

**Al-Arabiya Real Estate Company  
K.S.C.P. and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2019**



**Building a better  
working world**

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## **AL-ARABIYA REAL ESTATE COMPANY K.S.C.P. 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 Al-Arabiya Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 31 March 2019 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

Except as set out below in the "Basis of Qualified Conclusion" paragraph, 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 condensed consolidated 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.

### *Basis of Qualified Conclusion*

As detailed in Note 9 to the interim condensed consolidated financial information, trade and other receivables include KD 7,039,955 (31 December 2018: KD 7,039,955, 31 March 2018 KD 7,039,955) which represents the net carrying value of a compensation claim due to the Group. This amount has not been collected up to the date due to the negotiations to increase the compensation amount. Accordingly, we were unable to carry out appropriate review procedures to determine whether any adjustments to this amount was necessary.

**AL-ARABIYA REAL ESTATE COMPANY K.S.C.P.  
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION TO THE BOARD OF DIRECTORS (continued)**

*Qualified Conclusion*

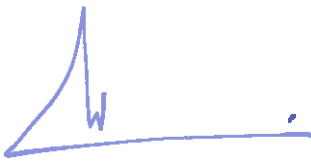
Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been for the situation described above, “Basis of Qualified Conclusion” paragraph, and based on our review, nothing has come to our attention that causes us to believe 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 (“IAS 34”).

*Material uncertainty relating to going concern*

We draw attention to Note 2 to the interim condensed consolidated financial information, which states that the Group realized a profit of KD 9,303 during the three month period ended 31 March 2019 (31 March 2018: loss of KD 400,865) and as of that date, the Group’s current liabilities exceeded its current assets by KD 23,645,009 (31 December 2018: KD 23,571,878 and 31 March 2018: KD 25,583,246). These conditions, along with other matters as set forth in Notes 6 and 12 with respect to placing an unconsolidated hotel under receivership as a result of the Group’s default in repaying a bank loan obtained from a regional bank in UAE amounting to KD 16,024,570 indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

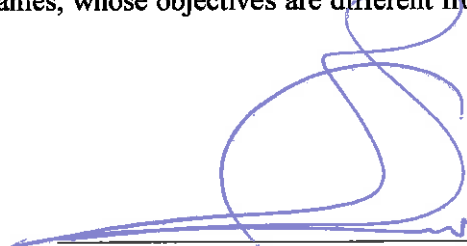
**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company except for the matters described in the “Basis of Qualified Conclusion” paragraph above. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies’ Law No. 1 of 2016, as amended, and its executive regulation, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the three month period ended 31 March 2019, that might have had a material effect on the business of the Parent Company or on its consolidated financial position, except that the Parent company has directly invested in shares of certain Companies, whose objectives are different from that of the Parent Company (Note 8).



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EY  
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21 May 2019  
Kuwait

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2019

		31 March 2019 KD	31 December 2018 (Audited) KD	31 March 2018 KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	17,707,780	17,839,685	18,742,884
Properties under development		-	-	1,575,135
Investment properties	5	118,884,322	118,728,760	119,050,602
Net assets of unconsolidated hotel	6	308,194	308,194	308,194
Investments in an associate	7	1,015,902	1,015,902	928,582
Investment securities at FVOCI	8	12,494,419	10,868,529	10,901,808
		<u>150,410,617</u>	<u>148,761,070</u>	<u>151,507,205</u>
<b>Current assets</b>				
Trade and other receivables	9	9,524,373	8,993,471	9,371,689
Cash and cash equivalents		319,972	3,377,451	1,201,334
		<u>9,844,345</u>	<u>12,370,922</u>	<u>10,573,023</u>
<b>Total assets</b>		<u>160,254,962</u>	<u>161,131,992</u>	<u>162,080,228</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		50,984,499	50,984,499	50,984,499
Share premium	18	327,188	5,614,733	5,614,733
Treasury shares	10	(714,784)	(714,784)	(714,784)
Statutory reserve		4,569,660	4,569,660	4,569,660
Voluntary reserve	18	-	4,569,660	4,569,660
Other reserves	11	2,731,735	1,105,162	1,112,580
Retained earnings (accumulated losses)		9,303	(9,857,205)	(8,939,145)
<b>Total equity</b>		<u>57,907,601</u>	<u>56,271,725</u>	<u>57,197,203</u>
<b>Non-current liabilities</b>				
Employees' end of service benefits		473,147	476,687	453,736
Loans and bank facilities	12	68,384,860	68,440,780	68,273,020
		<u>68,858,007</u>	<u>68,917,467</u>	<u>68,726,756</u>
<b>Current liabilities</b>				
Trade and other payables	13	10,512,246	10,061,626	5,765,239
Loans and bank facilities	12	22,977,108	25,881,174	30,391,030
		<u>33,489,354</u>	<u>35,942,800</u>	<u>36,156,269</u>
<b>Total liabilities</b>		<u>102,347,361</u>	<u>104,860,267</u>	<u>104,883,025</u>
<b>Total equity and liabilities</b>		<u>160,254,962</u>	<u>161,131,992</u>	<u>162,080,228</u>

Dr. Emad Jawad Bukhamseen  
Chairman

Dr. Anwar Ali Al Naqi  
Vice Chairman

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)

For the period ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
<b>Revenues</b>			
Rental income		1,386,249	1,168,737
Income from hotel		1,568,088	1,773,400
Dividend income		311,894	276,534
Other income		120,697	132,388
Foreign currency exchange differences		75,228	(183,947)
		<u>3,462,156</u>	<u>3,167,112</u>
<b>Expenses</b>			
Rental expenses		186,478	278,911
Operating expenses of hotel		1,246,622	1,261,275
Staff costs		129,486	99,200
Depreciation		430,568	412,307
Other expenses		247,705	275,714
Finance costs		1,211,556	1,240,570
		<u>3,452,415</u>	<u>3,567,977</u>
<b>PROFIT (LOSS) BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) and ZAKAT</b>		<b>9,741</b>	<b>(400,865)</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(97)	-
National Labour Support Tax (NLST)		(244)	-
Zakat		(97)	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>9,303</b>	<b>(400,865)</b>
<b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (FILS)</b>	14	<b>0.02</b>	<b>(0.79)</b>

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2019

	Note	Three months ended 31 March	
		2019 KD	2018 KD
<b>Profit (loss) for the period</b>		<b>9,303</b>	<b>(400,865)</b>
<b>Other comprehensive income (loss)</b>			
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>			
Foreign currency translation adjustment	11	683	(707)
		<b>683</b>	<b>(707)</b>
<i>Items that will not be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>			
Change in fair value of investment securities at FVOCI	11	1,625,890	(5,834)
		<b>1,625,890</b>	<b>(5,834)</b>
<b>Other comprehensive income (loss)</b>		<b>1,626,573</b>	<b>(6,541)</b>
<b>Total comprehensive income (loss) for the period</b>		<b>1,635,876</b>	<b>(407,406)</b>

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2019

	Share capital KD	Share premium KD	Treasury Shares KD	Statutory reserve KD	Voluntary reserve KD	Other reserves (Note 11) KD	Retained earnings (accumulated losses) KD	Total KD
Balance as at 1 January 2019	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,105,162	(9,857,205)	56,271,725
Profit for the period	-	-	-	-	-	-	9,303	9,303
Other comprehensive income	-	-	-	-	-	1,626,573	-	1,626,573
Total comprehensive income for the period	-	-	-	-	-	1,626,573	9,303	1,635,876
Extinguishment of accumulated losses (Note 18)	-	(5,287,545)	-	-	(4,569,660)	-	9,857,205	-
<b>Balance as at 31 March 2019</b>	<b>50,984,499</b>	<b>327,188</b>	<b>(714,784)</b>	<b>4,569,660</b>	<b>-</b>	<b>2,731,735</b>	<b>9,303</b>	<b>57,907,601</b>
Balance as at 1 January 2018	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,346,439	(8,538,280)	57,831,927
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	(227,318)	-	(227,318)
Restated balance as at 1 January 2018	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,119,121	(8,538,280)	57,604,609
Loss for the period	-	-	-	-	-	-	(400,865)	(400,865)
Other comprehensive losses	-	-	-	-	-	(6,541)	-	(6,541)
Total comprehensive losses for the period	-	-	-	-	-	(6,541)	(400,865)	(407,406)
<b>Balance as at 31 March 2018</b>	<b>50,984,499</b>	<b>5,614,733</b>	<b>(714,784)</b>	<b>4,569,660</b>	<b>4,569,660</b>	<b>1,112,580</b>	<b>(8,939,145)</b>	<b>57,197,203</b>

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2019

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
<b>OPERATING ACTIVITIES</b>		
Profit (loss) before contribution to Kuwait Foundation For the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat	9,741	(400,865)
<i>Adjustments to reconcile loss for the period to net cash flow:</i>		
Depreciation	430,568	412,307
Provision for employees' end of service benefits	31,752	36,712
Dividend income	(311,894)	(276,534)
Finance costs	1,211,556	1,240,570
Reversal of provision for doubtful debts	(39,816)	(5,443)
	<u>1,331,907</u>	<u>1,006,747</u>
Changes in operating assets and liabilities:		
Trade and other receivables	(179,192)	(315,569)
Trade and other payables	220,255	(120,177)
	<u>1,372,970</u>	<u>571,001</u>
Cash flows from operations	1,372,970	571,001
Employees' end of service benefits paid	(35,292)	(13,311)
	<u>1,337,678</u>	<u>557,690</u>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(68,736)	(237,353)
Additions to properties under development	-	(94,336)
Additions to investment properties	(32,900)	(35,537)
Additions to investment securities at FVOCI	-	(288,746)
Dividends income received	-	276,534
	<u>(101,636)</u>	<u>(379,438)</u>
<b>FINANCING ACTIVITIES</b>		
Loans and bank facilities	(3,034,713)	61,719
Finance costs paid	(1,211,556)	(136,837)
	<u>(4,246,269)</u>	<u>(75,118)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(3,010,227)</u>	<u>103,134</u>
Foreign currency translation adjustments	(47,252)	284,307
Cash and cash equivalents at the beginning of the period	3,377,451	813,893
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>319,972</u></u>	<u><u>1,201,334</u></u>

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.



# Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2019

### 1 COMPANY'S INCORPORATION

Al-Arabiya Real Estate Company K.S.C.P. the "Parent Company" was established in the State of Kuwait on 21 September 1976 and is listed in Bursa Kuwait.

The head office of the Parent Company is located at Sharq, Ahmed Al-Jaber St., Emad Commercial Center, State of Kuwait. The main objectives of the Parent Company are:

- Carrying out various real estate commercial activities including procurement, sale of investments in lands and properties, managing properties for others, undertaking contracting activities and trading in all materials related to construction or required for it.
- Setting up commercial markets, tourism, sport and entertainment facilities.
- Constructing, acquiring and managing hotels and its tourism activities.
- Managing real estate portfolios for the Parent Company only and investment in the shares and projects of other companies whose activities are similar to the Parent Company's activities, establish and manage real estate investment funds only, and use the available financial surplus of the Parent Company for investment in financial and real estate portfolios managed by specialized companies.

The Parent Company is a subsidiary of Bukhamseen Group Holding Company K.S.C. (Holding) (the "Ultimate Parent Company").

This interim condensed consolidated financial information includes the financial information of the Parent Company and its wholly owned subsidiaries and Hotels (together referred to as "the Group") as follows:

	<i>Incorporation</i>		<i>Legal</i>	<i>Ownership (%)</i>	<i>Ownership (%)</i>	<i>Ownership (%)</i>
	<i>country</i>	<i>Activity</i>	<i>entity</i>	<i>31 March 2019</i>	<i>31 December 2018</i>	<i>31 March 2018</i>
Holiday Inn Hotel	Kuwait	Services	Hotel	100	100	100
Rotana Al Sharja Hotel (Note 6)	UAE	Services	Hotel	100	100	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	100	100	100

The Parent Company's Board of Directors on 15 May 2019 approved this interim condensed consolidated financial information as at 31 March 2019 for issue.

### 2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group realized a profit of KD 9,303 for the three months period ended 31 March 2019 (31 March 2018: loss of KD 400,865) and, as at that date, the Group's current liabilities exceeded its current assets by KD 23,645,009 (31 December 2018: KD 23,571,878 and 31 March 2018: KD 25,583,246).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that loan repayments will be met out of operating cash flows. Further, the main shareholders of the Parent Company continue to provide and arrange financial support (as necessary) to enable the Group to meet its financial obligations as they fall due.

The interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to restructure its debt with the banks and meet the mandatory repayment terms of the banking facilities as disclosed in Note 12 to the interim condensed consolidated financial information. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realize its assets and discharge its liabilities in the normal course of business at the amounts stated in the interim condensed consolidated financial information but the Group is confident of the successful outcome of negotiations with the banks.

Notwithstanding with the above facts, the interim condensed consolidated financial information has been prepared on a going concern basis as the shareholders continue to support the Group and provide necessary funds to meet the Group's liabilities as and when they become due. The interim condensed consolidated financial information do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 31 March 2019

**3.1 BASIS OF PREPARATION**

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, "Interim Financial Reporting". Accordingly, it does not include all of the information and footnotes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2018.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements of the Group for the year ended 31 December 2018 except for the adoption of IFRS 16: Leases from 1 January 2019. The change in the accounting policies arising from the adoption of these standards are explained below.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

**3.2 ADOPTION OF IFRS 16: LEASES**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance cost and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has recorded right-of-use assets representing the right to use the underlying assets under property and equipment and the corresponding lease liabilities to make lease payments under other liabilities.

### 3.2 ADOPTION OF IFRS 16: LEASES (continued)

#### *Summary of new accounting policies*

The accounting policies of the Group upon adoption of IFRS 16 are as follows:

#### a. Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

#### b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### c. Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

#### *Impact on adoption of IFRS 16*

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the interim condensed consolidated statement of financial position. The carrying value of right of use assets and lease liabilities as at 31 March 2019 amounts to KD 221,411 and KD 222,824 respectively.

Depreciation charge for right-of-use assets for the period amounts to KD 8,516 and is included in 'depreciation' in the interim condensed consolidated statement of income. Rent expenses included in 'other expenses' is lower to the extent of KD 7,103 during the period as a result of applying IFRS 16.

# Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2019

### 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<i>31 March 2019</i>	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>Investment securities at FVOCI:</i>			
Quoted securities	11,439,085	-	11,439,085
Unquoted securities	-	1,055,334	1,055,334
	<u>11,439,085</u>	<u>1,055,334</u>	<u>12,494,419</u>
<i>31 December 2018</i>	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>Financial assets available for sale:</i>			
Quoted securities	9,931,195	-	9,931,195
Unquoted securities	-	937,334	937,334
	<u>9,931,195</u>	<u>937,334</u>	<u>10,868,529</u>
<i>31 March 2018</i>	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>Financial assets available for sale:</i>			
Quoted securities	9,729,123	-	9,729,123
Unquoted securities	-	1,172,685	1,172,685
	<u>9,729,123</u>	<u>1,172,685</u>	<u>10,901,808</u>

During the period ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers out of Level 3 fair value measurements.

### 5 INVESTMENT PROPERTIES

	<i>31 March 2019 KD</i>	<i>31 December 2018 (Audited) KD</i>	<i>31 March 2018 KD</i>
Properties inside Kuwait	76,662,900	76,630,000	76,868,537
Properties outside Kuwait	42,221,422	42,098,760	42,182,065
	<u>118,884,322</u>	<u>118,728,760</u>	<u>119,050,602</u>

Certain investment properties are pledged against loans and bank facilities granted to the Group (Note 12).

# Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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### 6 NET ASSETS OF UNCONSOLIDATED HOTEL / PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2015, the Group had lost control on Rotana Al Sharja hotel (a Hotel fully owned by the Group) as a result of being under receivership (Note 12). Accordingly, the Group has ceased to consolidate the financial statements of the hotel.

The net value of the land, buildings of Rotana Al Sharja Hotel amount to KD 784,435 as at 31 March 2019 (31 December 2018: KD 823,963 and 31 March 2018: KD 942,546), which is included under property, plant and equipment in the interim condensed consolidated statement of financial position as at that date.

Net assets of unconsolidated hotel represents the net amount receivable from the liquidation of the Rotana Al Sharjah hotel (Note 12).

### 7 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the Group's investment in Sharm Dreams for Real Estate Development Company (S.A.E.) 21.88%.

The carrying amount of the Group's investment in the associate was determined based on the latest audited financial statements as at 31 December 2018.

### 8 INVESTMENT SECURITIES AT FVOCI / FINANCIAL ASSETS AVAILABLE FOR SALE

The fair value of the investment securities at FVOCI was determined as per the valuation bases disclosed in Note 4.

Investment securities at FVOCI represents shares in related parties companies whose activities are not similar to the Parent Company's activities amounting to KD 12,494,419 (Financial assets available for sale as at 31 December 2018: KD 10,868,529 and 31 March 2018: KD 10,901,808).

Investment securities at FVOCI amounting to KD 8,700,028 (Financial assets available for sale as at 31 December 2018: KD 7,245,450 and 31 March 2018: KD 6,312,322) are pledged against loans and bank facilities (Note 12).

### 9 TRADE AND OTHER RECEIVABLES

	<i>31 March 2019 KD</i>	<i>31 December 2018 (Audited) KD</i>	<i>31 March 2018 KD</i>
Compensation receivables*	10,057,080	10,057,080	10,057,080
Provision for impairment	(3,017,125)	(3,017,125)	(3,017,125)
	<u>7,039,955</u>	<u>7,039,955</u>	<u>7,039,955</u>
Receivables	1,278,940	1,391,414	1,215,643
Advance payment for purchasing of investment properties	626,545	626,545	626,545
Prepaid expenses	49,867	29,063	180,143
Advance payments to contractors	119,733	6,236	28,487
Staff receivables	25,350	25,905	23,864
Due from related parties (Note 16)	135,295	121,160	610,401
Other	1,085,657	629,978	478,500
	<u>10,361,342</u>	<u>9,870,256</u>	<u>10,203,538</u>
Impairment	(836,969)	(876,785)	(831,849)
	<u>9,524,373</u>	<u>8,993,471</u>	<u>9,371,689</u>

\* Compensation receivables represent the compensation due to the Group for a land in Ajman Emirate (UAE) whose ownership was expropriated for public benefit during 1996. The total amount due to the Parent Company as per the letter received from the Municipal Council of Ajman Emirate amounted to AED 220 million (approximately KD 16.76 million) (in kind or cash). According to the letter of the Group's consultant, the Group has recorded an amount of KD 10,057,080 (equivalent to AED 132 million) after deducting AED 88 million (approximately KD 6.70 million) in order to meet the costs and expenses necessary to finalize the claim and collection procedures.

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10 TREASURY SHARES

	31 March 2019	31 December 2018 (Audited)	31 March 2018
Number of shares (share)	4,619,962	4,619,962	4,619,962
Cost of treasury shares (KD)	714,784	714,784	714,784
Percentage to issued shares (%)	0.91	0.91	0.91
Market value (KD)	141,371	133,055	155,231

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

11 OTHER RESERVES

	Treasury shares reserve KD	Cumulative change in fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance as at 1 January 2019	1,098,372	1,302,125	(1,295,335)	1,105,162
Change in fair value of investment securities at FVOCI	-	1,625,890	-	1,625,890
Foreign currency translation adjustment	-	-	683	683
<b>Balance as at 31 March 2019</b>	<b>1,098,372</b>	<b>2,928,015</b>	<b>(1,294,652)</b>	<b>2,731,735</b>
Balance as at 1 January 2018	1,098,372	1,560,361	(1,312,294)	1,346,439
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	(227,318)	-	(227,318)
Restated balance as at 1 January 2018	1,098,372	1,333,043	(1,312,294)	1,119,121
Change in fair value of investment securities at FVOCI	-	(5,834)	-	(5,834)
Foreign currency translation adjustment	-	-	(707)	(707)
<b>Balance as at 31 March 2018</b>	<b>1,098,372</b>	<b>1,327,209</b>	<b>(1,313,001)</b>	<b>1,112,580</b>

12 LOANS AND BANK FACILITIES

	31 March 2018 KD	31 December 2018 (Audited) KD	31 March 2018 KD
<u>Current portion</u>			
Loans and bank facilities	22,977,108	25,881,174	30,391,030
<u>Non-current portion</u>			
Loans and bank facilities	68,384,860	68,440,780	68,273,020
	<b>91,361,968</b>	<b>94,321,954</b>	<b>98,664,050</b>

During previous years, loan installments and related finance costs of KD 16,024,570 (31 December 2018: KD 15,795,418 and 31 March 2018: KD 15,062,052) were past due and unpaid to a regional bank in UAE. The Group is currently taking the necessary procedures to settle or restructure such balance. The bank filed a legal case against the Group and during year ended 31 December 2015. Furthermore, a court judgment was issued, by virtue of which Rotana Al Sharja Hotel (unconsolidated subsidiary) was placed under receivership and the creditor bank was appointed as the receiver until the current dispute between the Group and the bank is settled (Note 6). In April 2018, the Court of First Instance issued a decision whereby the Group was instructed to pay an amount of AED 48 million (approximately KD 4 million) which is already covered by the existing accruals in the books and transfer the title deed of hotel to the creditor bank. The Group filed an appeal on 7 May 2018 against this decision and the hearing scheduled on 3 April 2019 was postponed to 23 May 2019.

# Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

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### 12 LOANS AND BANK FACILITIES (continued)

In January 2018, the Group defaulted in the settlement of loan installment of KD 12 million out of a total loan of KD 83 million to a local bank. During previous year, the Group partially settled an amount of KD 6 million through support obtained from the Ultimate Parent Company. Furthermore, the Group settled the remaining KD 6 million through bank overdraft obtained from the same local bank. During the period, the Group partially settled bank overdraft of KD 4.5 million. Furthermore, the bank agreed to reschedule the remaining overdraft balance as part of the loan.

Loans and bank facilities are granted from local and foreign banks with annual interest rates 2.5% over the Central Bank of Kuwait discount rate for local banks and annual interest rates from 2.25% to 4.5% over EIBOR for foreign banks.

Loans and bank facilities amounting to KD 307,483 (31 December 2018: KD 304,524 and 31 March 2018: KD 300,230) were obtained from a local Islamic financial institutions which are related parties (Note 16).

Loans and bank facilities are granted against pledging the following assets:

	<i>31 March</i> <i>2018</i> <i>KD</i>	<i>31 December</i> <i>2018</i> <i>(Audited)</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
Property, plant and equipment	15,985,677	16,348,065	17,435,236
Properties under development	-	-	1,575,135
Investment properties (Note 5)	76,662,900	76,630,000	76,868,537
Investment securities at FVOCI (Note 8)	8,700,028	7,245,450	6,312,322
	<u>101,348,605</u>	<u>100,223,515</u>	<u>102,191,230</u>

### 13 TRADE AND OTHER PAYABLES

	<i>31 March</i> <i>2018</i> <i>KD</i>	<i>31 December</i> <i>2018</i> <i>(Audited)</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
Trade payables	530,489	455,768	893,817
Due to related parties (Note 16)	5,227,502	5,441,616	602,722
Dividends payables	993,969	993,969	993,969
Accrued expenses and leaves	556,442	444,082	353,357
Refundable deposits	1,408,975	1,039,040	1,281,213
Kuwait Foundation for the Advancement of Science	39,441	39,344	39,344
National Labor Support Tax	51,656	51,412	115,682
Zakat payable	51,206	51,109	89,787
Provision for claims	1,130,535	1,191,565	1,035,524
Other payables	299,207	353,721	359,824
Lease liability	222,824	-	-
	<u>10,512,246</u>	<u>10,061,626</u>	<u>5,765,239</u>

### 14 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings (loss) per share is calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 March 2019.

# Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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### 14 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (continued)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
(Profit) loss for the period	9,303	(400,865)
Weight average number of ordinary outstanding shares (share)	505,225,024	505,225,024
Earnings (loss) per share attributable to the Parent Company's shareholders (fils)	<u>0.02</u>	<u>(0.79)</u>

As there are no dilutive instruments outstanding, basic and diluted loss per share are identical.

### 15 SEGMENT INFORMATION

The main activity of the Group represents the real estate commercial activities such as purchase and sale of lands and properties and investing them and managing properties for others. In addition, the Group invests its financial surpluses by investing directly in the share capital of the companies and financial portfolios managed by specialized parties and companies.

The segments of the Group, which are presented to the management, are represented in the following:

- Real estate: which represents all activities related to real estate including investment properties.
- Hotels: which represents all activities related to establishment, acquiring and managing hotels.
- Investment: which represents all activities related to investing in shares and share capital of the companies.

The following table presents the information about revenues, expenses, finance costs, profit (loss), assets and liabilities for each segment:

<b>31 March 2019</b>	<i>Real estate</i>	<i>Hotels</i>	<i>Investment</i>	<i>Unallocated</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenues	1,386,249	1,568,088	311,894	195,926	3,462,157
Expenses	(198,953)	(1,684,104)	-	(358,240)	(2,241,297)
Finance costs	(1,023,114)	(182,386)	(2,959)	(3,097)	(1,211,556)
Profit (loss)	<u>164,182</u>	<u>(298,402)</u>	<u>308,934</u>	<u>(165,411)</u>	<u>9,303</u>
Assets	<u>118,907,644</u>	<u>18,901,059</u>	<u>13,511,030</u>	<u>8,935,229</u>	<u>160,254,962</u>
Liabilities	<u>76,985,584</u>	<u>17,242,743</u>	<u>1,301,452</u>	<u>6,817,582</u>	<u>102,347,361</u>
<b>31 December 2018</b>	<i>Real estate</i>	<i>Hotels</i>	<i>Investment</i>	<i>Unallocated</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Assets	119,277,985	19,180,201	12,286,900	10,386,906	161,131,992
Liabilities	79,650,650	16,833,572	1,677,922	6,698,123	104,860,267
<b>31 March 2018</b>	<i>Real estate</i>	<i>Hotels</i>	<i>Investment</i>	<i>Unallocated</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenues	1,168,737	1,053,006	276,534	132,388	2,630,665
Expenses	(366,642)	(946,929)	-	(477,389)	(1,790,960)
Finance costs	(1,057,884)	(179,727)	-	(2,959)	(1,240,570)
(Loss) profit	<u>(255,789)</u>	<u>(73,650)</u>	<u>276,534</u>	<u>(347,960)</u>	<u>(400,865)</u>
Assets	<u>121,100,187</u>	<u>20,296,006</u>	<u>12,003,255</u>	<u>8,680,780</u>	<u>162,080,228</u>
Liabilities	<u>1,295,466</u>	<u>16,231,485</u>	<u>1,418,955</u>	<u>85,937,119</u>	<u>104,883,025</u>



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### 16 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. In the ordinary course of business, the Group's transactions during the period included transactions with related parties represented by shareholders and the companies, in which they own principal interests and the Parent Company's key management.

The following is the statement of such transactions and balances:

Interim condensed consolidated statement of income:

	<i>Ultimate parent company</i>	<i>Entities under common control</i>	<i>Other related parties</i>	<i>31 March 2019</i>	<i>31 March 2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Transactions</b>					
Dividend income	-	-	301,894	301,894	276,534
Rental expenses	-	10,200	-	10,200	10,200
Interests on loans and bank facilities	-	2,959	-	2,959	2,959
Marketing fees	-	-	12,747	12,747	12,882
Management fees	-	-	25,291	25,291	40,895
Reservation fees	-	-	6,372	6,372	6,441
Holidex fees	-	-	2,574	2,574	2,252

Interim condensed consolidated statement of financial position:

	<i>Ultimate parent company</i>	<i>Entities under common control</i>	<i>Other related parties</i>	<i>31 March 2019</i>	<i>31 December 2018</i>	<i>31 March 2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Balances</b>						
Due from related parties (Note 9)	-	135,294	-	135,294	121,160	610,401
Due to related parties* (Note 13)	5,199,593	27,909	-	5,227,502	5,441,616	602,722
Investment securities at FVOCI	-	1,138,619	11,355,800	12,494,419	10,868,529	10,901,808
Loans and bank facilities (Note 12)	-	307,483	-	307,483	304,524	300,230

\* Due to related parties includes an amount due to Ultimate Parent Company KD 5,199,593 (31 December 2018:KD 4,789,826) which carries an interest of 2.5% over the Central Bank of Kuwait discount rate.

### Compensation of key management personnel

The remuneration of members of key management during the period were as follows:

	<i>31 March 2019</i>	<i>31 March 2018</i>
	<i>KD</i>	<i>KD</i>
Salaries and remunerations	57,000	54,000
End of service benefits	3,894	3,461

### 17 CONTINGENT LIABILITIES

	<i>31 March 2019</i>	<i>31 December 2018 (Audited)</i>	<i>31 March 2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Letters of guarantee	24,191	24,191	24,191

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**18 ANNUAL GENERAL ASSEMBLY**

The Annual General Assembly of the Parent Company for the year ended 31 December 2018 was held on the 18th of April 2019. Accordingly, the consolidated financial statements for the year ended 31 December 2018 have been approved by the shareholders of the Parent Company.

On 18<sup>th</sup> of April 2019, the Annual General Assembly approved to use the share premium of KD 5,287,545 and voluntary reserve of KD 4,569,660 to extinguish the accumulated losses of KD 9,857,205.