comprehensive income items</b>	<b>(1,147,206)</b>	<b>268,026</b>	<b>(1,598,990)</b>	<b>718,172</b>
<b>Total comprehensive income for the period</b>	<b>2,981,347</b>	<b>4,281,228</b>	<b>10,682,104</b>	<b>13,426,182</b>
<b>Distributed as follows:</b>				
Shareholders of the Parent Company	2,554,310	3,753,790	9,256,657	12,012,572
Non-controlling interests	427,037	527,438	1,425,447	1,413,610
<b>Total comprehensive income for the period</b>	<b>2,981,347</b>	<b>4,281,228</b>	<b>10,682,104</b>	<b>13,426,182</b>

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

Interim condensed consolidated statement of changes in equity (unaudited)  
For the nine months period ended 30 September 2018

	Equity attributable to the 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			
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance as at 1 January 2017</b>	178,708,714	1,308,384	(2,117,879)	33,922,277	26,319,731	7,530,000	39,048,176	284,719,403	22,709,860	307,429,263
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(566,518)	(566,518)
Acquisition of additional share in subsidiary	-	-	-	-	-	-	1,051	1,051	-	1,051
Cash dividends	-	-	-	-	-	-	(8,836,792)	(8,836,792)	-	(8,836,792)
Transactions with the owners	-	-	-	-	-	-	30,212,435	275,883,662	22,143,342	298,027,004
Purchase of treasury shares	178,708,714	1,308,384	(2,117,879)	33,922,277	26,319,731	7,530,000	30,212,435	275,883,662	22,143,342	298,027,004
Net profit for the period	-	-	(69,962)	-	-	-	-	(69,962)	-	(69,962)
Total comprehensive income for the period	-	-	-	-	-	-	11,280,885	11,280,885	1,427,125	12,708,010
<b>Balance as at 30 September 2017</b>	178,708,714	1,308,384	(2,187,841)	33,922,277	26,319,731	731,687	41,493,320	287,826,272	(13,515)	311,383,224
<b>Balance as at 1 January 2018</b>	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	7,753,369	42,224,332	290,272,823	24,136,788	314,409,611
Impact of initial application of IFRS 9 (note 2.1.1)	-	-	-	-	-	(1,125,077)	1,125,077	-	-	-
<b>Balance as at 1 January 2018 (restated)</b>	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	6,628,292	43,349,409	290,272,823	24,136,788	314,409,611
Reclassification of profit on sale of FVOCI investment to retained earning and other adjustment of associates	-	-	-	-	-	538,593	(536,940)	1,653	(1,653)	-
Acquisition of additional share in subsidiary	-	-	-	-	-	-	50,794	50,794	(96,223)	(45,429)
Cash dividends	-	-	-	-	-	-	(8,821,044)	(8,821,044)	-	(8,821,044)
Transactions with the owners	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	7,166,885	34,042,219	281,504,226	24,038,912	305,543,138
Purchase of treasury shares	-	-	(398,491)	-	-	-	-	(398,491)	-	(398,491)
Transfer to retained earnings on disposal of FVOCI	-	-	-	-	-	(21,940)	21,940	-	-	-
Net profit for the period	-	-	-	-	-	-	10,855,647	10,855,647	1,425,447	12,281,094
Total comprehensive income for the period	-	-	-	-	-	(1,598,990)	-	(1,598,990)	-	(1,598,990)
Subsidiary dividend paid	-	-	-	-	-	-	-	-	(562,550)	(562,550)
<b>Balance as at 30 September 2018</b>	178,708,714	1,308,384	(2,606,877)	35,418,545	27,067,865	5,545,955	44,919,806	290,362,392	24,901,809	315,264,201

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 nine months period ended 30 September 2018

		For the nine months period ended 30 September	
		2018	2017
		KD	KD
	Notes		
<b>Operating activities:</b>			
		12,281,094	12,708,010
		1,353,545	1,371,081
		394,686	161,880
		(3,048,240)	(1,945,529)
	11	(2,173,552)	(3,608,745)
		(10,910)	(81,233)
		(685,804)	(1,058,507)
		6,197,321	6,028,661
		158,827	140,396
		14,466,967	13,716,014
		(2,700,967)	(1,741,042)
		1,316,314	2,091,134
		(271,561)	(661,557)
		(2,330,763)	(1,014,479)
		(2,554,853)	(5,007,693)
		(248,044)	(62,004)
		<u>7,677,093</u>	<u>7,320,373</u>
<b>Investing activities:</b>			
		(204,471)	(104,418)
		(45,430)	(1,500)
		(1,109,575)	(95,751)
		-	(1,646,368)
		(1,727,642)	-
		8,906,069	912,662
		-	269,189
		29,607	-
	4	2,826,673	2,486,093
		1,917,167	2,063,461
		<u>10,592,398</u>	<u>3,883,368</u>
<b>Financing activities:</b>			
		(932,866)	4,851,400
		(5,444,223)	(6,128,476)
		(8,281,934)	(8,356,317)
		(398,491)	(69,962)
		(562,550)	(563,967)
		<u>(15,620,064)</u>	<u>(10,267,322)</u>
		2,649,427	936,419
		2,837,430	3,483,272
		<u>5,486,857</u>	<u>4,419,691</u>

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 nine months period ended 30 September 2018**

**1. Overview of the Group**

The Commercial Real Estate Company (K.P.S.C) ("the Parent Company") was incorporated as a Kuwaiti Shareholding Closed Company under Articles of Association No. 104/ M/ Vol.1 on 4 February 1968 under Commercial register No. 11329 and re-enrolled on 21 December 1981 under No. 239 in accordance with provision of the Commercial Companies Law. The main objectives of the Company are performing various real estate, agricultural, industrial and commercial activities, carrying out contracting, road and building constructions including sale, purchase and lease of land and real estate properties and construction of buildings, utilize the company's surpluses through investment portfolios managed by specialized companies and financial institutions. The Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may also purchase such entities or affiliate them, or as stated in Company's Articles of Association, article No. 5 and Memorandum of Association, article No. 4. The Company's management shall carry out all its objectives for which it has been established in accordance with the Noble Islamic Sharia principles.

The head office of the Company is located at Jaber Al-Mubarak Street, Commercial Real Estate Company's Building, Sharq, P. O. Box. 4119 Safat, 13042 Kuwait.

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

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

<u>Name of subsidiaries</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Shareholding percent</u>		
			<u>30 September 2018 (Unaudited)</u>	<u>31 December 2017 (audited)</u>	<u>30 September 2017 (Unaudited)</u>
Al Mutajara Real Estate Company K.S.C.C.	Investment properties	Kuwait	72.40%	72.22%	72.22%
Commercial Real Estate Developing Company	Investment properties	Bahrain	100%	100%	100%
Commercial Real Estate Developing Company	Investment properties	Morocco	100%	100%	100%
Al-Salmiya Group K.S.C. (Closed)	Investment properties	Kuwait	81.90%	81.90%	81.90%

During the period, the general assembly meeting of the Parent Company shareholders was held on 9 April 2018 to approve the consolidated financial statements for the year ended 31 December 2017.

This interim condensed consolidated financial information was authorized for issue by Parent Company's board of director's on 13 November 2018.

**2. Basis of preparation**

These interim condensed consolidated financial information have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting. The interim condensed consolidated financial information does not contain all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards, and should be read in conjunction with the annual financial statements for the year ended 31 December 2017. 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 2018 are not necessarily indicative of the results that may be expected for the year ending 31 December 2018.

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 2017, except for the adoption of IFRS 9 and 15 and the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2018. These amendments did not result in any material impact on the financial position or performance of the Group.

**Notes to interim condensed consolidated financial information (unaudited)  
For the nine months period ended 30 September 2018**

**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 2017, except for the adoption of IFRS 9 which are effective for annual reporting period starting from 1 January 2018.

**2.1 Application of new and revised International Financial Reporting Standards (IFRS)**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these financial statements.

**2.1.1 IFRS 9 Financial Instruments**

The Group has adopted IFRS 9: Financial Instruments issued by the International Accounting Standards Board (IASB). IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

**Classification and Measurement of Financial assets**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

**Business model assessment**

The Group determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective and in order to generate contractual cash flows. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The stated policies and objectives for the financial assets and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

**Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)**

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

**Notes to interim condensed consolidated financial information (unaudited)  
For the nine months period ended 30 September 2018**

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets carried at fair value through profit or loss (FVTPL)
- Financial assets carried at fair value through other comprehensive income (FVOCI)

**Financial assets carried at Amortised cost:**

A financial asset is carried at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the statement of profit or loss and other comprehensive income. Cash and cash equivalents and receivables are classified at amortized cost.

**Financial asset carried at fair value through profit or loss:**

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the statement of profit or loss and other comprehensive income. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the statement of profit or loss and other comprehensive income when the right to the payment has been established.

**Financial assets carried at fair value through other comprehensive income**

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to statement of profit or loss. Dividends are recognised in statement of profit or loss when the right to payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity.

**Reclassification of financial assets**

The Group only reclassifies its financial assets subsequent to their initial recognition upon change in business model.

**Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group has applied new impairment model for cash and cash equivalents and receivables measured at amortised cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportive information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

**Notes to interim condensed consolidated financial information (unaudited)  
For the nine months period ended 30 September 2018**

The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

**Stage 1: 12 months ECL**

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

**Stage 2: Lifetime ECL – not credit impaired**

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

**Stage 3: Lifetime ECL – credit impaired**

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

**Determining stage of impairment**

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

**Measurement of ECLs**

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro economic scenarios etc.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost.

**Impact of adoption of IFRS 9**

*Impairment of financial assets*

The Management has assessed that the impact of ECL as at 1 January 2018 and 30 September 2018 is not significant to the financial statements taken as a whole and therefore, no adjustments were made to the retained earnings as at 1 January 2018 and profit for the period ended 30 September 2018.

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*Classification of financial assets and financial liabilities on the date of initial application of IFRS 9*

The following table shows the original classification and measurement categories in accordance with IAS 39 and the new classification and measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018;

	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 KD	Re-measurement -ECL/others KD	New Carrying amount under IFRS 9 KD
<b>Financial assets</b>					
Cash and cash equivalents	Loans and receivable	Amortised cost	2,837,430	-	2,837,430
Investments - Equity Securities	AFS	FVOCI	12,168,780	-	12,168,780
Investments - Equity Securities	AFS	FVTPL	14,362,901	-	14,362,901
Investment - Equity Securities	FVTPL	FVTPL	13,505,791	-	13,505,791
Investment - Equity Securities	FVTPL	FVOCI	13,147,286	-	13,147,286
Other financial assets	Loans and receivable	Amortised cost	1,742,571	-	1,742,571

The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings.

	Retained earnings KD	Fair value reserve KD
Closing balance under IAS 39 as at 31 December 2017	42,224,332	1,039,636
Impact on reclassification:		
Investment securities (equity) from available-for-sale to FVTPL	1,252,283	(1,252,283)
Investment securities from FVTPL to FVOCI	(127,206)	127,206
Opening balance under IFRS 9 on the date of initial application of 1 January 2018	<u>43,349,409</u>	<u>(85,441)</u>

Investment securities classified as Available for Sale (AFS) under IAS 39 represent investments that the Group intends to hold for a long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

Certain investment securities classified as AFS under IAS 39 has been reclassified mandatorily to FVTPL and for certain investment securities classified as FVTPL, management has designated these investments as FVOCI as at the date of initial application.

## 2.1.2 Adoption of IFRS 15 'Revenue from Contracts with customers

The Group has adopted IFRS 15 Revenue from contracts with customers effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The adoption of this standard did not result in any change in accounting policies of the Group and does not have any material effect on the Group's financial statements.

The Group recognises revenue from the following major sources:

Rental income from investment properties which represent rental income from commercial and residential properties and hotel's revenue represents revenue generated from Symphony hotel operations. The Group has reassessed its revenue recognition policy and has concluded that it will continue to recognize rent and hotel revenue point in time, when services are rendered. Hence, the implementing of IFRS 15 on 1 January 2018 did not have any material impact on the Group's interim condensed consolidated financial information.

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3. Investment properties

	30 September 2018 (Unaudited) KD	31 December 2017 (audited) KD	30 September 2017 (Unaudited) KD
Balance at beginning of the period/ year	367,511,385	367,463,542	367,463,542
Additions	271,561	1,344,216	661,557
Change in fair value	-	(1,296,373)	-
Balance at end of the period/year	<u>367,782,946</u>	<u>367,511,385</u>	<u>368,125,099</u>

4. Investments in associates

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

	30 September 2018 (Unaudited) KD	31 December 2017 (audited) KD	30 September 2017 (Unaudited) KD
Balance as at the beginning of the period/year	45,313,974	42,229,673	42,229,673
Additions	1,109,575	1,560,159	95,751
Cash dividends	(2,826,673)	(2,486,093)	(2,486,093)
Translation of foreign currencies	23,467	10,643	89,819
Group's share in associates' reserves	(1,626,448)	767,673	704,720
Group's share in associates' profit	3,048,240	3,231,919	1,945,529
	<u>45,042,135</u>	<u>45,313,974</u>	<u>42,579,399</u>

5. Receivables

	30 September 2018 (Unaudited) KD	31 December 2017 (audited) KD	30 September 2017 (Unaudited) KD
Trade receivables	7,445,586	5,774,418	5,658,746
Due from related parties (note 13)	182,877	131,182	133,563
Provision for doubtful debts	(4,866,862)	(4,514,459)	(4,349,046)
	<u>2,761,601</u>	<u>1,391,141</u>	<u>1,443,263</u>
Prepaid expenses	63,941	144,866	127,530
Advance payments for acquisition of investments	97,617	4,286,210	1,565,626
Advance payment for purchase of land	3,344,997	3,344,997	3,340,195
Refundable deposits	345,755	351,430	351,430
Advances to contractors and suppliers	809,142	612,151	748,266
Other debit balances	604,137	235,533	225,107
	<u>8,027,190</u>	<u>10,366,328</u>	<u>7,801,417</u>

Movement in provision for doubtful debts is as follows:

	30 September 2018 (Unaudited) KD	31 December 2017 (audited) KD	30 September 2017 (Unaudited) KD
Balance at beginning of the period/year	4,514,459	4,187,166	4,187,166
Provision created during the period/year	394,686	336,372	-
Reversal of provision for doubtful debts	-	(9,079)	-
Bad debts	(42,283)	-	-
Balance at end of the period/year	<u>4,866,862</u>	<u>4,514,459</u>	<u>4,187,166</u>

Notes to interim condensed consolidated financial information (unaudited)  
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6. Treasury shares

	30 September 2018 (Unaudited) KD	31 December 2017 (audited) KD	30 September 2017 (Unaudited) KD
Number of shares (No's)	29,792,035	24,566,570	24,343,570
Percentage of issued shares (%)	1.67	1.37	1.36
Market value	2,383,363	2,247,841	2,312,639
Cost	2,606,877	2,208,386	2,187,841

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 reserves

	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 2017	1,593,364	96,611	292,139	5,547,886	7,530,000
Total comprehensive income for the period	(61,633)	704,720	88,600	-	731,687
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>
<b>As at 1 January 2018</b>	1,039,636	864,284	301,563	5,547,886	7,753,369
Impact of initial application of IFRS 9 (note 2.1.1)	(1,125,077)	-	-	-	(1,125,077)
<b>As at 1 January 2018(restated)</b>	(85,441)	864,284	301,563	5,547,886	6,628,292
Total comprehensive income for the period	(17,949)	(1,626,448)	23,467	-	(1,620,930)
Reclassification of profit on sale of FVOCI investment to retained earning and other adjustment of associates	-	538,593	-	-	538,593
<b>As at 30 September 2018</b>	<u>(103,390)</u>	<u>(223,571)</u>	<u>325,030</u>	<u>5,547,886</u>	<u>5,545,955</u>

8. Financing from third party

	30 September 2018 (Unaudited) KD	31 December 2017 (audited) KD	30 September 2017 (Unaudited) KD
Finance from third party – non current portion	151,817,665	153,442,557	166,154,676
Finance from third party – current portion	32,164,926	31,472,900	21,361,257
	<u>183,982,591</u>	<u>184,915,457</u>	<u>187,515,933</u>
Cost rate (%)	4.30-4.75	3.60-4.50	4.00-4.50

Finance granted by third party represents murabaha and Tawarraq contracts. Most of the finance granted by third party is defined by contracts over a period of 6-20 years, including a grace period of one year. Part of the contracts is renewed for one year or more during the specified period. The above details represent the financing based on the latest renewal as per the contracts.

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

	30 September 2018 (Unaudited) KD	31 December 2017 (audited) KD	30 September 2017 (Unaudited) KD
Property, plant and equipment	24,702,419	25,781,345	26,174,759
Investment property	282,967,858	282,711,612	282,410,672

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9. Payables

	30 September 2018 (Unaudited) KD	31 December 2017 (audited) KD	30 September 2017 (Unaudited) KD
Trade payables	1,220,721	1,039,264	1,031,546
Due to related parties (Note 13)	189,717	189,717	189,717
Retentions	656,305	1,317,518	2,130,421
Accrued expense	4,973,163	4,590,970	3,369,905
Revenues received in advance	1,323,411	2,725,442	3,242,998
Deposits from others	3,401,221	3,661,222	3,845,539
Kuwait Foundation for the Advancement of Science (KFAS)	124,016	98,452	120,392
National Labour Support Tax (NLST)	295,028	368,586	287,856
Zakat payable	98,325	111,344	91,227
Dividends payable to shareholders	1,976,050	1,436,940	1,458,737
Financial claims (Note 17)	1,575,699	1,575,699	1,575,699
Other credit balances	1,913,464	1,894,611	1,651,527
	<u>17,747,120</u>	<u>19,009,765</u>	<u>18,995,564</u>

10. Net income from operating activities

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2018 KD	2017 KD	2018 KD	2017 KD
Real estate rental income	6,430,942	6,144,089	18,858,764	18,504,592
Hotel's and hospitality revenues	1,107,506	1,150,833	4,137,572	4,018,306
Total revenues	7,538,448	7,294,922	22,996,336	22,522,898
Operating expenses	(1,430,734)	(1,308,808)	(3,730,684)	(3,482,686)
Hotel and hospitality expenses	(1,275,744)	(1,445,359)	(4,173,968)	(4,577,234)
	<u>4,831,970</u>	<u>4,540,755</u>	<u>15,091,684</u>	<u>14,462,978</u>

Hotel and hospitality expenses include an amount of KD 1,274,088 (2017 - KD 1,255,457) which represents the current period depreciation of the hotel building and related equipment.

11. Net gain on investments

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2018 KD	2017 KD	2018 KD	2017 KD
<b>Investment at FVOCI</b>				
Cash dividends	519,198	-	1,471,035	-
	<u>519,198</u>	<u>-</u>	<u>1,471,035</u>	<u>-</u>
<b>Investment available for sale</b>				
Gain/(loss) on sales	-	24,863	-	19,497
Cash dividends	-	443,348	-	769,462
Impairment	-	-	-	(90,000)
	<u>-</u>	<u>468,211</u>	<u>-</u>	<u>698,959</u>
<b>Investments at fair value through profit or loss</b>				
Change in fair value	(28,500)	630,326	(283,500)	1,466,518
Gain on sale	230,322	149,269	539,885	149,269
Cash dividends	307,341	389,442	446,132	1,293,999
	<u>509,163</u>	<u>1,169,037</u>	<u>702,517</u>	<u>2,909,786</u>
	<u>1,028,361</u>	<u>1,637,248</u>	<u>2,173,552</u>	<u>3,608,745</u>



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15. Segment information

The Group is organized into three major business segments; real estate, hotel and investment. These segments results are reported to senior executive management. Further, Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases followed in preparation of interim condensed consolidated financial statements. Business segment analysis is in line with internal reports submitted to management is as follows:

	For the nine months period ended 30 September 2018			For the nine months period ended 30 September 2017				
	Real estate sector	Hotel	Investment sector	Total	Real estate sector	Hotel	Investment sector	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Revenue	20,175,078	4,137,572	5,221,792	29,534,442	19,563,099	4,018,306	5,644,274	29,225,679
Direct cost	(5,284,997)	(4,173,968)	(117,941)	(9,576,906)	(4,458,200)	(4,577,234)	(212,098)	(9,247,532)
Gross profit	14,890,081	(36,396)	5,103,851	19,957,536	15,104,899	(558,928)	5,432,176	19,978,147
Unallocated costs				(7,687,352)				(7,351,370)
Currency valuation differences				10,910				81,233
Net profit for the period				12,281,094				12,708,010

Geographic distribution

Assets and liabilities

	Assets			Liabilities		
	30 September 2018	31 December 2017 (audited)	30 September 2017	30 September 2018	31 December 2017 (audited)	30 September 2017
	KD	KD	KD	KD	KD	KD
State of Kuwait	435,150,325	433,518,178	434,570,580	169,462,912	159,236,634	160,000,425
Gulf countries	46,514,010	44,277,441	44,580,103	33,202,112	45,713,118	47,537,123
Other	36,264,890	41,563,744	39,770,089	-	-	-
	517,929,225	519,359,363	518,920,772	202,665,024	204,949,752	207,537,548

Statement of income

	For the nine months period ended 30 September 2018			For the nine months period ended 30 September 2017				
	State of Kuwait	Gulf countries	Other	Total	State of Kuwait	Gulf countries	Other	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Total income	18,240,299	756,479	2,089,766	21,086,544	16,810,860	1,294,294	3,180,826	21,285,980
Total expenses	(7,211,682)	(1,593,768)	-	(8,805,450)	(6,399,686)	(2,138,418)	(39,866)	(8,577,970)
Net profit	11,028,617	(837,289)	2,089,766	12,281,094	10,411,174	(844,124)	3,140,960	12,708,010

Notes to interim condensed consolidated financial information (unaudited)  
For the nine months period ended 30 September 2018

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			Fair value level	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 September 2018	31 December 2017 (audited)	30 September 2017				
	KD	KD	KD				
<b>Investments at fair value through other comprehensive income</b>							
Quoted shares	108,526	-	-	1	Last bid price	N/A	N/A
Private equity	30,058,972	-	-	3	Income approach/market multiple model	Cash flow, discount rate, growth rate	Higher market risk the lower the fair value
Investment funds	1,095,060	-	-	3	Income approach/market multiple model	Cash flow, discount rate, growth rate	Higher market risk the lower the fair value
<b>Investments available for sale</b>							
Quoted shares	-	927,272	855,161	1	Last bid price	N/A	N/A
Private equity	-	22,305,872	22,412,168	3	Income approach/market multiple model	Cash flow, discount rate, growth rate	Higher market risk the lower the fair value
Investment funds	-	3,298,537	3,006,198	3	Income approach/market multiple model	Cash flow, discount rate, growth rate	Higher market risk the lower the fair value
<b>Investments at fair value through profit or loss</b>							
Quoted shares	526,500	-	-	1	Last bid price	N/A	N/A
Private equity	18,734,168	26,653,077	30,051,004	3	Income approach/market multiple approach	Carrying amount adjusted for market risk	Higher market risk the lower the fair value

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.

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For the nine months period ended 30 September 2018**

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**17. Financial claims**

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

The Parent Company's share in such tax assessment is KD 2,867,000. The Group believes that the value of the tax assessment mentioned in the notice is overestimated. The Group appointed a tax consultant for it in KSA and filed a formal objection to the tax claim. Further, the Group recalculated its share in the tax assessment value. Based on this, the Parent Company recognised a claims provision of KD 1,575,699 in the interim condensed consolidated statement of income for the period ended 30 September 2018. This amount represents the best estimate of the outstanding liabilities until the value of the final liability is decided.

**18. Dividends**

On 9 April 2018 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 due date (31 December 2016: cash dividends at 5%).